

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

$$U/E = \frac{1 \text{ million}}{10 \text{ million}} \times 100 = 10\%$$

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

1

$$\text{Participation rate} = \frac{10}{16} \times 100 = 62.5\%$$

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Question 22 (continued)

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

4

An economic cost created by unemployment is the burden of unemployment benefits. While very necessary, social security is a burden for taxpayers and makes up a significant proportion of Budget expenditure. A social cost is social disharmony, especially when taxpayers complain of paying for social security and instances of 'hole budgeting' that have recently been prominent.

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

4

First, the government can look at labour market reforms. Decentralisation of wages has proved successful and the government currently seeks to attack small business retrenchment ^(unfair dismissal laws) laws which will remove the perhaps ~~any~~ reluctance to hire employees due to costs. Secondly, the government can broadly help by running expansionary budgets, perhaps investing in the employment department with schemes like 'Work for the Dole' to teach skills to the unemployed.

End of Question 22