# MAASAI MARA UNIVERSITY

## REGULAR UNIVERSITY EXAMINATIONS
## 2018/2019 ACADEMIC YEAR
### FOURTH YEAR FIRST SEMESTER

## SCHOOL OF BUSINESS AND ECONOMICS
## BACHELOR OF ARTS (ECONOMICS)

## COURSE CODE: ECO 418
## COURSE TITLE: ECONOMICS OF LABOUR AND INDUSTRY I

DATE: 13TH DECEMBER 2018                    TIME: 11.00AM  - 1.00PM

**INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE** and any other **THREE** questions

*This paper consists of 3 printed pages. Please turn over.*

**QUESTION ONE**
(a). Explain why the input supply function is horizontal for a perfect competitor in the input marked and approval sloping for a monopsonist
**(4 marks)**
(b). Explain the cause of income differentials in a given labour market.
**(4marks)**
(c) If the labour demand and supply curves intersect above negotiated wage rate (W). Explain the implication for the AS curve. **(4marks.)**
(d) Explain the modern theory of wages under perfect competition
**(5marks)**
(e) The margined product of labour function for ABC Mining Company is given by the equation as $MP_L=10 (K/L)^{0.5}$
Currently, the firm is using 100 units of capital and 121 units of labour. Given the very specialized nature of the capital equipment, it takes six to nine months to increase the capital stock , but the rate of labour input can be varied daily. If the price of labour is Kshs 10 per unit and the price of output is Kshs 2 per unit.
(i). Find whether the firm in operating efficiently in the short run. If not, explain why. **(5marks)**
(ii) Determine the optimal rate of labour input **(3marks).**


**QUESTION TWO**
 (a) (i) Differentiate between nominal wage and real wages **(3marks)**
    (ii) Explain factors that determine real wages. **(3marks)**
(b) Explain why common property resources tend to be overexploited
**(3marks)**
(c)  In what ways does the heterogeneity of labour complicate analysis of demand for labour? **(3marks)**
(d) Discuss the case for the government involvement in markets **(3marks)**


**QUESTION THREE**
 (a) Use a diagram to illustrate wage rate and employment determination for bilateral monopoly when:
(i)     Acts without restraint. **(3marks)**
(ii)    A labour union acts as a monopoly seller of labour **(3 marks)**
(iii)   Management has much more bargaining power than the unions
**(2marks)**

(b) Explain the objectives of alternative labour unions. **(4marks)**
(c) Why does pay tend to rise with age? Is it fair to younger workers?
**(3marks)**

## QUESTION FOUR
(a) Explain the difference between the Keynesian labour market and Friedman -Phelp labour market. **(4marks)**
(b) Discuss the objectives of Human Resource Management in an organization. (HRM) **(4marks)**

(c) Explain various methods adopted for resolving trade disputes. **(3 marks)**
(d) How can Kenya strategically invest in its human capital to rightly position itself for fourth industrial revolution? **(4 marks)**


## QUESTION FIVE
(a) Discuss the relationship between human capital and health. **(4marks)**
(b) Explain the following concepts as used in labour economics. **(8 marks)**
     (i). Personnel to yield ratio
     (ii) Employment turnover
     (iii) Ratio analysis
     (iv) Human capital theory
     (v) Economics of scope
     (vi) Allocative efficiency
(c) Critically explain the argument that perfect completion is the most desirable market structure. **(3marks)**


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