

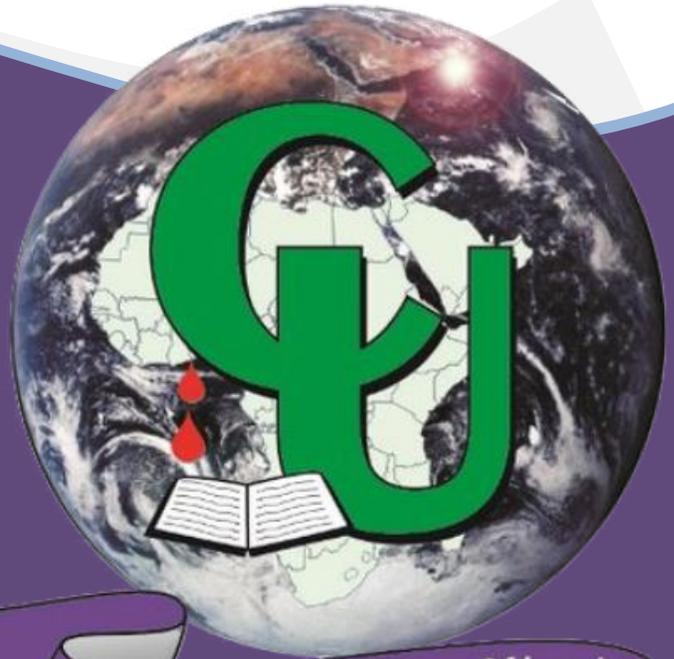
COVENANT UNIVERSITY

TUTORIAL KIT

PROGRAMME: IRH & HRM

OMEGA SEMESTER

400 LEVEL



Raising A New Generation Of Leaders

LIST OF CONTENTS
IRH 424: LABOUR ECONOMICS II



COVENANT UNIVERSITY

CANNAN LAND, KM 10, IDIROKO ROAD

P.M.B. 1023, OTA, OGUN STATE, NIGERIA

TITLE OF EXAMINATION: B.Sc. DEGREE EXAMINATION

COLLEGE: BUSINESS AND SOCIAL SCIENCES

DEPARTMENT: ECONOMICS AND DEVELOPMENT STUDIES

SESSION: 2015/2016

SEMESTER: OMEGA

COURSE CODE: IRH 424

CREDIT UNIT: 3

COURSE TITLE: LABOUR ECONOMICS II

INSTRUCTION: ANSWER ALL QUESTIONS IN SECTION A, AND 3 QUESTIONS IN SECTION B
TIME: 2½ HOURS

SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION [25 MARKS]

1. The concept of compensating wage differentials was first expressed by _____.
 - a) The International Labour Organisation (1876)
 - b) Adam Smith (1876)
 - c) Adam Smith (1776)
 - d) The International Labour Organisation (1776)

●
2. The following are key factors affecting the supply of labour in the labour market EXCEPT _____.
 - a) barriers to entry
 - b) net migration of labour
 - c) availability of substitute labour products
 - d) market price of firm's products

•

3. The Keynesian maxim suggests a benchmark for the level of unemployment in an economy at _____.

- a) 1% b) 3% c) 5% d) 7% e) 9%

•

4. The process of manpower planning in Nigeria is mainly the function of the _____.

a) Ministry of Manpower Planning b) Ministry of Labour and Productivity

- c) Ministry of Employment e) Nigerian Labour Congress

•

5. Which of these models of human capital investment will likely be used in a start-up firm?

- a) Static model b) Dynamic model c) Transition model d) Homogenous model

•

6. In the labour market, one of these will NOT be an illegal business strategy

- a) tax avoidance b) non-resgistration of business

- c) insider dealings d) tax evasion

7. According to the National Bureau of Statistics in Nigeria, which of the following statements is FALSE?

- a) The economically active population comprises the age bracket 15-64 years
- b) The economically active population includes those in the labour force and those not in the labour force
- c) All those in the labour force are a part of the economically active population

d) All those in the economically active population are a part of the labour force

