



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**THIRD YEAR FIRST SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR OF ARTS IN ECONOMICS WITH
INFORMATION TECHNOLOGY**

MAIN CAMPUS

AEC 321: LABOUR ECONOMICS

Date: 8th December, 2016

Time: 8.30 - 11.30 am

INSTRUCTIONS:

- Answer question ONE and any other TWO questions.
- Question one has 30 marks and all other question carry 20 marks each



SECTION A

- 1(a) Explain the meaning of labour economics (3 marks)
- (b) Distinguish work from leisure (4 marks)
- (c) Describe the factors that influence or that are responsible for wage differentials between occupations in Kenya (16 marks)
- (d) Explain the rule $MRP = MWC$. Is this rule the same as $MR = MC$? (7 marks)

SECTION B

- Q2(a) By the help of indifference curves analysis explain the meaning of minimum wage policy in Kenya (12 marks)
- (b) A Firm Balco has a monopsony in hiring labour while it sells its products in a perfectly competitive market. Its $Vmp=14L$ and labour supply function is $w=2+L$

Required

- (i) What are its profits maximizing Quantity of labour used and wage rate? (3 marks)
- (ii) Calculate the degree of monopsonistic exploitation of Labour (3 marks)
- (iii) How much labour will it employ if minimum wage of Kshs. 8 is imposed on it by the government? (3 marks)
- (c) Discuss the consequences that arise in the labour market due to the imposition of minimum wage policy (11 marks)
- Q3.(a) By the use of partial equilibrium analysis explain the Firm's demand curve for labour (12 marks)
- (b) Discuss the imperfections that exist in the labour markets

(8 marks)

Q4.(a) Examine the meaning of collective bargaining in a Kenyan perspective

(6 marks)

(b) Discuss the economic justification for the existence of trade union

(14 marks)

Q5. Explain how a manager of a Coal Mining Company can transform total product and marginal product

(20 marks)