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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FOURTH YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 8th August, 2024
Time: 11.30am – 1.30pm

KHR 2408 LABOUR ECONOMICS

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

ADOPTION OF LABOUR INTENSIVE METHOD OF PRODUCTION

Angels Kenya Hair Factory, located in Ruiru, is a prominent manufacturer and distributor of hair products in Kenya. It experiences workforce dynamics in the manufacturing sector, particularly in the context of producing and distributing their products. The management of Angels focus more on labour intensive production methods than capital hence their production needs are shaped by technological advancements, market expansion and seasonal variations. Due to the need to attract and retain workers while remaining competitive with other local employers the factory offers weekly wages that reflect the skills required and local living costs. In addition to wages, the factory provides benefits such as health insurance, transportation allowances, and performance bonuses to attract and retain key employees. However Angels Kenya Factory invests in training programs, career advancement, health and safety as well as employment engagement to ensure workers have the necessary skills and knowledge to perform their roles efficiently.

Due to increased demand for their products, increase in their market share and a rise in automation, Angels is considering restructuring most of their processes by introducing capital intensive production processes. This strategy is expected to allow them meet market demand and satisfy their customers on time. As much as it aims to be the most competitive factory in Kiambu County, its success is marred with challenges including skills gap, employee retention and changes in the economic environment, such as inflation and economic downturns which impact labour costs and their availability. Nevertheless, the factory remains flexible by adjusting production levels and workforce size accordingly.

- a) Suppose Angel Kenya offers an hourly wage of Ksh. 10 and the price of each unit of capital is Ksh. 25. The price of output is constant at Kshs. 50 per unit. The company's production function is given as; $F(L, K) = L^{\frac{1}{2}}K^{\frac{1}{2}}$

Required;

- i) If the company current capital stock is fixed at 1,600 units, how much labour should the firm hire in the short run? (5 marks)
- ii) Determine the profit earned by the firm (5 Marks)
- b) The case has demonstrated job scarcity in Kenya and it has facilitated the movement of workers from one place to another. As a student of human resource, discuss types of labour mobility in Kenya today occasioned by the company (6 marks)
- c) The management of Angel Kenya has over the years set minimum wage rate for workers in the company. Discuss the objectives of setting a minimum wage by the company. (6 marks)
- d) Imagine Kiambu county government has selected you to represent it in employees' issues meeting to be held in the company due to your championship in campaigning for youth employment initiatives. Explain the practical and innovative strategies that you would put in place to ensure creation of productive and sustainable employment opportunities for the youth in Kenya in the company (8 marks)

QUESTION TWO (20 MARKS)

- a) Labour market in Kenya is often characterized by discriminations of various forms. As a human resource student, discuss some of the causes of wage discrimination in Kenya giving examples in each case (8 marks)
- b) Labour is a mobile factor of production and varies from one place to another. The mobility of labour is restricted by a number of factors, discuss these factors giving examples in each case (6 marks)
- c) The general objective of labour union is to increase the wage of union members. Using relevant examples from your country, discuss how unions succeed in achieving this objective (6 marks)

QUESTION THREE (20 MARKS)

- a) Labour market is believe to operate just like a competitive market, however, there are situations in which labour market fails to operate like a competitive market. Explain these features (10 marks)
- b) Debbie is about to choose a career path. She has narrowed her option to two alternatives. She can either become a marine biologist or a concert pianist. Debbie lives two periods. In the first, she gets an education. In the second, she works in the labor market. If Debbie becomes a marine biologist, she will spend \$ 15,000 on education in the first period and earn \$ 472,000 in the second period. If she becomes a concert pianist, she will spend \$ 40,000 on education in the first period and then earn \$ 500,000 in the second period.
 - i) Suppose he can lend and borrow money at 5 per cent rate of interest between the two periods. Advise which career should he pursues and why? (3 marks)
 - ii) What if he can lend and borrow money at 15 per cent rate of interest? Will he choose a different option? Explain (3 marks)
 - iii) Suppose tuition fee for sociology course is raised to Ksh 60,000, which career will the student pursue if the interest rate is 5 per cent? (4 marks)

QUESTION FOUR (20 MARKS)

- a) Kenyan government has put in place measures to enhance human capital development in the country. Discuss these measures to improve human capital development. (6 marks)
- b) The amount of wage to be paid is premised on wage theories. Discuss the criticisms of wage fund theory (8 marks)
- c) Workers often face disagreements with their employers in the course of discharging their duties. Explain two main methods employed by labour unions to settle such disputes when they occur (6 marks)

QUESTION FIVE(20 MARKS)

- a) Using a well labelled diagram, explain the short-run labour demand curve for a firm. (6 marks)
- b) Using a well labelled diagram, explain how equilibrium is attained under a perfect labour-market condition. (8 marks)
- c) The supply of labour has suddenly increased in the economy. Explain factors that have contributed to this increase in labour supply (6 marks)