



UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL

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FINAL EXAMINATION  
OCTOBER 2025 SEMESTER

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COURSE CODE : EGB10803  
COURSE TITLE : LABOR ECONOMICS  
PROGRAMME NAME : BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS  
DATE : 29 JANUARY 2026  
TIME : 2:00PM - 5:00PM  
DURATION : 3 HOURS

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INSTRUCTIONS TO CANDIDATES

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1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consist of ONE sections.
4. Section A consist of five questions. Answer FOUR (4) questions only.
5. Please write your answer on the answer booklet provided.
6. Please answer all questions in English only.
7. Refer to the attached Formula/ Appendies.  Tick if applicable

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THERE ARE 5 PAGES OF QUESTIONS INCLUDING THIS PAGE

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## SECTION A (Total: 100 marks)

Answer FOUR (4) questions.

Please use the answer booklet provided.

## Question 1

Evaluate the role of payroll tax and mandated benefit (as regulated by the government) to the equilibrium of a labour market for a particular industry. Your answer must be complemented by an appropriate illustration of a **SINGLE** diagram only.

(25 marks)

## Question 2

(a) Illustrate and explain the market equilibrium for risky jobs. Your explanation should cover the properties of your illustration.

(8 marks)

(b) How does federal intervention on working hazard help the workers? Examine your answer within the hedonic wage function framework. Illustrate your answer with an appropriate diagram to support your answer.

(9 marks)

(c) Mandated benefits may **completely** offset the effects in the labour market equilibrium. Examine this situation with the aid of a proper illustration to support your answer.

(8 marks)

Question 3

- (a) Elaborate **THREE (3)** determinants of resource demand.

(9 marks)

- (b) Consider the table below that shows several key indicators to measure the productivity of its employees. The price charged by the firm is \$2 for every unit produced and the firm has fixed (constant) number of machineries throughout the changes of the number of workers as per this table.

*Refer Below - Figure1 : Labour Productivity Sheet .*

Number of Workers	Output (Units)	Marginal Product (Units)	Average Product (Units)	Value Marginal Product (\$)	Value Average Product (\$)
0	0	-	-	-	-
1	11				
2	27				
3	47				
4	66				
5	83				
6	98				
7	111				
8	122				
9	131				
10	138				

Figure 1: Labour Productivity Sheet

- i. Complete the table above. You are encouraged to rewrite both columns to fill up the remaining empty columns above.

(8 marks)

- ii. Sketch **TWO (2)** diagrams that show the relationships of  
(a) marginal product, average product, and the number of workers  
(b) value marginal product, value average product, and the number of workers  
(4 marks)
- iii. Based on your answer in (ii), briefly explain the characteristics of the shapes of those curves.  
(4 marks)

#### Question 4

- (a) Analyse the change in **quantity demanded for labour** and the **change in labour demand**. Your answer **MUST** include the appropriate illustration of several diagrams. (*Hint: You need to complement your answer with the fundamental framework of markets for goods and services*)  
(15 marks)
- (b) Affirmative action is a policy aimed at promoting diversity and inclusion across all races and religions. However, the extent on the profitability of the company is debatably ambiguous if certain types of firms are termed under this policy. Evaluate the effects of this affirmative action towards both racially discriminating and non-discriminating firms.  
(10 marks)

**Question 5**

It is given that an individual whose preference is towards leisure in comparison to working. The following questions are related to this individual's labour-leisure trade-off.

- (a) If the individual's budget constraint is given as  $C = (wT + V) - wL$  such that  $V > 0$ , illustrate a budget line - indifference curve that represents this person's labour-leisure trade-off with appropriate label. Explain such illustration appropriately.

(9 marks)

- (b) Based on your answer in (a), examine whether this person is still able to earn income if she wishes to only spend her time in leisure, with no intention of working. You are **NOT** required to illustrate anything in this answer.

(7 marks)

- (c) Suppose that the company that she is currently working for has decided to increase her wage as a means to motivate her to clock in for more working hours. Luckily, she turns out to be hugely motivated by this wage increase and she now loves working more than leisure.

Discuss what effect does this wage increase do to her, with the aid of an appropriate illustration of a diagram. Consider that her nonlabour income remains constant.

(9 marks)

**END OF EXAMINATION PAPER**