

## Economics

## Section II (continued)

Marks

## Question 22 (10 marks)

The table shows labour force and population information for a nation.

<i>Labour force data</i>	<i>Number of persons (million)</i>
Employed persons	9
Unemployed persons	1
Population of working age	16
Total population	20

- (a) Calculate the labour force unemployment rate for this nation.

1

$$= \frac{\text{unemployed}}{\text{labour force}} \times \frac{100}{1} = \frac{1}{10} \times \frac{100}{1} = 10\%$$

- (b) Calculate the labour force participation rate for this nation.

1

$$\frac{\text{employed}}{\text{working age pop}} \times \frac{100}{1} = \frac{9}{16} \times \frac{100}{1} = 56.25\%$$

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## Question 22 (continued)

- (c) Explain ONE economic and ONE social cost created by unemployment.

4

High unemployment (U/e) means that the government (govt) will need to pay more welfare benefits to the U/e while they'll have less income tax revenue as those U/e are consuming but not working (have no income). Therefore it minimises the govt budget surplus or creates a larger budget deficit. ↑ U/e creates many social costs to society. This encompasses poverty, crime & debt (as these people most likely take credit as they don't have enough money to satisfy their material wants).

- (d) Explain how TWO economic policies could be used by the Australian Government to reduce the level of unemployment.

4

Increase use of the ~~Small~~ Employment Advocate, which provides young people with apprenticeships, training & education, & therefore ~~reducing~~ <sup>minimising</sup> the high ~~rate~~ <sup>(U/e)</sup> in unemployment in young people. Microeconomic policies, despite ~~being~~ <sup>not</sup> being one of the causes of U/e ~~has~~ <sup>is</sup> in the short-term, it actually reduces ~~the~~ U/e in the longer-term as workers are re-skilled in industries which have grown due to structural change.

End of Question 22