



**PAMIBIA UNIVERSITY**  
OF SCIENCE AND TECHNOLOGY

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE**

<b>QUALIFICATION: BACHELOR OF ECONOMICS</b>	
<b>QUALIFICATION CODE:</b> 07BECO	<b>LEVEL: 7</b>
<b>COURSE CODE:</b> LAE612S	<b>COURSE NAME:</b> LABOUR ECONOMICS
<b>SESSION:</b> NOVEMBER 2019	<b>PAPER:</b> THEORY
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	MR. PINEHAS NANGULA
<b>MODERATOR:</b>	MRS. NDESHEETELWA SHITENGA

<b>INSTRUCTIONS</b>
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]****1. Which of the following is a positive question?**

- (a) Should government implement a transport subsidy to encourage the unemployed to seek work?
- (b) Should government aim to reduce unemployment rate to 10% instead of 5% by the end of 2020?
- (c) What is the African share of unemployed in 2016?
- (d) Should minimum wage in the hospitality sector be increased?
- (e) Should the Unemployment Insurance Act be abolished?

**2. Which of the following is NOT a normative question?**

- (a) Should government revise the Labour Relations Act?
- (b) Should government increase the minimum wage in accordance with the inflation rate?
- (c) What is the female share of labour force in 2017?
- (d) Should minimum wage in the hospitality sector be reduced next year?
- (e) Should the youth wage subsidy be extended to people aged 30–34 years?

**3. Which of the following is NOT a unique characteristic of the labour market?**

- a) The worker is not a product but a human being.
- b) The employer only purchases the services of the workers by means of a contractual relationship.
- c) Workers are not standardised, since they are different in terms of skills, personality, etc.
- d) Personality characteristics of the workers can be fully determined by the employer before employment starts.
- e) Personality characteristics of the workers change over time.

**4. 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) Retired

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

Formal-sector workers	8 000 000
Informal-sector workers	3 000 000
Unemployed	2 500 000
Inactive	7 500 000

- a) LF = 8 000 000
- b) LF = 10 500 000
- c) LF = 11 000 000
- d) LF = 13 500 000
- e) LF = 21 000 000

6. Use the information in the following table to calculate the labour force participation rate (LFPR) of a hypothetical country in 2018. Round off the answer to 2 decimal places.

Full population (all ages)	3 000 000
Working-age population	2 500 000
Labour force	2 000 000

- a) LFPR = 66.67%
- b) LFPR = 80.00%
- c) LFPR = 83.33%
- d) LFPR = 90.00%
- e) LFPR = 100.00%

7. Assuming leisure is a normal good, then an increase in non-labour income will result in the hours of leisure to

- a) decrease.
- b) increase.

- c) stay the same.
- d) either decrease or increase.
- e) increase to 24 hours a day with 100% certainty.

**8. The demand for labour is a derived demand because it is derived from**

- a) the quantity of the product supplied to the market.
- b) the number of people willing to work at a particular wage.
- c) the price of labour, which is the wage.
- d) the demand for the product or service for which the labour is used.
- e) all of the above are true.

**9. What is the correct formula to calculate the employment elasticity of economic growth (also known as employment coefficient)?**

- a)  $\% \text{ change in unemployment} / \% \text{ change in economic growth}$
- b)  $\% \text{ change in employment} / \% \text{ change in price}$
- c)  $\% \text{ change in employment} / \% \text{ change in economic growth}$
- d)  $\% \text{ change in economic growth} / \% \text{ change in employment}$

**10. In the long run, the profit-maximising firm will select labour and capital so that**

- a) labour quantity equals capital quantity.
- b) the wage per unit of labour equals the rental cost of a unit of capital.
- c) marginal product of labour equals marginal product of capital.
- d) average product of labour equals average product of capital.
- e) marginal product divided by wage per unit of labour equals marginal product of capital divided by rental cost per unit of capital.

**QUESTION ONE****[20 MARKS]**

Discuss the assumptions of a perfectly competitive labour market, before explaining, with the aid of examples, why not all these assumptions may hold in the real world. [20 marks]

**QUESTION TWO****[20 MARKS]**

- a) Explain, with the aid of two separate figures, how the wage increase in the unionised sector would have an impact on wages and on employment in the unionised sector and non-unionised sector, assuming an upward-sloping labour supply curve in both sectors. Explain why unemployment takes place in both sectors. [12 marks]
- b) Use a graphic illustration to describe briefly what the influence of each of the following would be on the market supply of labour:
- i) An increase in immigrants [2 marks]
  - ii) A reduction in wage rates [2 marks]
  - iii) More women entering the labour market [2 marks]
  - iv) More students studying full-time [2 marks]

**QUESTION THREE****[20 MARKS]**

Andy insists all humans must spend one-third of their lives sleeping, that is, spending 8 hours per day sleeping. The remaining hours are allocated to either work or leisure. His hourly wage is N\$10. He does not earn any non-labour income.

- a) Draw his budget line and label your graph well with income on vertical axis [4 marks]
- b) Assume Andy won a lottery prize of N\$100 income or in other word his non labour income is N\$100. If Andy's utility function is  $U(Y, L) = 4YLU$  where Y is income and L is leisure hour. Calculate the combination of income and leisure hours that will give him the highest-level of satisfaction. Present your answer using a graph. [16 marks]

**QUESTION FOUR****[20 MARKS]**

- a) Explain how wage is determine in the following markets: [6 marks]
- i) Perfect competitive labour market [2 marks]
  - ii) Monopsony labour market [2 marks]

- iii) Labour market with collective bargaining [2 marks]
- b) Discuss the possible five reasons for wage differentials in the Namibia labour market, and possible measures to reduce these differentials. [10 marks]
- c) Discuss any four factors that determine the relative power of the collective bargaining parties [4 marks]

*All the best*