



GRE TSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY - APRIL 2025 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCHR 302

COURSE TITLE: LABOUR ECONOMICS

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **TWO** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

- a) Analyze the key differences between theoretical labor market models and real-world labor conditions, using specific examples **[8 Marks]**

- b) Labor markets are expected to self-correct through supply and demand forces. Explain why recessions lead to prolonged periods of unemployment rather than an immediate adjustment of wages and employment levels. **[8Marks]**

- c) In an ideal labor market, all workers are paid according to their productivity, and firms hire workers up to the point where marginal revenue product equals wage. Explain what may hinder such achievement. **[8 Marks]**

- d) Evaluate the importance of studying labor economics at Gretsä University **(6 marks)**

SECTION B: ANSWER ANY TWO QUESTIONS

Question Two

- a) State and explain the major causes of labor market failure **[8Marks]**

- b) If labor markets function like other markets, why do unique factors such as imperfect information, bargaining power, and government intervention cause persistent inefficiencies in labor allocation? **[12 Marks]**

Question three

- a) Analyze the effects of wage changes on employment, and assess how market imperfections alter labor demand dynamics. **[10 Marks]**

- b) Explain the concept of labor demand elasticity and discuss its practical applications in wage determination, employment policy, and labor market regulation. **[10 Marks].**

Question Four

- a) Explain reasons why the labor supply curve sometimes bends backward **[10 Marks]**

- b) Explain how the simple neoclassical model of labor supply determines an individual's choice between work and leisure. How do the income and substitution effects influence this decision? **[10 Marks]**

Question five

- a) If labor supply decisions are solely based on wages, explain why individuals sometimes choose unpaid household work over paid employment. **[10 Marks]**

b) Explain the concept of compensating wage differentials and how the hedonic pricing model helps in understanding wage variations across different jobs. [10 Marks]