



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 07BECO	LEVEL: 7
COURSE CODE: LAE612S	COURSE NAME: LABOUR ECONOMICS
SESSION: FEBRUARY 2020	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
1. Answer ALL the questions 2. Write clearly and neatly. 3. Number the answers clearly.

PERMISSIBLE MATERIALS

1. Scientific calculator
2. Pen and Pencil
3. Ruler

THIS QUESTION PAPER CONSISTS OF _6_ PAGES (Including this front page)

QUESTION ONE**[20 MARKS]****Which of the following is NOT a positive question?**

- a) What is the labour force number in 2010?
- b) What is the unemployment rate in 2017?
- c) What is the eligible age range for the youth wage subsidy?
- d) Should minimum wage in the mining sector be reduced?
- e) What is the difference between short run and long run in production?

Which of the following is a normative question?

- a) What are the labour force numbers by gender in 2015?
- b) What are the unemployment rates by province in 2016?
- c) What is the eligible age range for the youth wage subsidy?
- d) What is the difference between unemployment and underemployment?
- e) Should minimum wage in the taxi sector be revised upwards next year?

Which of the following is NOT an assumption of a perfectly competitive labour market?

- (a) Workers have full information on jobs available and wage rates.
- (b) Employers have full information on wage rates paid by other employers.
- (c) Workers and employers are entirely rational.
- (d) Neither workers nor enterprises exercise any influence over the market wage.
- (e) Workers are immobile and will only work in the same region in their entire lives.

Which of the following group of people is NOT defined as part of the labour force?

- a) Formal-sector employees
- b) Informal-sector employees
- c) Self-employed
- d) Unemployed
- e) Full-time students

Use the information in the following table to calculate the total labour force (LF) of a hypothetical country in 2018:

Employees	7 500 000
Employers	1 000 000
Self-employed	1 500 000
Unemployed	5 000 000
Inactive	8 000 000

- a) LF = 2 500 000
- b) LF = 9 000 000
- c) LF = 10 000 000
- d) LF = 15 000 000
- e) LF = 23 000 000

Use the information in the following table to calculate the labour force participation rate (LFPR) of a hypothetical country in 2016. Round off the answer to 2 decimal places.

Full population (all ages)	4 000 000
Working-age population	3 000 000
Labour force	2 000 000

- (a) LFPR = 50.00%
- (b) LFPR = 66.67%
- (c) LFPR = 75.00%
- (d) LFPR = 80.00%
- (e) LFPR = 100.00%

Assuming leisure is an inferior good, then an increase in non-labour income will result in the hours of work to

- (a) decrease.
- (b) increase.
- (c) stay the same.
- (d) either decrease or increase.
- (e) drop to zero with 100% certainty.

Use the information in the following table to calculate the employment elasticity of economic growth of a hypothetical country between 2015 and 2016.

Year	Real GDP	Number of employed
2015	1 000 000	500 000
2016	1 100 000	600 000

- a) Employment elasticity of economic growth = 0.50
- b) Employment elasticity of economic growth = 1.00
- c) Employment elasticity of economic growth = 1.50
- d) Employment elasticity of economic growth = 2.00
- e) Employment elasticity of economic growth = 2.50

Which of the following is an example of visible underemployment?

- a) An employed person involuntarily works longer than normal hours.
- b) An employed person involuntarily works fewer than normal hours.
- c) An employed person voluntarily works fewer than normal hours.
- d) An employed person has his or her labour resources misallocated.
- e) An employed person does not work at all.

The value of the marginal product of labour is equal to the product of:

- a) the marginal product of labour and marginal cost of production.
- b) the marginal product of labour and price.
- c) the average product of labour and the average cost of production.
- d) the average product of labour and price.
- e) the marginal product of labour and average revenue.

SECTION TWO**80 MARKS****QUESTION ONE****[20 MARKS]**

- a) Explain the main differences between the labour market and the goods market. Students may refer to section [10 marks]
- b) Given the following leisure-income bundles, use the chord method to calculate the marginal rate of substitution (MRS) and make sure to use a graph in answering this question, given that the marginal utility of income (MU_Y) and marginal utility of leisure (MU_L) are 4 and 40 respectively: bundle A: 4 hours of leisure, income equals N\$200, utility equals 200 utils; bundle B: 4 hours of leisure, income equals R100, utility equals 100 utils; bundle C: 7 hours of leisure, income equals N\$100, utility equals 200 utils. [10 marks]

QUESTION TWO**[20 MARKS]**

- a) Use the information from the following table to calculate the elasticity of labour supply of the four individuals as hourly wage doubles from N\$20 to N\$40. Show all calculations and interpret the answers by indicating the effect which is dominating. [8 marks]

	Person A	Person B
Original wage	20	20
New wage	40	40
Original work hours	6	6
New work hours	14	5

- b) Discuss the impact of high unemployment on wages in Namibia. [8 marks]
- c) Explain the difference between visible and invisible underemployment with the aid of an example in each case [4 marks]

QUESTION THREE**[20 MARKS]**

- a) Discuss the various stages that a population might be expected to pass through in terms of demographic developments. [8 marks]
- b) Discuss any six factors that determine the relative power of the collective bargaining parties. [12 marks]

QUESTION FOUR

[20 MARKS]

- a) Discuss the arguments for the determination of minimum wages [5 marks]
- b) Define the four types of unemployment, with the aid of an example in each case. [8 marks]
- c) Will high wages increase economic growth? [7 marks]

All the best