



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR
FOURTH YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 5th December, 2019
Time: 11.00am – 1.00pm

KHR 408 - LABOUR ECONOMICS

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (COMPLUSORY)

- a) Nyangweso lives for three periods. He is currently considering three alternative education-work options. He can start working immediately, earning KShs. 100,000 in period 1, KShs. 110,000 in period 2 (as his work experience leads to higher productivity) and KShs. 90,000 in period 3 (as his skills become obsolete and physical abilities deteriorate). Alternatively, he can spend KShs. 50,000 to attend college in period 1 and then earn KShs. 180,000 in periods 2 and 3. Finally, he can receive a doctorate degree in period 2 after completing his college education in period 1. This last option will cost him nothing while he is attending graduate school in the second period as his expenses on tuition and books will be covered by a research assistantship grant. After receiving his doctorate, he will become a professor in a business school and earn KShs. 400,000 in period 3. Nyangweso's discounting rate is 20 per cent per period. Show which education path maximizes Nyangweso's present value of his life time?
(10 Marks)
- b) Using an illustration, show how a person chooses a particular combination of goods and leisure that maximizes his/her utility.
(7 Marks)
- c) By help of an illustration, explain equilibrium in the labour market (perfect conditions).
(8 Marks)
- d) Identify all the criticisms of substance theory of wages.
(5 Marks)

QUESTION TWO (20 MARKS)

- a) Using relevant diagram, explain the decomposition of substitution and scale effect as wage falls. (12 Marks)
- b) By help of suitable examples, explain the main causes of unemployment in Kenya. (8 Marks)

QUESTION THREE (20 MARKS)

- a) Discuss reasons for existence of long-run equilibrium in occupational wage-differences. (14 Marks)
- b) Explain what you understand by ‘regional wage differences’. (6 Marks)

QUESTION FOUR (20 MARKS)

- a) The KV2030 National Youth provides a comprehensive framework aimed at addressing the challenges faced by the youth and ensuring they play their role in the development of the country. Explain giving relevant examples, the youth employment challenges. (10 Marks)
- b) Suggest various employment promotion policies and programs that should be put in place to ensure creation of productive and sustainable employment opportunities for the youth in Kenya. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss the relevance of the neoclassical taste model of discrimination in explaining labour market discrimination in Kenya. (10 Marks)
- b) Explain why it might be necessary to introduce minimum wage regulation under a monopsony labour market model. (10 Marks)