



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).