



THE CO-OPERATIVE UNIVERSITY OF KENYA

END OF SEMESTER EXAMINATION DECEMBER -2022

**EXAMINATION FOR THE DEGREE OF BACHELOR OF HUMAN RESOURCE
MANAGEMENT, COMMERCE
(YR III SEM I, YR IV SEM I)**

UNIT CODE: BECO 4107

UNIT TITLE: LABOUR ECONOMICS

DATE: FRIDAY, 23RD DECEMBER, 2022

TIME: 2:00 PM – 4:00 PM

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INSTRUCTIONS:

- **Answer question ONE (compulsory) and any other TWO questions**

QUESTION ONE

- (a) Suppose the adult population of a city is 9,823,000, and there are 3,340,000 persons who are not in the labor force and 6,094,000 who are employed.
- With examples define compensating wage differentials **(4 marks)**
 - Calculate the labor force participation rate and the unemployment rate **(4 marks)**
- (b) Define collective bargaining and the consequences of not having collective bargaining in the work place **(10 marks)**
- (c) Define Marginal revenue Product **(2 marks)**
- (d) Suppose that the supply curve for school teachers is $L_s = 20,000 + 350W$ and the demand curve for school teachers is $L_d = 100,000 - 150W$, where L = the number of teachers and W = the daily wage.
- Plot the demand and supply curves **(6 marks)**
 - What are the equilibrium wage and employment level in this market? **(4 marks)**

QUESTION TWO

- (a) Define Elasticity of labour demand and the factors that determine of labour elasticity **(10 marks)**
- (b) Discuss the factors that would affect worker mobility **(10 marks)**

QUESTION THREE

- (a) Illustrate a labor supply and demand graph and the effect of each of these changes. Indicate whether the equilibrium wage rate and the equilibrium number of hours worked increases or decreases. Draw a separate graph for each **(10 marks)**
- (b) Discuss the purpose of compensating wage differentials **(4 marks)**
- (c) Explain at least three assumptions of Compensating Wage differentials **(6 marks)**

QUESTION FOUR

- (a) Analyze the impact of the following changes on wages and employment in a given occupation: **(10 marks)**
 - i. A decrease in the danger of the occupation.
 - ii. An increase in product demand.
 - iii. Increased wages in alternative occupations.
- (b) With examples discuss determinants of trends in labor force participation in Kenya **(10 marks)**

QUESTION FIVE

- (a) Define a labour Union and their role in the labour market **(10 marks)**
- (b) With examples discuss Hedonic Wage Theory and the main conclusions of this theory **(10 marks)**