

INTRODUCTION TO ECONOMICS  
BUSINESS ADMINISTRATION DEGREE - YEAR 2016

PRACTICE SHEET 9

1. Using the following data corresponding to the Spanish economy, calculate the unemployment rate, participation rate and employment rate in Spain for the third quarter 2008 and 2009. Discuss the evolution of the rates.

Indicator	IV quarter 2008	IV quarter 2009
Employees	20,346.3	18,870.2
Unemployed	4,123.3	2,598.8
Working-age Population	38,270.7	38,442.5

2. Consider the data on the labor market of a fictitious economy in the accompanying table.

Indicator	Men	Women	Total
Employees	10,613	-	18,950
Unemployed	-	1,832	-
Working-age Population	18,855	-	38,450

- (a) Get the unemployment rate, the employment rate and the participation rate for women.
- (b) Calculate the employment rate for men.
- (c) Get the participation rate for the men knowing that their unemployment rate was 18%.
3. There is only one labor market in Gotham. All workers have the same skills, and all firms hire workers with these skills. The working-age population in Gotham is 100 people. The supply and demand for labor are given by the following expressions:  $P_L = 1/5L^s$  and  $P_L = 20 - 1/5L^d$ , respectively, where  $P_L$  is the wage and  $L$  the number of workers employed. Illustrate each answer with a diagram.
- (a) What is the equilibrium wage rate in Gotham? At this wage rate, what are the level of employment, the size of the labor force, the unemployment rate, the employment rate and the participation rate?
- (b) If the government of Gotham sets a minimum wage equal to \$12, what will be the level of employment, the size of the labor force, the unemployment rate, the employment rate and the participation rate?
- (c) If unions bargain with the firms in Gotham and set a wage rate equal to \$14, what will be the level of employment, the size of the labor force, the unemployment rate, the employment rate and the participation rate?

- (d) If the concern for retaining workers and encouraging high-quality work leads firms to set a wage rate equal to \$16, what will be the level of employment, the size of the labor force, the unemployment rate, the employment rate and the participation rate?