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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**FIRST YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN HUMAN RESOURCE MANAGEMENT**  
**DBA 1302: LABOUR ECONOMICS**

Date: 7<sup>TH</sup> DECEMBER 2022  
Time: 2:30p.m- 4:30p.m

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

Labour economists assign motives to the various actors in the labour market, for instance they view workers for trying to find the best possible job and assume that firms are trying to make money. Workers and firms therefore enter the labour market with different objectives. Workers are trying to sell their labour at the highest price and firms are trying to buy labour at the lowest price. However, the types of economic exchange that can occur between workers and firms are limited by the set of ground rules that the government has enacted to regulate transactions in the labour market. Changes in these rules and regulations would obviously lead to different outcomes. For example, a minimum wage law prohibits exchange that pays less than a particular amount per hour worked, and occupational safety regulations forbid firms from offering working conditions that are deemed too risky to the workers' health. The study of labour economics helps understand and predict how some labour market outcomes are more likely to be observed than others. There is need for facts and theories of why workers and firms pursue some employment relationships like through unions and avoid others. As we predict the impact on the labour market on changes in the government policies or changes in the demographic composition of the labour force, it is important to understand which economic and social factors generate a certain level of employment and why.

- a. Explain three categories of participants in the market for labour. **(6 Marks)**
- b. Describe any three reasons for government intervention in the labour market. **(6 Marks)**
- c. Explain why it is important to have knowledge on labour economics as a discipline. **(6 Marks)**
- d. Based on facts from the above case, explain how the formation of labour unions reduces business efficiency? Support your answer in three different ways. **(6 Marks)**
- e. Differentiate between the two types of employment searching costs. **(4 Marks)**
- f. Define labour costing in relation to labour economics. **(2 Marks)**

### **QUESTION TWO: (20 MARKS)**

- a. Esther a graduate from Kiriri Womens University, Kenya has been offered a job in Canada as a computer technician. However she is still making a decision on whether to accept the offer or not. Discuss various obstacles that would hinder Esther from accepting the job offer. **(8 Marks)**
- b. Explain how wage is determined based on each of the following theories **(8 Marks)**
  - i. Marginal productivity theory.
  - ii. Residual claimant theory.
  - iii. Wage fund theory.
  - iv. Subsistence wage theory.
- c. State the significance of measuring labour productivity to an economy. **(4 Marks)**

### **QUESTION THREE: (20 MARKS)**

- a. Explain various types of unemployment that can arise within an economy **(8 Marks)**
- b. 'Productivity of labour can increase or decrease in an organization'. Analyze the causes of this. **(8 Marks)**
- c. A labour market theory is a model, hence is a simplification of reality that can be used to understand a complex concept. To make things simple, a model will make some assumptions. Identify any four assumptions related to the labour market theory. **(4 Marks)**

### **QUESTION FOUR: (20 MARKS)**

- a. Labour cost is the greatest contributor to the total cost of production in a firm. Since firms will always aim to maximize profits, they must always ensure the cost of production is as minimum as possible, which requires controlling of labour costs. Explain any four ways that a firm can utilize to keep labour costs as minimum as possible. **(8 Marks)**
- b. Explain how each of the following factors will affect elasticity of supply of labour
  - i. Required skills and qualifications. **(2 Marks)**
  - ii. Length of training period. **(2 Marks)**
  - iii. Level of employment. **(2 Marks)**
  - iv. Mobility of labour. **(2 Marks)**
- c. Describe the 'Dual Labour Market Theory'. **(4 Marks)**

### **QUESTION FIVE: (20 MARKS)**

- a. Define a 'collective bargaining agreement', and with the use of examples explain three fundamentals issues that collective bargaining agreements deal with. **(8 Marks)**
- b.
  - i. Explain the term 'unemployment insurance system (UIS)' **(2 Marks)**
  - ii. Explain three important effects that the system in (i) above has on the labour market. **(6 marks)**
- c. State any four advantages of labour mobility **(4 Marks)**