

CHUKA



UNIVERSITY

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RESIT/SPECIAL EXAMINATION

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF ECONOMIC
STATISTICS AND ECONOMIC SOCIOLOGY**

ECON 342: ECONOMICS OF LABOUR

STREAMS:

TIME: 2 HOURS

DAY/DATE: TUESDAY 24/07/2018

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions.
- Do not write anything on the question paper.

QUESTION ONE (COMPULSORY)

- (a) What is underemployment? Explain. (4 marks)
- (b) Distinguish between the following clearly
- (i) Classical unemployment and Keynesian unemployment. (8 marks)
- (ii) Real wage unemployment and demand deficient unemployment. (8 marks)
- (c) You are given the following information for a certain firm $Q=L^{\frac{1}{3}}K^{\frac{2}{3}}$
Required;
- (i) Calculate the units of labour (L) and capital (K) that minimizes the cost of producing Q. (7 marks)
- (ii) Calculate the minimum cost. (3 marks)

QUESTION TWO

- (a) Explain with a help of a well labelled diagram the effect of taxation on supply of labour showing clearly the distinction between substitution effect and income effect. (10 marks)
- (b) Explain the role of government in labour market. (10 marks)

QUESTION THREE

- (a) There are two alternative mechanisms for achieving the desired equilibrium level of employment in labour market that is competition and institutions. Distinguish between them. (10 marks)
- (b) Explain the major problems faced by trade unions in most developing countries. (10 marks)

QUESTION FOUR

- (a) Explain clearly the most common metrics used to measure income inequality. (8 marks)
 - (b) It is difficult to examine the status of health and labour supply in Africa due to a number of shortcomings. Explain these shortcomings. (6 marks)
 - (c) Compare and contrast human capital investment and physical capital investment. (6 marks)
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