KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2018/2019 ACADEMIC YEAR
DIPLOMA IN HUMAN RESOURCE MANAGEMENT
<u>DHR 1110- LABOUR ECONOMICS</u>

Date: 10th April, 2018
Time: 11.00Am-1.00Pm

INSTRUCTIONS TO CANDIDATES
ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS
QUESTION ONE (30 MARKS)

a) State and discuss six policies examined by the modern labour Economics   (6 Marks)
b) Briefly explain the following concepts as used in labour economics
    i)   Shirking   (2 Marks)
    ii)   Reservation wage   (2 Marks)
    iii)   Collective bargaining   (2 Marks)
c) Explain in terms of substitution effects the circumstances under which a worker's labour supply curve
    will be backward bending   (5 Marks)
d) Define job search and list some of the approaches that are used in job search (5 Marks)
e) With help of relevant examples explain the sources of human capital difference (5 Marks)
f) Why is the short run demand for labour curve downward sloping   (3 Marks)

QUESTION TWO (20 MARKS)

a)   What economic factors determine whether a person participate in the labour force   (4 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)
d) Distinguish between structural unemployment and cyclical unemployment   (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 Makes)
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   (10 Marks)

ii)   Identify some of the challenges that may inhibit the youths from fully exploiting the opportunities
                                                                                                                                  (5 Marks)

b) What is the impact of the affirmative action program on the earnings of minorities and on the number of minorities that firms hire   (5 Marks)