



009

UNIVERSITY OF RUHUNA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Degree Programme 3000 Level Semester II

End Examination (Old Syllabus) March/April 2021

HRM 3242 - Personnel Economics

Duration : Three hours

The question paper contains five (05) questions.

Answer all questions.

(1)

“In an imperfect labour market the competitive view of the labour market does not hold and job brings some pure surplus to worker and firm.”

i. What does it mean by a “Pure Surplus of a Job”?

(03 marks)

ii. How the imperfect labour market differs from a perfect labour market? Briefly explain.

(05 marks)

iii. Describe the following concepts in relation to imperfect labour market.

a) Firm surplus

b) Worker surplus

c) Total surplus

(06 marks)

(Total marks 14)

(2)

“Worker heterogeneity leads to obtain additional income to the workers, if they do well and it improves the firm productivity.”

i. What does it mean by “Worker Heterogeneity”?

(03 marks)

ii. List out and explain the types of differential pay plans that can be introduced in a firm. (05 marks)

iii. Describe the effects of differential pay plans on the performance of a firm by highlighting the theoretical predictions associated with such payment structures.

(06 marks)

(Total marks 14)

(3)

“Hours-employment trade-off is considered as one of the key dimensions that need to be considered when choosing the right balance of the workforce.”

i. What does it mean by “Hours-Employment Trade-Off”?

(03 marks)

ii. How this problem can be overcome in an imperfect labour market? Briefly explain.

(05 marks)

iii. Describe the major costs associated with acquiring the services of labour.

(06 marks)

(Total marks 14)

(4)

“In the economics of imperfect information, each time an uninformed party offers an option to the informed party, asymmetric information problem occurs.”

i. What does it mean by “Asymmetric Information Problem”?

(03 marks)

ii. Briefly explain how the asymmetric information problem effects on adverse selection of employees in an organization.

(05 marks)

iii. Describe how an organization can overcome the problem of adverse selection of employees.

(06 marks)

(Total marks 14)

(5)

Write short notes on the following concepts.

- i. Wage Cuts
- ii. General Training
- iii. Indifference Curve
- iv. Labour Hoarding

(3 ¹/₂ marks for each)

(Total marks 14)