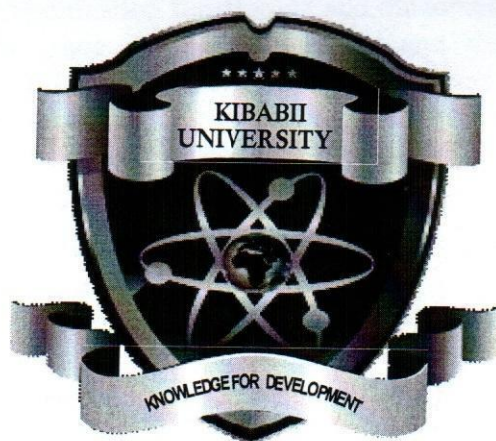


KIBABII UNIVERSITY



**UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER**

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCH 311

COURSE TITLE: LABOUR ECONOMICS

DATE: 19 DEC 2022

TIME: 9:00-11:00AM

INSTRUCTION TO CANDIDATES

- 1) The paper contains **FIVE** questions
- 2) Attempt **THREE** questions
- 3) Question **ONE** is Compulsory

KIBU observes **ZERO** tolerance to examination cheating

QUESTION ONE

Labor economics examines organization functioning and outcomes of labor market, the decisions of prospective and present labor market participants and the public policies relating to unemployment and payment of labor resources. At times of crises labor economics can also help us understand and provide solutions to the problems caused by economic shocks such as recessions or global pandemics like that caused by Covid-19.

To understand the distribution of income in society- that is who earns what and why, we need to understand labor markets and how wages are determined. Essentially, labor markets are about matching firms with workers. The company has to evaluate many candidates to find the worker with the best qualifications and the worker needs to find the company with the right opening that makes the best offer. Doing all this searching takes time and sometimes it means spending time unemployed. People are unemployed for a number of different reasons ranging from an economy entering a recession and workers being laid-off. To see why certain unemployment occurs, we must look at why the wage rate does not adjust. Unemployed persons in some countries would like to work for even lower wages but businesses are not willing to hire them because trade unions have restricted the lowest of wages that firms can offer.

In many countries, laws set a minimum wage which all employers must pay their workers. This means that employers cannot pay workers a lower rate than the minimum wage. Hundreds of studies in different countries and time periods have confirmed that the better educated individuals can earn higher wages, experience less unemployment and work in more prestigious occupations than their less-educated counterparts without being considered as discriminatory. Disparities in educational attainment and employment policies have widened wage gaps between skilled and unskilled workers. Reducing inequality has value in its own right and also yields substantial benefits in terms of both poverty reduction and growth. Race and sex are not the only characteristics that affect hiring and wages. Some studies have found that people who are short, overweight, or physically unattractive also suffer from discrimination and charges of discrimination have been voiced by disabled people and by homosexuals.

- a) Examine why labor economics is justified as a special field of enquiry. (10 marks)
- b) Describe mutually supportive redistributive policies that governments can adopt to reduce inequality. (8 marks)
- c) Discuss bases of discrimination in today's modern organizations which inhibits a country from allocating resources efficiently (12 marks)

QUESTION TWO

- a) Analyze determinants of labor supply whose change shifts the labor supply curve. (12 marks)
- b) Economically the responsiveness of demand to a change in the wage rate is measured. Critically analyze factors affecting the wage elasticity of demand for labor. (8 marks)

QUESTION THREE

- a) The registrar of trade unions may decline to register a trade union if it has not met certain conditions. Examine conditions that the union has to meet for it to be registered. (14 marks)

b) In product markets households provide income to firms in exchange for goods and services like cars and haircuts. Critically examine actors in the labor market. (6 marks)

QUESTION FOUR

a) Discuss the importance of collective bargaining process through which representatives of management and trade unions negotiate the terms and conditions of employment. (14 marks)

b) Highlight conditions under which the law of variable proportions or diminishing returns hold good. (6 marks)

QUESTION FIVE

a) Based on extensive analysis of country case studies, analyze economic policies that are linked to an increase in inequality globally (10 marks)

b) Discuss factors on which economic discrimination is based on particularly in small enterprises in emerging economy (10 marks)