



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2021/2022 ACADEMIC YEAR  
THIRD YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS  
BACHELOR OF SCIENCE IN  
ECONOMICS/FINANCIAL  
ECONOMICS/ECONOMICS AND STATISTICS**

**COURSE CODE: ECO 3106**

**COURSE TITLE: ECONOMICS OF LABOUR**

**DATE: 1<sup>st</sup> April, 2022**

**TIME: 11.00 – 01.00PM**

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## **INSTRUCTIONS TO CANDIDATES**

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

*This paper consists of 2 printed pages. Please turn over*

### **Question One**

- a) How does years of experience affect labour productivity (6marks)
- b) What is the impact of unions both on their members and on the rest of the economy? (6marks)
- c) Explain how education contribute to wage differential in the labour market (7marks)
- d) Using a diagram, explain the relationship between utility, wages and risk (6marks)

### **Question Two**

- a) Discuss the scale effect in the law of derived demand (8marks)
- b) Explain the Job Crowding Hypothesis (7marks)

### **Question Three**

- a) What is the impact of immigration on the economy, the wage and employment appointments of native – born workers? (7marks)
- b) Are government subsidies of investments in human capital an effective way to improve an economic well-being of disadvantaged workers? (8marks)

### **Question Four**

- a) Madam Lucina, a human rights activist, has been championing for elimination of wage discrimination against women in the labour market. Explain why her call makes sense (8marks)
- b) Using substitution and income effect derive and explain backward bending labour supply curve. (7marks)

### **Question Five**

- a) Mobility costs give firms some degree of monopsony power in labor markets. Discuss (7marks)
- b) Discuss trade unions wage demands and utility maximization (8marks)

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