



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

AUGUST - DECEMBER 2018 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

O DEL PROGRAMME

CEC 315: LABOUR ECONOMICS

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Date: DECEMBER 2018

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Briefly explain the scope of labour economics **[5marks]**
- b) Draw a brief distinction between labour markets and other markets **[3marks]**
- c) Discuss worker mobility under the following headings
- i) Determinants worker mobility **[4marks]**
- ii) Benefits and costs **[4marks]**
- d) Discuss the income and substitution effects of a change in the wages under the Basic Neoclassical Model of Labor Supply **[8marks]**
- e) Derive the Full-income constraint Basic Neoclassical Model of Labor Supply **[6marks]**
- Q2. a) Discuss the concept of Monopsony under the following headings
- i) Supply curve facing a monopsonist **[6marks]**
- ii) Wage and employment determination under a monopsony labor market **[6marks]**
- b) Derive the marginal rate of technical substitution (MRTS) equation for two inputs, capital and labour **[8marks]**

- Q3. a) i) Explain the meaning of concept of compensating wage differentials **[2marks]**
- ii) State the conditions for the existence of compensating wage differentials **[3marks]**
- iii) Discuss the arguments for and against Occupational Safety and Health Administration (OSHA) Requirements **[5marks]**
- iv) Briefly the externalities related to OSHA **[3marks]**
- b) i) Distinguish between external and internal labor markets. **[2marks]**
- iii) Discuss the advantages of using internal labor market **[3marks]**
- iv) Distinguish between labor force and unemployment **[2marks]**
- Q4. Within the concept of labour demand elasticities, discuss Hick's laws of derived demand **[20marks]**

END