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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2017/2018 ACADEMIC YEAR
DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DBA 1302- LABOUR ECONOMICS

Date: 8th August 2018
Time: 2.30Pm-4.30Pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Distinguish between the following terms as used in labour economics
- i) Occupational and demographic mobility (2 Marks)
 - ii) Monopsonic and monopolistic labour market (2 Marks)
 - iii) Shirking and reservation wage (2 Marks)
- b) Define job search and list some of the approaches that are used in job search (5 Marks)
- c) With help of relevant examples explain the sources of human capital difference (5 Marks)
- d) By use of a graph demonstrate why labour supply curve is backward bending (4 Marks)
- e) State and explain five types of unemployment and suggest five solutions to the problem of unemployment in Kenya (10 Marks)

QUESTION TWO (20 MARKS)

- a) Using a well labeled diagram demonstrate the effect of wage cut on the demand for labour holding constant the cost of capital (7 Marks)
- b) The framework that economists typically use to analyze labour supply is called the neoclassical model of labour – leisure choice. The representative worker in this model receives satisfaction from consuming goods (C) and from consumption of leisure (L).
- i) Highlight a utility function that can be used to represent the workers preferences (2 Marks)
 - ii) Derive the budget constraint of the worker (4 Marks)

- iii) Graph the utility function and the budget constraint on the same diagram and present an interior solution to the labour – leisure decision (4 Marks)
- c) What happens to the reservation wage if non labour income increases and why? (3 Marks)

QUESTION THREE (20 MARKS)

- a) Explain the modern theory of wage determination and explain the major disadvantage of this theory (6 Marks)
- b) The general objective of a labour union is to increase the wage of union members through modifying wages rendering the competitiveness of labour markets ineffective. Discuss how unions succeed in achieving objective. (8 Marks)
- c) With relevant examples discuss the argument in favor of minimum wages in your country (6 Marks)

QUESTION FOUR (20 MARKS)

- a) Labour markets do not often operate under competitive conditions due to some features inhibiting money wages flexibility. Discuss any five features that prevent downward flexibility of wages (10 Marks)
- b) What are the factors that may affect a workers mobility decision (5 Marks)
- c) Discuss the criticisms of the wage fund theory (5 Marks)

QUESTION FIVE (20 MARKS)

- a) The government of Kenya unveiled UWEZO fund, the Youth Enterprise development Fund and a 30% affirmative action in procurement as some of the measures aimed at promoting youth empowerment and development.
- i) Explain the innovative and practical strategies that the youth can adopt to seize the opportunities availed by the government (7 Marks)
- ii) Identify some of the challenges that may inhibit the youths from fully exploiting the opportunities (5 Marks)
- b) Discuss the impact of the affirmative action programs on the earnings of minorities and on the number of minorities that firms hire (5 Marks)
- c) Why is the short run demand for labour curve downward sloping (3 Marks)