•

8. In recent times, the unemployment rate in Nigeria is calculated as the _____.

• a) total labour force less employment plus underemployment rates

• b) combination of unemployment and underemployment rates

• c) total labour force less economically active population

• d) economically active population less underemployment rate

•

9. Which of following factors will influence the demand for labour?

a) increase in the number of firms in the industry

b) the state of economic affairs

c) decrease in the number of firms in the industry

d) all of the above

•

10. Lucas' Model emphasizes investment in human capital mainly through _____.

• a) learning by experience

b) learning by doing

• c) investment in education

d) investment in research technology

•

11. An example of the organized private sector in Nigeria is the _____.

a) Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)

- b) Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN)
- c) National Association of Nurses and Midwives of Nigeria (NANMN)
- d) Nigerian Union of Teachers (NUT)

12. Which of the following is NOT essentially a feature of the labour market in developing countries?

- a) Highly dualistic
- b) Skill formation systems
- c) Highly dichotomized disparities
- d) Geographical or regional

•

13. The level of activities in the informal sector labour market is as much as _____ percent in developing countries. (1 mark)

- a) 10
- b) 30
- c) 50
- d) 70

•

SECTION B: ANSWER ONLY 3 QUESTIONS FROM THIS SECTION [45 MARKS]

1. (a) With valid examples, differentiate between the following classifications in the labour market:
 - (i) National (local) vs. International LM
 - (ii) Internal vs. External LM (10 marks)
 - (iii) Formal vs. Informal LM (5 marks)

- (b) Highlight five (5) of the unique features of the labour market (15 marks)

2. (a) Having recently graduated from the university, explain four (4) of the most considerable factors to keep investing in developing yourself. How may an employer also use these factors in determining his choice of human capital investment? (8 marks)

- (b) (7 marks)

3. (a) As a supervisor on the factory floor in a firm involved in the production of shoes, which model of human capital will be better suited for your sphere of operations? Give reasons for your answer, stating clearly the advantages and disadvantages of your chosen model. (15 marks)

- (b) The Age-Earnings profile identifies some important characteristics. Explain these in relation to the Human Capital Theory. (5 marks)

- (10 marks)

4. (a) Consensus has it that the example of countries like China in planning her human resource may be helpful to developing countries like Nigeria in aiding her development process, due to high population but with limited human capacity to drive her development process. Discuss your understanding of manpower planning, explaining six (6) reasons why it is useful.

5. (a) Briefly explain five (5) of the important factors to be considered in manpower planning.

- (b) Discuss the relationship between Human Capital and the Endogenous Growth Theory.



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COURSE TITLE: LABOUR ECONOMICS II

COURSE COORDINATOR: DR. EVANS OSABUOHEN

COURSE LECTURERS: PROF. OLURINOLA I. O. AND MS. IBUKUN BEECROFT

MARKING GUIDE

SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION [25 MARKS]

Area covered:

This section runs through the entire modules testing students' general knowledge of them.

- 1) C
- 2) D
- 3) C
- 4) B
- 5) B
- 6) A
- 7) D
- 8) A
- 9) D
- 10) C

- 11) A
- 12) B
- 13) C

Each correct answer carries 2 marks, while the last question is 1 mark, making a total of 25 marks

SECTION B: ANSWER ONLY 3 QUESTIONS FROM THIS SECTION [45 MARKS]

1. a) With valid examples, differentiate between the following classifications in the labour market:

(i) National (local) vs. International LM

(iv) Internal vs. External LM

(v) Modern vs. Traditional LM (10 marks)

(b) Highlight five (5) of the unique features of the labour market (5 marks)

Answer

Area covered: The labour market.

(a) i) National (local) vs. International LM

National labour market talks about the labour market operations within the country, such as the market for Nigerian university lecturers. While international labour markets talk about boundaries that cut across different countries of the world, such as the global market for lecturers and researchers.

(3 marks)

ii) Internal and External

The internal labour refers to as a set of formal rules and procedures within a given employment with an organisation firm while the external labour market entails those that exist outside the particular organisation. An internal labour market is said to exist within a firm if the firm fills higher level positions in the firm mainly by promotion from within the firm. Firms often rely on internal labour markets because: this reduces hiring and training costs; it improves employee morale and motivation; and it reduces the effect of uncertainty (since the firm has already observed worker productivity).

