



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCE AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 07BECO	LEVEL: 7
COURSE CODE: LAE612S	COURSE NAME: LABOUR ECONOMICS
SESSION: DECEMBER 2025	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	MR. PINEHAS NANGULA
MODERATOR:	MR ESLON NGEENDEPI

<p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">1. Answer ALL the questions2. Write clearly and neatly.3. Number the answers clearly.
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PERMISSIBLE MATERIALS

1. Scientific calculator
2. Pen and Pencil

THIS QUESTION PAPER CONSISTS OF 5 PAGES (Including this front page)

QUESTION ONE
MULTIPLE CHOICE QUESTIONS

[20 MARKS]

1. The substitution effect in the labour market occurs when: [2 marks]
 - a) A wage increase raises firm output
 - b) Firms substitute cheaper inputs for relatively more expensive ones
 - c) Workers demand more leisure
 - d) Labour productivity rises

2. A firm will continue to hire additional workers until: [2 marks]
 - a) Total product is maximised
 - b) Marginal product is greater than average product
 - c) Value for marginal product equals the wage rate
 - d) Labour supply is exhausted

3. If a worker responds to a wage increase by reducing hours worked, which effect is said to dominate? [2 marks]
 - a) A. Substitution effect
 - b) B. Income effect
 - c) C. Both effects are equal
 - d) D. Neither effect

4. Which of the following scenarios best illustrates the substitution effect dominating in the labour market? [2 marks]
 - a) A professional starts working overtime after a pay raise
 - b) A retiree cuts back work after receiving a pension
 - c) A worker maintains the same hours after a small wage change
 - d) A worker decreases hours after a significant bonus

5. A worker treats leisure as a normal good. If wages rise and the worker reduces hours worked, this is because: [2 marks]
 - a) Substitution effect dominates
 - b) Income effect dominates

- c) The worker is indifferent
 - d) The labour market is perfectly competitive
6. Which statement is TRUE about the income and substitution effects in labour supply? [2 marks]
- a) The substitution effect always leads to less work
 - b) The income effect always leads to more work
 - c) If wages rise, substitution effect tends to increase labor supplied
 - d) Income and substitution effects cannot occur simultaneously
7. If the substitution effect dominates, the labour supply curve is: [2 marks]
- a) Upward sloping
 - b) Downward sloping
 - c) Vertical
 - d) Horizontal
8. Which factor increases the likelihood that the income effect will dominate in labor supply decisions? [2 marks]
- a) Worker has very low income
 - b) Worker highly values leisure
 - c) Wages are decreasing
 - d) Labor is perfectly elastic
9. Which of the following is NOT a unique characteristic of the labour market? [2 marks]
- a) Employer only purchases the services of the workers by means of a contractual relationship.
 - b) The worker's personality characteristics can't be fully determined by the employer before employment starts.
 - c) The worker's personality characteristics change over time.
 - d) The worker's remuneration is affected by personal taxation and his or her standard of living but is unaffected by inflation.
10. Which of the following group of people is NOT defined as part of the labour force?

[2 marks]

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

QUESTION TWO

[30 MARKS]

- a) Production function is $Q(K, E) = 10\sqrt{K} E^{\frac{3}{2}}$ where K is capital and E is employment in work hours. The initial cost of employment per hour is N\$45.00, cost capital per hour is N\$55.00 and the total cost available is N\$5000. Use the information above to construct long-run demand curve for labour when the cost of employment increases to N\$65.00.

[20 marks]

- b) Fill the table below for a hypothetical firm operating as a non-discriminating monopsonist

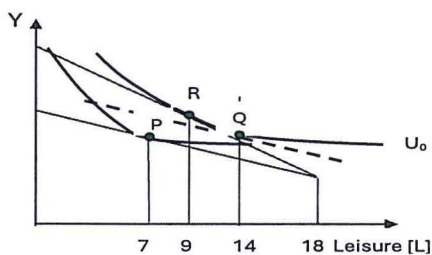
[10 marks]

Wage (<i>W</i>)	Employment (<i>E</i>)	Total costs	Marginal cost (<i>MC</i>)
800	1	a)	f)
1300	2	b)	g)
1800	3	c)	h)
2300	4	d)	i)
2800	5	e)	j)

QUESTION THREE

[50 MARKS]

- a) If wage rate increases from N\$25.00 to N\$35.00 but non-labour income and total hours remain constant.



- i. Which effect is dominating in the figure above given that leisure is a normal good.

- Show your calculations and explain your answer. [15 marks]
- ii. Construct individual labour supply curve associated with the change in wage [5 marks]
 - b) Discuss the differences between atypical and underemployment [5 marks]
 - c) Discuss five main differences between capital and labour intensive [10 marks]
 - d) In a water industry, labour supply is $E_s = 10 + 2w$ and labour demand is $E_d = 24 - 3w$.
At the same time, in the beef industry, labour supply is $E_s = -2 + 2w$ and labour demand is $E_d = 15 - 2w$, where E is the level of employment and w is the hourly wage.
 - i. Calculate the market wage rate in each industry where the unemployment rate is equal to zero. [5 marks]
 - ii. Suppose the government sets a minimum hourly wage of N\$5.50 in both industries, as an economist, which industry will benefit more from this policy? You are expected to comment based on the unemployment rate in each industry. [10 marks]

All the best