



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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

**MAIN EXAMINATION**

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**FACULTY OF ARTS & SOCIAL SCIENCES  
DEPARTMENT OF ECONOMICS**

**SEPTEMBER-DECEMBER 2020 SEMESTER  
REGULAR PROGRAMME  
UNIT CODE: ECN 416  
TITLE: LABOR ECONOMICS**

<b>Date: DECEMBER 2020</b>	<b>Duration: 3HOURS</b>
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<b>INSTRUCTIONS: Answer Question ONE and any other TWO Questions</b>
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Q1.

- Define labour economics and describe its importance as a subject of study in the modern economics. (10marks).
- "Human capital corresponds to any stock of knowledge or characteristics the worker has that contributes to his or her "productivity". Elaborate this in view of uses of human capital in the labour market. (10marks).
- Explaining what is job search, discuss the effects of job search on a microeconomic level. (10marks).

Q2.

- Explain what structural unemployment is and discuss how it impacts on the industries. (10marks).
- Differentiate between internal labour market and external labour market and give reasons why internal labour market is more important. (10marks).

Q3.

- Describe how union wage premium changes over time in a labour. (8marks).
- Define natural unemployment rate of a labour force and cite the reasons that determine wages of a country experiencing unemployment. (12marks).

Q4.

- Discuss unemployment in an open economy and how it differs with one of a closed economy. (10marks).

b). Describe the relationship between inflation and unemployment and how it affects an economy in the short run and in the long run. (10marks).

5.

a) Defining persistent unemployment what are the major reasons of persistent unemployment in developing countries. (10marks).

b) Describe the most common challenges of high unemployment according to the OECD. (10marks).

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