(3 marks)

iii) Modern vs. Traditional LM

The modern labour market is also referred to as the formal sector labour market. It is an organized sector based on rules and regulation. Everything done in a formal sector is done in accordance to the stated and written down laws guiding its operation. The traditional labour market is also referred to as the informal sector labour market. It covers a multiplicity of activities and different types of relationship to work and employment. The sector is difficult to observe, study, define, and measure. Examples of informal LM activities include vehicle repair, radio repair, e.t.c (4 marks)

(b) Highlight five (5) of the unique features of the labour market

- i. Labour services are rented, not sold.
 - ii. Labour productivity is affected majorly by pay & working conditions.
 - iii. The suppliers of labour care about the way in which the labour is used.
 - iv. Each seller of labour possesses subjective preferences.
 - v. The decisions to supply labour and consume goods are strongly interdependent.
 - vi. Suppliers of labour often form unions, and take collective action in pursuit of goals.
 - vii. Psychological factors can have influence on the relationship between employers and employees.
 - viii. The labour market is a non-clearing market, with persistence of unemployment rates.
 - ix. Persistence of wage differentials for similar workers.
 - x. Heterogeneity of workers, jobs and pay systems.
 - xi. Matching and incomplete information issues.
 - xii. Multiplicity of sub markets: geographic, occupational, competitive versus monopsonistic
- (1 mark for each valid point, 5 marks total)

2. (a) Having recently graduated from the university, explain four (4) of the most considerable factors to keep investing in developing yourself. How may an employer also use these factors in determining his choice of human capital investment? (15 marks)

Area covered: Human Capital Investment.

a) The expectation is to articulate the factors influencing human capital investment both from the employee perspective and the employer's perspective. These are:

- Length of income stream
- Costs
- Earning differentials
- Anticipated non-pecuniary benefits

3. (a) As a supervisor on the factory floor in a firm involved in the production of shoes, which model of human capital will be better suited for your sphere of operations? Give reasons for your answer, stating clearly the advantages and disadvantages of your chosen model.

(12 marks)

(b) The Age-Earnings profile identifies some important characteristics. Explain these in relation to the Human Capital Theory. (8 marks)

Area covered: Models of Human Capital Management and Investment.

The fundamentals of the Unique Skill Set models of human capital management strategy is to be discussed, throwing light on their meaning, main merit and demerits.

Unique Skill Set Models - USS staff possesses unique skills and has in-depth processing/business skills. Its set team is very efficient and has no need of any cross-functional training. Here, workers are highly innovative within the process and enable business flexibility/agility. The staff members can determine the process and what actions to take and the order in which they are performed.

In the USS approach, retention of valuable resources is a challenge. It requires more administrative overhead and takes more time for actions/approvals. (2 marks)

Advantages

- Efficient work force
- No much need for training
- It helps for job description.
- Highly innovative within process to enable business agility
- Staff member determine the process, such as what actions to take and the order in which they are performed.

Disadvantages

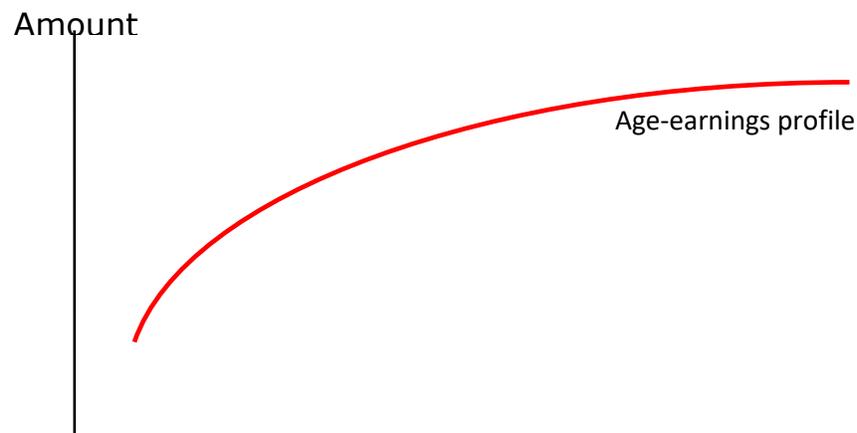
- More admin overhead, takes more time for actions or approval.; monotonicity.
 - Shrinking of talent pool
 - Aging of workforce
 - Retention of valuable workers with fewer capital resources
- (1 mark for each valid point, 6 marks total)

b) The age-earnings profile

The age-earnings profile is upward-sloping and concave. Older workers earn more because they invest less in human capital and because they are collecting the returns from earlier investments. The rate of growth of earnings

slows down over time because workers accumulate less human capital as they get older.

