

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

Third Year First Semester Examination in Bachelor of Business Administration,
specialization in Human Resource Management 2004/2005 (August 2007)

HRM 3113 Labour Economics

Answer all questions

Time : 03 Hours

- 01) In 2005, Wales had the highest union density (the proportion of all workers belonging to a union) in the UK. It also had one of the lowest levels of strike activity. Union leaders claimed that this shows the benefit of trade unionism to an employer. The trade union is able to help the employee manage industrial relations in a less confrontational way. It is able to secure the pay and conditions for its members which motivates a workforce and reduces the dissatisfaction which leads to strike action.

However there are the other explanations for the Welsh phenomenon. One is that there is no clear correlation between union density and strike activity across time or between regions and countries. In recent years, falling membership in France has been accompanied by falling strike rate, but the reverse has been true in Sweden. Another possible explanation is that low levels of disputes are linked to job insecurity. Wales is a high unemployment, low wage economy in comparison with the rest of the UK. Many Welsh workers are afraid of the losses they would face if they lost their jobs because of union action. Another factor is that many Welsh workers are relatively young, since older workers have found it difficult to get new jobs once they become out of work. Younger workers are less likely to vote for industrial action. They are more likely to search another job if they are dissatisfied with the pay and conditions. Finally many Welsh employers have signed 'partnership deals' with unions, giving union exclusive rights to represent workers in a place of work in return for flexible labour practices. These deals tend to lay down exhaustive negotiating procedures which make it difficult for industrial action to take place. Some critics of these deals, though, claim that trade unions are then 'captured' by management and cease to represent their members' interest effectively.

In the early 2005, there was a firm called Zerex, whose core business is the manufacture of watches, decided that it had to stop the losses being made at its main plant which is manufactured circuit boards for computers. It cut staff, imposed a wage freeze and cut fringe benefits substantially. The workers came out on strike. The company responded by employing new workers. Several attempts at mediation between unions and management failed because the striking workers refused to accept the compromises negotiated on their behalf.

In June 2005, Zerex announced that it was closing the plant. Although it had a full order book, and indeed had won new business since early 2005 which would have required almost doubling the workforce, the company said that it had been left 'financially exhausted' by the strike. Its employment of non union labour with the old workers manning picket lines outside the factory had attracted worldwide negative publicity for Zerex with a pay freeze and reduced fringe benefit, estimated to amount to a 27 percent pay cut by the unions, the factory can

economically viable. But Zerex was not prepared to run it on this basis if strikers were to continue to get publicity coverage. Neither was it prepared to give in to the strikers and allow the plant to be unprofitable.

- 1) How Wales had a highest union density and lowest level of strikes? Are there any special reasons? Explain. (8 Marks)
- 11) Discuss whether economic efficiency will improve if further restrictions will place on trade union activity. (10 Marks)
- 111) "Trade union raise wage levels in an industry but cause a loss of jobs" Explain, using a diagram and the example of Zerex, why this might be the case. (10 Marks)

O2) I. The following table shows the Total Physical Product (TPP) per week for a small firm as the number of workers employed varies. The price of the product sold is Rs. 100 per unit.

| No. of workers employed | Total Physical Product (TPP) per work |
|-------------------------|---------------------------------------|
| 1 | 10 |
| 2 | 24 |
| 3 | 36 |
| 4 | 44 |
| 5 | 50 |
| 6 | 53 |

- a) Calculate Total Revenue Product (TRP) at each level of employment.
- b) Calculate Marginal Revenue Product (MRP) as employment increases.
- c) Explain how many workers the firm should employ if the weekly wage per worker were 1) Rs. 600 11) Rs. 300 111) Rs. 1200

(10 Marks)

11. Distinguish minimum wage from efficiency wage.

(3 Marks)

111. State different sectors of employment are prevailing in Sri Lanka

(5 Marks)

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THIRD YEAR B.A. HONOURS
2007
1. Differentiate three categories of investment expenditure on education. (3 Marks)
 11. How can you calculate the benefits and costs of the investment on education? Explain with schooling model. (8 Marks)
 111. "Young people are mostly involved in investment on education" Discuss. (7 Marks)
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1. "Wages differ from person to person" Do you agree or disagree? Explain (10 Marks)
 11. What is meant by compensating wage differentials? (3 Marks)
 111. What is the role of conflict in collective bargaining? (5 Marks)
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1. How Monopsony labour market exploits labour? illustrate using suitable diagram. (8Marks)
 11. Critically analyze the feminization of migration in Sri Lanka. (10 Marks)

IV. A B Ltd. manufacture a product and the following particulars are given for the year ended 31st December 2006.

| | |
|------------------|--------------------|
| Minimum usage | 500 units per week |
| Maximum usage | 200 units per week |
| Reorder period | 4 - 5 weeks |
| Reorder quantity | 1000 units |
| Reorder level | 2000 units |

Find maximum and minimum level.

V. A factory buys a product at Rs. 10 per product. Annual requirement is 2000 units. Carrying cost of inventory is 10% p.a. and ordering cost is Rs. 40 per order.

- a. Calculate EOQ. (03 marks)
- b. Suppose, the purchasing officer says that if he orders 2000 units at a time, he get 3% discount from the supplier. Consider the new proposal whether to accept or not. (03 marks)

During 2006, the factory received an order for a job No: 2183. It is estimated that the required direct materials was Rs. 25000 and direct labour was Rs. 50000. Labour remuneration as follows.