

The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2018

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS/BACHELOR OF COMMERCE**

UNIT CODE:

UNIT TITLE: LABOUR ECONOMICS

DATE: DECEMBER, 2018

TIME:

INSTRUCTIONS:

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

QUESTION ONE

- (a) Explain the meaning of the following concepts as applied in the study of labour economics (10 marks)
- Labour force
 - Labour force participation rate
 - Reservation wages
 - Quality of labour
 - Marginal revenue product of labour (MRPL)
- (b) Highlight the importance of studying labour economics (5 marks)
- (c) Using a well labeled diagram to illustrate the backward sloping supply curve of labour (5 marks)
- (d) Explain why the slope of the labour demand curve is downward sloping (5 marks)
- (e) Explain any FIVE factors that determine the size and composition of labour force in the economy

QUESTION TWO

- (a) Explain the main determinants of elasticity of demand for labour: (6 marks)
- (b) Discuss with aid of well labeled diagram wage determination in perfectly competitive labour markets highlighting the main features of a perfectly competitive labour market (6 marks)
- (c) What are the specific differences between characteristics of labour in the formal and informal economy in context of labour economics (8 marks)

QUESTION THREE

- (a) Define and explain the main cause of the following types of unemployment as expounded by Keynes (10 marks)
- Structural unemployment
 - Frictional unemployment
 - Cyclical unemployment
 - Seasonal unemployment
- (b) Unemployment is not a friend and nobody of any kind even a mad person would like to make it his friend. The reason is because there are many consequences it can bring. Explain any FIVE such consequences in context of labour economics (5 marks)

- (c) Enumerate any FIVE supply side policies for reducing the structural/natural rate of unemployment in Kenya (5 marks)

QUESTION FOUR

- (a) Discuss with aid of well labeled diagram the classical model of employment and labour market theory (4 marks)
- (b) Under what specific grounds has J.M Keynes criticized the classical theory of employment and laour market (4 marks)
- (c) Identify and explain the nature of labour problem in developing economics citing relevant examples from your country (4 marks)
- (d) Kenya has experienced frequent trade union strikes in the recent past. Discuss FOUR reasons why collective bargaining agreements have not been effective in resolving labour disputes (8 marks)

QUESTION FIVE

- (a) What is manpower development (4 marks)
- (b) Recently you received an appointed as human resource manager of multinational corporation operating in Kenya. Discuss the steps you would undertake in manpower development (8 marks)
- (c) Write short notes on any FOUR of the following theories of labour and explain their relevance in Kenya's labour market (8 marks)
- i. Labour market theory of poverty
 - ii. Neo classical labour market theory
 - iii. Labour market segmentation theory
 - iv. The dual labour market theory
 - v. Human capital theory
 - vi. Split labour market theory