



NATIONAL OPEN UNIVERSITY OF NIGERIA  
FACULTY OF SOCIAL SCIENCES  
DEPARTMENT OF ECONOMICS  
2023\_1 POP EXAMINATION

COURSE TITLE: LABOUR ECONOMICS  
COURSE CODE: ECO 723  
UNIT: 2 UNITS  
TIME ALLOWED: 2 HOURS

INSTRUCTION: ANSWER ANY THREE (3) QUESTIONS. ALL QUESTIONS CARRY EQUAL MARKS

QUESTIONS

QUESTION ONE

1a. Ajudua's utility from consumption and leisure is  $U(C,L) = C.L$ . There are 100 hours in the week and he earns ₦5 per hour.

- (i). What is Ajudua's optimal amount of consumption and leisure if he has no non-labour income? (9.3 Marks)
- (ii). If the government starts a welfare policy that pays  $B$  to all non-workers and pays ₦0 to all workers, at what value of  $B$  will Ajudua's opt out of the labour force in order to go on welfare? (8 Marks)

1b. List six (6) reasons why education is important for the future. (6 Marks)

QUESTION TWO

1a. With the aid of an annotated diagram, elucidate how wages are determined in a perfect competitive market. (17.3 Marks)

1b. Assuming consumption and leisure are normal goods, **what happens to hours worked** when the wage increases if the income effect dominates the substitution effect? (6 Marks)

QUESTION THREE

3a. The supply of labour may be considered from two view-points? List and discuss them. (12.3 Marks).

3b. List and discuss two (2) main factors affecting the demand for labour. (11 Marks).

#### QUESTION FOUR

4a. The tripartite committee setup by the Federal Government of Nigeria to negotiate on the thirty thousand naira (N30,000) minimum wage for Nigerian workers was widely commended as the best way to go about the negotiation. Discuss six (6) possible reasons for the commendation. (15.3 Marks).

4b. How realistic is the model of perfect competition in labour markets? List six (6) reasons. (8 Marks)