

UNIVERSITY OF COLOMBO, SRI LANKA
FACULTY OF GRADUATE STUDIES

Postgraduate Diploma in Labour relations and Human Resource Management
Examination – 2018 (repeat)
(Semester I)

PgD LRHRM 501 - Labour Economics

Three (03) Hours

Instructions:

Answer Four (04) Questions Only.

1. i. Identify the nature of the unemployment in Sri Lanka and compare it with the nature of the unemployment in developed countries drawing your special attention to the educated people.
(12 Marks)
- ii. What factors affect supply of labour? Explain.
(06 Marks)
- iii. What would happen to supply of labour, when the income effect dominates over substitution effect.
(07 Marks)

(Total 25 marks)

2. i. "Employment of an economy fluctuates as greatly as fluctuation of aggregate demand". Do you agree with this statement? Justify your answer.
(12 Marks)
- ii. "Decision to employ workers depends on cost and benefit of doing so". Do you agree with this statement? Justify your answer.
(07 Marks)
- iii. "Demand for labour is derived demand" Do you agree with this statement? Justify your answer.
(06 Marks)

(Total 25 marks)

3. i. Identify institutional setups where the theory of tournament would work properly as well as weakly.
(10 Marks)
- ii. Under what circumstances do you justify the wage inequality of an economy?
(08 Marks)
- iii. What policy makers can do to mitigate the wage inequity issue? Explain.
(07 Marks)

(Total 25 marks)

4. i. Explain the difference between 'frictional unemployment' and 'structural unemployment'.
(08 Marks)
- ii. What do you mean by 'unemployment insurance'? How does it affect unemployment?
(08 Marks)
- iii. What are the reasons for wage rigidity? How do these reasons affect unemployment?
(09 Marks)
- (Total 25 marks)**
5. i. Identify the relationship between population, labour force and output of an economy.
(07 Marks)
- ii. Explain the relationship between inflation and unemployment using the Phillips curve analysis.
(08 Marks)
- iii. How does migration make structural changes within a developing economy? Explain.
(10 Marks)
- (Total 25 marks)**
