MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARMENT OF ECONOMICS

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF ECONOMICS AND STATISTICS

BACHELOR OF ECONOMICS

BACHELOR OF COMMERCE

EAE 304: LABOUR ECONOMICS

DATE: 3/8/2017 **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS

i) Answer Question ONE and any other TWO questions.
ii) Begin answering a new question on a separate page on the booklet provided
iii) Credit will be given to the clarity of argument and use of local examples.

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Clearly explain three ways in which labour market differs with the other types of markets. (3 marks)

b) Name and explain at least four causes of labour market discrimination (4 marks)

c) Explain in detail five factors that would cause gender wage differences (5 marks)

d) Explain at least four factors influencing mobility of labour (4 marks)

e) Explain four factors affecting human capital investment (4 marks)

f) Using a well labelled diagram, explain the cob-web model of educational attainment as used in labour economics (4 marks)

g) Define the law of diminishing returns as used in labour economics (2 marks)

h) Using a well labelled diagram explain the equilibrium concept as used in labour economics (4 marks)

QUESTION TWO (20MARKS)

a) Name and explain five causes of market failure (10 marks)
b) Distinguish between primary and secondary labour markets (4 marks)
c) Name and explain the three (3) reasons why a firm would depend primary labour market (6 marks)

QUESTION THREE (20 MARKS)

a) Using a well labelled diagram, explain the wage and employment determination under monopsony market (6 marks)
b) Define the marginal rate of technical substitution (2 marks)
c) Explain four (4) circumstances when the Hicks-Marshall laws of derived demand on own-wage elasticity of labour demand will be relatively high. (8 marks)
d) Distinguish between positive and normative economics (4 marks)

QUESTION FOUR (20 MARKS)

a) Write short notes on the following as used in labour economics (10 marks)
   i. Nominal wages
   ii. Real wages
   iii. Marginal product of labour
   iv. Demand for labour
   v. Long run and short run periods in production
b) Name and explain five reasons for the increased female labour force participation (10 marks)

QUESTION FIVE (20 MARKS)

a) Explain three conditions necessary for the compensating wage differentials to be able to reflect the market value of non-wage characteristics (6 marks)
b) Explain three factors that would give married women comparative advantage in household production (6 marks).
c) Explain at least four advantages associated with attaining a college degree in the labour market (8 marks)