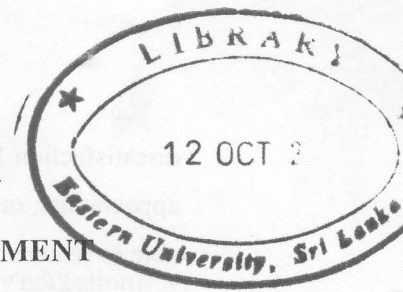


EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT



Third Year First Semester Examination in Bachelor of Business Administration,  
Specialization in Human Resource Management 2009/2010 (August 2011)

ECN 3033 Labour Economics

Answer all questions

Time : 03 Hours

1. Read the following description and answer the questions given below.

In the last decade or so, managers and researchers have expressed much interest in the job satisfaction- and most are tending to view dissatisfaction as a result of *employer policies* concerning job tasks, working conditions or compensation. However, economists view the phenomenon of job satisfaction somewhat differently workers are viewed as making choices of job and employers from among competing alternatives; if they are unhappy in a particular occupation or with the particular employer, they will be motivated to seek other employment. Moreover, pecuniary and non-pecuniary aspects of jobs are viewed as substitutes for each other; for example higher wages might compensate for poor working conditions and lead to overall satisfaction as an outcome of the employer worker matching process and not solely as the result of employer policies. If the matching process is impeded by the factors inhibiting mobility, workers may be “stuck” in jobs they dislike. If workers are aware of alternatives and are able to leave jobs they view as unsatisfactory, they should eventually find something close to their best option.

A survey of job satisfaction around 1970 found that 47 percent of all workers were “very satisfied” with their jobs, roughly 38 percent were “somewhat satisfied” while only 15 percent were either “not too satisfied” or “not at all satisfied”. A more sophisticated statistical analysis of job satisfaction responses in this survey found that workers were more likely to indicate a feeling of satisfaction as they became older as their actual earnings exceeded an estimate of their alternative earnings.

Taken together the above results offer some support for economists’ views. The small number of people who report themselves even slightly dissatisfied, coupled with the finding that

dissatisfaction falls with age, suggests that job mobility may be a remedy for dissatisfaction appears that, on the one hand, employees "try out" occupations and employers, and that they are able to leave situations they dislike. On the other hand, if they realize that the job they have on the whole, better paying than their alternatives, they express greater satisfaction and are presumably less likely to leave it. Thus, a trial and error process, fueled by information about one's alternatives, may well be at work, producing generally satisfactory matches between workers and jobs in the long run.

### Questions

- i. According to the above description, why do workers move from one job to another? (8 M)
  - ii. Discuss whether job mobility may be a remedy for dissatisfaction of job. (10 M)
  - iii. Describe positive and negative impacts of labour migration. (10 M)
- (Total 28 M)
2.
    - i. Define the nature of supply curve of the Monopsonist with diagram. (4 M)
    - ii. Illustrate the income and substitution effects of a change (increase and decrease) in wage. (6 M)
    - iii. Explain how labour is exploited when prevails imperfection in the labour market as product market. (8 M)



3. i. List out the costs and benefits associated with obtaining University education?  
(6 Marks)
- ii. There is a relationship between productivity and on-the-job training. How would you differentiate general and specific on- the -job training?  
(6 Marks)
- iii. Ramesh is now working on a job which pays \$ 8000 per year. He is planning to follow a 1-year automobile mechanics course which entails costs of \$ 1000 for books and tuition. Ramesh estimates that the course will increase his income up to \$ 13,000 in each of the three years following the completion of the course. At the end of those three years, Ramesh plan to retire from that job. The current interest rate is 10 per cent. Is it economically rational for Ramesh to enroll in the course?  
(6 Marks)
4. i. "Trade union is a group of employees who combine together to increase further their own benefits" Explain this statement quoting with any trade union in Sri Lanka.  
( 8 Marks)
- ii. Explain the main features of the Sri Lankan Labour Market.  
(10 Marks)
5. i. Explain the cross price effect of inputs on the labour demand with suitable example.  
(8 Marks)
- ii. "Wage levels differ among employees" Justify this statement with example.  
(10 Marks)