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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**FOURTH YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 29<sup>th</sup> July, 2022  
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)**

Unemployment is a major problem in Kenya. It has made many young university graduates demoralized. Unemployment rate has risen so high that in every 10 young people, close to 4 are jobless with requisite qualifications. Successive governments have done little to arrest the situation. This research was done to understand the causes of unemployment in Kenya and the solutions that can be put in place to mitigate the problem. The effects of unemployment and the relationship between creation of opportunities and the growth of economy. The research found out that unemployment in Kenya is very high. This shows lack of confidence they have the system in place. The main effects of unemployment are crime, corruption, nepotism and favourism, high dependency and drug abuse. Being a job creator rather than a job seeker is the major solution of unemployment in Kenya.

Required;

- a) Differentiate between a decrease in the quantity of labor supplied and an increase in the supply of labor  
(5 marks)
- b) Distinguish between Neoclassical microeconomic model — Demand and Neoclassical microeconomic model — Supply.  
(5 marks)
- c) With a clear diagram, show what happens to hours of work when non labor income changes?  
(5 marks)
- d) Explain why the short-run labor demand curve is downward sloping?  
(5 marks)
- e) At what point will a profit-maximizing firm stop hiring new employees?  
(5 marks)
- f) Briefly explain what happens to hours of work when the wage increases?  
(5 marks)

**QUESTION TWO (20 MARKS)**

- a) Explain the features that result in rigidities in money wages making it fail to adjust freely to eliminate excess demand or excess supply of labor instantly. (10 Marks)
- b) Explain the sources of labor market imperfections. (10 Marks)

**QUESTION THREE (20 MARKS)**

- a) Explain the various theories of wages. (10 Marks)
- b) Discuss the arguments against and in favor of minimum wages. (10 Marks)

**QUESTION FOUR(20 MARKS)**

- a) Explain the various types of unemployment. (10 Marks)
- b) Explain how trade union influence wages and employment in the labor market. (10 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Define the term labor mobility and briefly explain various forms of labor mobility (10 Marks)
- b) Workers are always in motion, Discuss the determinants of labor mobility. (10 Marks)