(1 mark)



(1 mark for well-labelled diagram)

Three important properties of age-earnings profiles:

i) Highly educated workers earn more than less educated workers

- The higher the educational attainment, the higher the starting salary, and the cheaper the rise in earnings throughout the early phases of working life
- It is believed that education increases productivity
- Education plays a signaling role in the economy of workers' innate abilities

(2 marks)

ii) Earnings rise over time at a decreasing rate

- All profiles, irrespective of the years of schooling/level of education attained, increase with age up to a maximum point and levels off, or in some cases decline

(1 marks)

iii) The age-earnings profiles of different education cohorts diverge over time

- Earnings increase faster for more educated workers
- The higher the educational attainment, the later the year at which maximum earnings are reached and the higher the retirement earnings.

(2 marks)

4. (a) Consensus has it that the example of countries like China in planning her human resource may be helpful to developing countries like Nigeria in aiding her development process, due to high population but with limited human capacity to drive her development process. Discuss your understanding of manpower planning, explaining six (6) reasons why it is useful.

(15 marks)

Answer

Area covered: Human Resource / Manpower Planning in Developing Countries.

a) The expectation here is an overview of manpower planning in developing countries with contemporary issues and examples. Then explain its importance to developing countries.

- Manpower planning entails the various strategies and mechanism by which developing countries can productively utilise their abundant human resource.
- MP involves the process of estimating the number of persons and the kind of knowledge, skills and attitudes needed in achieving pre-determined targets/objectives.
- It also involves specifying *who is going to do what, when, where, how, with what resources; and for what population/group of individuals.*
- The knowledge and skills necessary for adequate performance can be made available according to predetermined policies and time schedules.
- Manpower planning also entails the process of collecting data about manpower, analyzing it to help the decision makers to take more rational and applicable decisions.

● (3 marks)

Importance of Manpower Planning

- i. There is an established positive relationship between human resource and economic growth.
- ii. It helps to improve the quality of successive economic agents.
- iii. It has been found that when the children's future is developed properly, the family and the society benefit. This is called social returns.
- iv. It helps to keep employee spirits high and increases employee morale thus increasing employer-employee relations, which is essential for industrial peace to ensue.
- v. It develops high quality workforce and enhance workers' productivity.
- vi. It improves technical skills which are beneficial in achieving corporate goals for national development.
- vii. It narrows income gap with respect to educated individuals in the long-run in the country.
- viii. It reduces the level of ignorance in the country and hence improves their political behaviour.
- ix. It helps controls population growth as well-educated and trained people seem to have less number of children.
- x. It dampens restiveness among the ignorant youth because development and training will enable youths *have a mind of their own.*
- xi. It reduces poverty and creates employment via the establishment of training centres.

(2 marks for each explained point, 12 marks in total)

5. (a) Briefly explain five (5) of the important factors to be considered in manpower planning.

(5 marks)

(b) Discuss the relationship between Human Capital and the Endogenous Growth Theory.

(10 marks)

a) MP is interlinked with organizational planning and the HR planning.

Whether it is an organization with no expansion plan or organization with major expansion plan or organization at start up, the conceptual approach is the same.

Important factors that need to be considered are:

- Investment dimension
- Time frame
- Product plan / range
- Nature of operation
- Geographical coverage
- Distribution / channel plan, etc.

These factors in addition to the corporate planning objectives/strategies would dictate the design of manpower / HR planning strategies or policies.

(1 mark for each explained point, 5 marks in total)

b) Investment in human capital is emphasized by the Endogenous Growth Theory. According to this theory, technical progress is as a result of the rate of investment, the size of the capital stock and the stock of human capital are key to economic growth. (2 marks)

Some of the models of the endogenous growth theory in relation to human capital investments are:

- The Arrow Model - Learning by doing (experience)
- The Levhari-Sheshinski Model - Spill-over effects of increased knowledge (from one firm) are the source of knowledge for other firms who enjoy this at zero cost
- King-Robson Model - Learning by watching (externalities)
- Romer Model (1986) - Learning by investment (creation of new knowledge via investment in research technology).
- Romer's Model of Technological Change (1990) - Production of ideas. Ideas are more important than natural resources
- Lucas Model - Investment in human capital via investment in education

(2 marks for each explained point, 8 marks total)