



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

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MAY – AUGUST 2021

Ext 1022/23/25

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

REGULAR PROGRAMME

ECN 416: LABOUR ECONOMICS

Date: AUGUST 2021

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

Q1.

- a). Define labour economics and discuss the models of labour economics that give significance to its study. **(10marks).**
- b). Determine the main concerns of an internal labour market that inhibits a firm's stability to hire potential workers. **(10marks).**
- c). Discussing the Keynesian theory of unemployment, how does his arguments provide insight into full employment of labour. **(10marks).**

Q2.

- a). Give an illustration of normal and recession employment. **(10marks).**
- b). Illustrate the effects of wage changes on demand for labour in a labour market. **(6marks).**
- c). what are the effects of the changes in (b) in the short-run versus in the long-run? **(4marks).**

Q3.

- a). Describe $N^F = L^F + U^F$ as the relation between job search and the labour market and its effects on the developing countries' labour markets. **(10marks)**.
- b). Outline how wage differences affect labour markets contributing to unemployment in an economy. **(10marks)**.

Q4.

- a). To what extent do Trade Unions affect the labour markets because of wage bargaining? **(10marks)**.
- b). Describe the challenges of duration of unemployment and how it affects the structure of unemployment. **(10marks)**.

Q5.

- a). Discuss how persistent unemployment in Africa affects the labour markets of the region. **(10 marks)**.
- b). How does Non-Accelerating Inflation Rate of Unemployment (NAIRU) maintain equilibrium between the state of the economy and the labour market? **(10 marks)**.

END