

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
RESIT/SPECIAL EXAMINATIONS**

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF

ECON 342: ECONOMICS OF LABOUR

STREAMS:

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 12/09/2018

2.30 P.M – 4.30 P.M

INSTRUCTION:

- **Answer question one and any other two questions**
- **Do not write anything on the question paper**

1. (a) What is underemployment? Explain. [4marks]
- (b) Distinguish between the following clearly.
- (i) Classical unemployment and Keynesian unemployment. [8marks]
- (ii) Real wage unemployment and demand deficient unemployment. [8marks]
- (c) You are given the following information for a certain firm $Q = L^{1/3} K^{2/3}$

Required:

- (i) Calculate the units of labour (L) and capital (K) minimizes the cost of producing Q. [7marks]
- (ii) Calculate the minimum cost. [3marks]
2. (a) Explain with a help of a well labeled the effect of taxation on supply of labour showing clearly the distinction between substitution effect and income effect. [10marks]
- (b) Explain the role of government in labour market. [10marks]

3. (a) There are two alternative mechanisms for achieving the desired equilibrium level employment in labour market that is competition and institutions. Distinguish between them. [10marks]
- (b) Explain the major problems faced by trade unions in most developing countries. [10marks]
4. (a) Explain clearly the most common metrics used to measure income inequality. [8marks]
- (b) It is difficult to examine the status of health and labour supply in Africa due to a number of shortcomings. Explain these shortcomings. [6marks]
- (c) Compare and contrast human capital investment and physical capital investment. [6marks]
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