MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

SECOND SEMESTER EXAMINATION FOR DEGREE IN

BACHELOR OF COMMERCE (HRM OPTION)

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF ECONOMICS

EAE 304: LABOUR ECONOMICS

DATE: 3/8/2016 **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS:

Answer question ONE and any other two question

QUESTION ONE

a) Demonstrate that a welfare program that includes a cash grant and a tax on kenya youths labour earnings will reduce labour supply and hours of work. (8 marks)

b) What economic factors determine whether a person participate in the labour force? (8 marks)

c) Discuss the dual labour market hypothesis as used in labour economics. (6 marks)

c) Explain the following concepts as used in labour economics:

i) Scale effect

ii) Reservation wages

iii) Worker heterogeneity

v) Marginal productivity of labour (8 marks)

QUESTION TWO

a) Explain how the wage rate and employment rate are determined in the following market structures:

   i) Perfect competitive

   ii) Monopoly

   iii) Monopsony (12 marks)

b) Explain some of the determinants of labour mobility (8 marks)

QUESTION THREE

a) Explain various factors that have led to high unemployment level in most of the developing countries including Kenya and the various policies that can be adopted by the countries to minimise the unemployment rate (10 marks)

b) Discuss the various fundamental issues that collective bargaining agreement deals with (10 marks)

QUESTION FOUR

a) Explain any three theories of wages highlighting their weaknesses. (12 marks)

b) With aid of examples from Kenya, demonstrate the trade unions agitation for wage increment is a cause of inflation (4 marks)

c) Explain the roles of the worker, the employer and the government plays in labour market (4 marks)

QUESTION FIVE (20 Marks)

a) Explain some of the features that cause rigidities in money wages making process in the labour market. (12 marks)

b) Briefly explain some of the supply and demand side policies improving the labour market efficiency that any developing country may adopt. (8 marks)