



PAMIBIA 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: NOVEMBER 2023	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

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

QUESTION ONE

[20 MARKS]

Multiple choice questions

1. Which of the following is NOT a unique characteristic of the labour market?
 - 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.

2. Which of the following group of people is NOT defined as part of the labour force?
 - a) Informal-sector employees
 - b) Self-employed
 - c) Unemployed
 - d) Full-time students

3. Which of the following statements is/are correct regarding the slope of an indifference curve?
 - I. An indifference curve is downward sloping.
 - II. For a person who places higher value on an additional hour of leisure, his or her indifference curve is relatively flatter.
 - III. The slope of an indifference curve is also called the marginal rate of technical substitution.
 - a) Only [I] is correct.
 - b) Only [II] is correct.
 - c) Only [III] is correct.
 - d) Only [I] and [III] are correct.

4. An increase in non-labour income due to a rise in interest earned from stocks and bonds would cause
 - a) an income effect.
 - b) a substitution effect.
 - c) both an income effect and a substitution effect.

- d) neither an income nor a substitution effect.
5. Otilie's hourly wage increases from N\$100 to N\$150 per hour as a result of promotion. Which of the following is INCORRECT?
- Her utility increases.
 - She increases her hours of work, if the income effect is more dominant.
 - She increases her hours of work, if the substitution effect is more dominant.
 - She decreases her hours of work, if the income effect is more dominant.
6. The firm's labour demand curve in the short run
- is upward sloping.
 - is the downward-sloping segment of the value of the marginal product curve.
 - is the downward-sloping segment of the marginal product of labour curve.
 - is vertical.
7. In the long run, the profit-maximising firm will select labour and capital so that
- labour quantity equals capital quantity.
 - the wage per unit of labour equals the rental cost of a unit of capital.
 - marginal product of labour equals marginal product of capital.
 - marginal product divided by wage per unit of labour equals marginal product of capital divided by rental cost per unit of capital

8. Use the information from the following table to answer :

Firm A	Wage (W)	Rent (R)	Labour (E)	Capital (K)
Output = 100	200	200	100	150
Output = 100	150	200	120	120
Firm B	Wage (W)	Rent (R)	Labour (E)	Capital (K)
Output = 100	200	200	100	150
Output = 100	150	200	150	100

Which of the following statements is/are correct?

- The elasticity of substitution of firm A equals 1.33.

- II. The elasticity of substitution of firm B equals 2.22.
- III. The elasticity of substitution is more elastic for firm B.
- Only [II] is correct.
 - Only [I] and [II] are correct.
 - Only [II] and [III] are correct.
 - All three statements are correct.
9. The value of the marginal product of labour is equal to the product of:
- the marginal product of labour and marginal cost of production.
 - the marginal product of labour and price.
 - the average product of labour and the average cost of production.
 - the average product of labour and price.
10. Which of the following is NOT a unique characteristic of the labour market?
- The worker is not a product but a person.
 - The employer buys the services of the worker, but the employer does not buy the worker.
 - The equilibrium wage in the labour market could be influenced by factors like inflation and the worker's standard of living.
 - The worker's personality characteristics can always be determined fully before employment starts.

QUESTION TWO

[25 MARKS]

a)

These data are for illustrative purpose only not in any way representing Namibia stats in 2020	
	2020
Population working age 15+ years Total (PWA)	2,582,598
Male 15 + years	1,255,688
Female 15 + years	1,326,910
Labour Force	1,166,464
Employed	776,544
Male employed	386,814
Female employed	390,372
Male labour force	572,891

Female labour force	594,215
Youth labour force	616,988
Youth employed	332,614

Use the information provided in the table above to calculate:

- i) Labour force participation rate [3 marks]
 - ii) Labour force absorption rate [3 marks]
 - iii) Namibia unemployment rate in 2020 [3 marks]
 - iv) Male absorption rate [3 marks]
 - v) Female absorption rate [3 marks]
- b) Explain the main differences between the labour market and the goods market. [10 marks]

QUESTION THREE

[25 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. [10 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]
- c) Analyse the impact of a simultaneous increase in demand and supply on market wage and employment. [7 marks]

QUESTION FOUR

[30 MARKET]

- 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 (W)	Employment (E)	Total costs	Marginal cost (MC)
800	1		
1300	2		
1800	3		
2300	4		
2800	5		

All the best