Modern Labour Economics 1st edition Sloane Test Bank

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1 Q1 A backward bending labour supply curve indicates that

(A) Workers become lazy as they earn more money

(B) Leisure is a normal good

(C) The size of the income effect is greater than that of the substitution effect

(D) Increasing real wages mean that employers have to resort to short-time working.

Answer: (B) Leisure is a normal good

2 Q2 If an indifference curve measuring the relationship between wage income and leisure becomes steeper this must mean

(A) A worker places more value on wage income relative to leisure than formerly was the case

(B) The marginal utility of income has increased

(C) Hours of work have fallen

(D) The amount of time devoted to leisure must have decreased.

Answer: (A) A worker places more value on wage income relative to leisure than formerly was the case

3 Q3 A non-linear budget constraint necessarily implies

(A) Other family income has risen

(B) Income tax has been raised

(C) Overtime premium payments have been reduced

(D) None of the above.

Answer: (D) None of the above.

4 Q4 Some employers may prefer overtime payments plus a lower standard wage to a higher standard wage producing the same wage costs because

(A) This makes it easier to introduce short-time working in a recession

(B) In order to satisfy trade unions

(C) They wish to utilise the existing workforce more intensively

(D) The offer of overtime makes workers less likely to quit.

Answer: (C) They wish to utilise the existing workforce more intensively

5 Q5 An income preferrer is an individual who

(A) wishes to receive a higher rate of pay for the same amount of hours worked

(B) would prefer to work more hours for the same amount of pay

(C) has large financial commitments outside of work

(D) is a member of a trade union.

Answer: (B) would prefer to work more hours for the same amount of pay

6 Q6 Multiple job-holding can only occur when

(A) workers are bored in their main job

(B) there are constraints on the hours of work

(C) overtime is not available

(D) earnings in the main job are too low.

Answer: (D) earnings in the main job are too low.

7 Q7 The neo-classical theory of labour supply assumes that

(A) the individual is faced with a simple choice between leisure and goods

(B) the only source of income is income from work

(C) hours of work are not subject to a time constraint

(D) the substitution effect does not apply.

Answer: (A) the individual is faced with a simple choice between leisure and goods

8 Q8 Absenteeism

(A) is positively related to the amount of sick-pay available

(B) is always inefficient

(C) results from the fact that single women absent themselves from work more than single men

(D) results from the fact that temporary employees have a higher propensity to be absent than full-time staff.

Answer: (A) is positively related to the amount of sick-pay available