

Unemployment

Description of task	Students will read an extract from the Sydney Morning Herald on the national unemployment rate that describes that unemployment is at historically low levels and the lowest it has been in almost 50 years. Students then write an extended answer response to two questions on the concept unemployment and the effects of full employment.
Assessment Type	Extended answer
Assessment Conditions	<ul style="list-style-type: none"> • Students will have 45 minutes to answer all questions. • 5 minutes reading/planning • 40 minutes extended answer writing • 20 marks in total
Content from the Year 11 Economics ATAR curriculum	Unemployment <ul style="list-style-type: none"> • the concepts of unemployment, full employment, the natural rate of unemployment, the participation rate and underemployment • the measurement of unemployment • types and causes of unemployment, including cyclical, structural and frictional • the effects of unemployment • the implications of full employment for the economy • the possible short-term trade-off between unemployment and inflation
Economic Skills	<ul style="list-style-type: none"> • Economic Reasoning and Interpretation • Communication

Task preparation

Prior learning	Students are familiar with the following economic knowledge and understandings: <ul style="list-style-type: none"> • indicators of economic activity <ul style="list-style-type: none"> ▪ leading indicators, including new employment vacancies ▪ lagging indicators, including unemployment rates/levels • the measurement of unemployment • types and causes of unemployment, including cyclical, structural and frictional • the effects of unemployment
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Assessment task

Resources	“ Unemployment falls to lowest level since 1974 ” by Shane Wright and Rachael Clun, and published on 19 May 2022, from https://www.smh.com.au/politics/federal/unemployment-falls-to-lowest-level-since-1974-20220519-p5amld.html
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YEAR 11 ATAR ECONOMICS

UNIT 2 - EXTENDED RESPONSE UNEMPLOYMENT

Name: _____

The national unemployment rate has fallen to its lowest level since mid-1974 after a small increase in the number of people working through April. The Australian Bureau of Statistics reported the unemployment rate was 3.9 per cent last month which means it was actually steady after the bureau revised down its March jobs report to 3.9 per cent. (Source: <https://www.smh.com.au/politics/federal/unemployment-falls-to-lowest-level-since-1974-20220519-p5a1d.html>).

Write an extended response to the following question in the space provided below.

- (a) Describe the concepts of full employment, the natural rate of unemployment, the participation rate and underemployment. (10 marks)
- (b) Discuss the impact of full employment for the Australian economy, including the possible trade-off between inflation and unemployment. (10 marks)

Planning:

MARKING GUIDE

(a)

Description	Marks
Define Unemployment - Unemployment occurs when people who are willing and able to find work cannot find a job.	1
Description of concepts related to unemployment. Correct description – 2 marks each Brief description or identifying each of the concepts – 1 mark each	
Full employment - Is a situation in which there is no cyclical or deficient-demand unemployment. This can be represented diagrammatically as any point on the Production Possibilities Frontier (PPF).	1–2
Natural rate of unemployment - This being the lowest jobless rate that can be sustained before generating inflationary pressures – the so-called “non-accelerating inflation rate of unemployment” (or NAIRU).	1–2
Participation rate – Includes those people who are employed (i.e., people who complete at least one hour of paid work or work unpaid in a family business). It also includes those people who are unemployed (people who were not employed but actively seeking full or part-time work).	1–2
Underemployment – Occurs when workers who would like to be working full-time can only find part-time work. This is an indicator of spare capacity.	1–2
Conclusion – Unemployment has been trending downward since 2021, currently at 3.9% (April 2022).	1
Total	10

(b)

Description	Marks
<p>Output Effects – up to 2 marks each</p> <ol style="list-style-type: none">1. GDP gap – Unemployed labour represents unused resources, so the output of the economy must be less than its potential if resources were fully utilised. The GDP gap occurs because actual levels of output, income and employment lie inside the production possibility frontier of the economy.2. Opportunity Cost – Unemployment has an opportunity cost – the benefits that could have been obtained had the lost taxation and welfare payments had been spent on health, education of infrastructure. Over the long term, persistent unemployment reduced the rate of economic growth.	1–4
<p>Unemployment and the distribution of income –</p> <p>Unemployment tends to affect some groups more than others – 15-19 age group, middle aged and minority ethnic groups are prone to longer periods of unemployment. Unemployment benefits do not provide a comfortable lifestyle, which leads to personal, family and social problems. This creates an opportunity cost to society.</p>	1–2
<p>Trade-off between inflation and unemployment –</p> <p>Unemployment is a counter-cyclical variable – as economic increases, unemployment decreases. On the other hand, inflation (particularly demand inflation) is pro-cyclical variable, in other words inflation moves with inflation. This means if we compare the inflation rate and the unemployment rate, we are likely to see a negative relationship between the two – as unemployment rises, inflation falls and vice versa.</p>	1–2
<p>Correct drawing of the Phillips Curve –</p> <p>Labelling of Inflation on Y Axis, Unemployment on X Axis with a downward sloping curve showing the negative relationship between the two.</p>	1–2
Total	10