INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - DECEMBER 2025

PROGRAMME: BHRM
YEAR/SEM: YEAR 2/SEMESTER 2
COURSE CODE: ECO2201
NAME: LABOUR ECONOMICS

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

SECTION A IS COMPULSORY

Question 1:

Shoprite Uganda plans to install self-checkout machines at the counter to reduce long queues and improve customer experience. As a result, cashier jobs decline while demand increases for IT specialists and logistics managers. Some employees fear replacement, while management argues that technology improves efficiency and creates new job categories.

a) Analyze the impact of technology on wages, productivity, and job security in the retail sector. **(10 marks)**

b) Discuss how the introduction of self-checkout machines affects the demand for skilled versus unskilled labour. **(10 marks)**

c) Based on human capital theory, analyze why older workers may struggle more with the new technologies than younger workers. **(10 marks)**

d) Suggest strategies the supermarket can use to retrain and retain affected workers. **(10 marks)**

Question 2:

A construction company building a highway employs two categories of workers: heavy-machine operators (skilled) and manual labourers (unskilled). The heavy-machine operators earn 3–4 times more than manual labourers. The company argues that operators require specialised training and face higher risks. Manual labourers complain that the wage gap is unfair and demotivating.

a) Assess whether the compensating wage differentials justify the higher wages for heavy-machine operators. **(10 marks)**

b) Evaluate the extent to which productivity differences explain the observed wage gap. **(10 marks)**

c) Analyze how geographical location and industry characteristics may contribute to wage differentials faced by these workers. **(10 marks)**

d) Define wage differentials and explain the main factors that cause wage differences within and across labor markets. **(10 marks)**

SECTION B

ATTEMPT ANY THREE QUESTIONS FROM SECTION B

Question 1:

a) Define labour economics **(5 marks)**

b) Discuss its scope and significance in understanding the functioning of labor markets. **(15 marks)**

Question 2:

a) Examine the relationship between labor supply and labor demand. **(10 marks)**

b) Discuss the key structural characteristics of labour markets in Africa. In your answer, examine the dominance of informal employment, underemployment, and rural–urban labour dynamics. **(10 marks)**

Question 3:

a) Explain the meaning and scope of labour economics. **(10 marks)**

b) Labour is often described as a unique factor of production. Discuss the key characteristics that distinguish labour from other factors of production such as land and capital. **(10 marks)**

Question 4:

Explain the major characteristics of labour markets in developing economies. **(20 marks)**

Question 5:

Discuss the major labour problems faced by developing economies. How do factors such as unemployment, underemployment, and informal sector employment characterize these problems? **(20 marks)**

Question 6:

Define the concept of labour force and explain its components. **(10 marks)**

b) Discuss the major factors that influence the size and composition of

the labour force. **(10 marks)**

Question 7:

Critically assess the challenges faced by policymakers in managing the labour force composition to meet the needs of changing economies. **(20 marks)**

Question 8:

Define worker mobility and labour turnover. **(10 marks)**

b) Discuss the different types of mobility. **(10 marks)**

Question 9:

Define the demand for labour and explain why demand for labour is considered a derived demand? **(10 marks)**

b) Discuss the concept of marginal productivity of labour and its role in determining the demand for labour. **(10 marks)**

Question 10:

Analyze the factors that influence the demand for labour in a firm. (20 marks)

Question 11:

a) Evaluate the impact of technological change on the demand for labour. **(10 marks)**

b) Explain the income and substitution effects and how they affect the labour-leisure trade-off. **(10 marks)**

Question 12:

a) Define labour force participation rate (LFPR). **(10 marks)**

b) Discuss the key factors that influence labour supply decisions at the individual and aggregate levels. **(10 marks)**