



KIBABII UNIVERSITY COLLEGE

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UNIVERSITY REGULAR EXAMINATIONS

2014 /2015 ACADEMIC YEAR

3RD YEAR 1ST SEMESTER EXAMINATIONS

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR BUSINESS MANAGEMENT

COURSE CODE: BBM 308

COURSE TITLE: LABOUR ECONOMICS

DATE: DECEMBER 2014

TIME:

INSTRUCTIONS TO CANDIDATES:

- Answer questions ONE and any other two questions from Section B.

QUESTION 1 (30 MKS) COMPULSORY

- a) Define the term labour market and explain how it works (6 marks)
- b) Explain why the demand curve for labour is downward sloping (8 marks)
- c) Explain why a fall in the average age of the population shifts the labour supply curve (10 marks)
- d) What is compensating differential/ Give examples (6 marks)

SECTION B (40 MARKS)

QUESTION 2

- a) Outline the differences between the marginal product of labour and the marginal revenue product of labour (10 marks)
- b) What is human capital? Explain how changes in human capital shift the demand curve for labour (10 marks)

QUESTION 3

- a) Workers pay should depend on how much they produce and not on how much they work. Critically evaluate this statement illustration with a graph (12 marks)
- b) Discuss the role of trade unions (8 marks)

QUESTION FOUR

- a) Explain factors affecting productivity (8 marks)
- b) The number and identities of people in each labour market category are always changing. Explain 4 major flows between labour market states (12 marks)

QUESTION FIVE

- a) Explain the law of variable proportions (10 marks)
- b) Explain the labour supply model that incorporate household production (10 marks)