



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

**A. M. E. C. E. A**

**MAIN EXAMINATION**

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**AUGUST - DECEMBER 2018 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**ODEL PROGRAMME**

**CEC 315: LABOUR ECONOMICS**

**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]**

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