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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**FOURTH YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 17<sup>th</sup> April, 2023  
Time: 11.30am –1.30pm

**KHR 408 - LABOUR ECONOMICS**

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

**CASE STUDY**

**AIRLIFT PROGRAM**

Airlift Programs moves citizens from underdeveloped and developing countries to explore 'better' opportunities in developed countries. The program gives priority to students with a background in ICT. However, the possibility of changing carriers is guaranteed as long as one's performance in the first degree is commendable. In the recent past, the program lifted an average of 40 students a year to universities across Asia and Europe. Last year alone, the program lifted 30 women against 10 men. Students who successfully complete their master's program are at liberty to proceed to doctorate with other scholarships offered. In addition, opportunities where such individuals work as they study are available and acceptable by the sponsoring organizations. In the event that an individual prefers moving back to their countries of origin and practice acquired skills, this option is still acceptable and most preferred especially by women. Yar, a recent beneficiary of this program chose to move back to South Sudan once she completed her master's program in IT. She was able to secure a chance as an IT personnel with the UN working in her country. She has joined a labor union and therefore enjoys a rousing wage rate and various fringe benefits. She has joined the pioneer of Airlift program in creating awareness of the program in her country and through her social media handles she is able to access several potential beneficiaries across her country. Airlift program continues to receive recognition across Sub-Saharan Africa for its contribution in high number of professionals in the labor market especially in IT.

**Required**

- Describe the two types of labor mobility the program supports (6 marks)
- Discuss the possible fringe benefits Yar enjoys (6 marks)
- What kind of discrimination are these students likely to experience in they choose to work in the developed countries? (6 marks)
- Using graphical illustrations, explain how students who benefit from this program are likely to be advantaged with reference to human resource development? (6 marks)

- e) What roles can the governments of developing countries play in the labor market to reduce cases of deportation for students who complete studies and illegally stay in developed countries due to employment status back home? (6 marks)

### **QUESTION TWO (20 MARKS)**

- a) A utility maximizing worker participating in the labor market derives satisfaction from Consumption of goods (C) and Leisure (L) as given by the utility function below;  
 $U = f(C, L)$   
The worker has a total of (T) hours which (h) hours are devoted to work while (L) hours are devoted to leisure. Assume the worker receives non-Labor income (V) during the period, work is remunerated at (w) shillings per hour and the worker exhausts all her income in consumption of goods (C) and leisure (L)
- Required:
- i) Using equations and a diagram, illustrate how the worker makes a decision on the hours of work and hours of leisure (7 marks)
  - ii) What would happen to hours of work when the wage rate increases? (5 marks)
- b) Highlight the features that prevent labor markets from operating under competitive conditions (8 marks)

### **QUESTION THREE (20 MARKS)**

- a) Using graphical illustration, explain the argument that perfect competition is the most desirable labor market. (7 marks)
- b) Wages are based on several theories. Describe any four such theories. (8 marks)
- c) The Labor-leisure model demonstrates time allocation between work and leisure. Outline the characteristics of labor-leisure utility indifference curves (5 marks)

### **QUESTION FOUR (20 MARKS)**

- a) Mr. Munyao comfortably moved from a school in Machakos town to another in Mwingi. Outline the possible determinants of this geographical mobility decision. (6 marks)
- b) Wage differentials are a common feature of labor markets in various countries. Highlight four types of wage differentials. (8 marks)
- c) Define the term underemployment and state the two forms of underemployment. (6 marks)

### **QUESTION FIVE (20 MARKS)**

- a) You have been hired by CARE Kenya as a consultant on labor discrimination issues. You are required to propose possible solutions to gender discrimination for the country. Outline your proposals (6 marks)
- b) Explain the three main fundamental issues in today's collective bargaining agreements (8 marks)
- c) Outline three problems with estimated elasticity of labor supply. (6 marks)