

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.

..... 6.25% [$\frac{\text{no. of person unemployed}}{\text{labour force}} \times \frac{100}{1}$]

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

..... $\frac{\text{employed persons} + \text{unemployed}}{\text{population of working age}} = 62.5\%$

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Question 22 (continued)

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

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An economic cost created by unemployment.....
 is ~~a~~ ^{the} downward pressure on ~~a~~ wages. As there
 is an abundant supply of labour, employers
 are able to keep their price low ~~but~~ ^{without} pressure
 from employees. This in turn may lead to a
 decrease in productivity and may curtail economic
 growth through decrease spending. (people have less
 disposable incomes) One social cost of unemployment
 is crime. Those in society not afforded a ladder
 to wealth may turn to crime in order to support
 themselves and their families.

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

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In order to address the level of unemployment within
 an economy, the government must look at the type of
 unemployment that is increasing. For example, in the
 1980's the Hawke government sought to address the
 structural unemployment plague by implement policies
 to ~~raise~~ ^{retain} and update the skills among the structurally
 unemployed so that they may find jobs in the rapidly
 evolving economy. On the other hand, the ~~forward~~
 government has chosen to ^{under} take a longer-term method
 of unemployment reduction by regulation the labour
 market, and instigating microeconomic reforms to
 increase the competitiveness of Australian industries.
 while it may lead to short term job losses, ^{such} reforms
 bring long-term increases in employment by
 allowing the economy to diversify and become more
 efficient.