



The Co-operative University of Kenya

END OF SEMESTER EXAMINATIONS DECEMBER-2019

EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

(YR IV SEM II)

UNIT CODE: HBH 2401

UNIT TITLE: LABOUR ECONOMICS

DATE: 9th DECEMBER 2019

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

(a) Suppose the adult population of a city is 9,340,000 persons who are not in the labor force and 6,094,000 are employed.

(i) With examples define compensating wage differentials. (4 Marks)

(ii) Calculate the labour force participation rate and the unemployment rate. (4 Marks)

- Define collective bargaining and the consequences of not having collective bargaining in the work place. (10 Marks)

- Define Marginal revenue Product. (2 Marks)

(iii) 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 = number of teachers and W = the daily wage.

(I) Plot the demand and supply curves. (6 Marks)

(II) 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 labour 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. (6 Marks)

(c) Explain atleast **THREE** assumptions of Compensating Wage differentials. (6 Marks)

QUESTION FOUR

- (a) Analyze the impact of the following changes on wages and unemployment 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 labour 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)