

Chapter 9 Assignment

- A 1. Janine is on a temporary layoff from the factory where she makes barbeques. According to Statistics Canada, what is Janine's employment classification?
- a. unemployed and in the labour force
 - b. unemployed and out of the labour force
 - c. employed and in the labour force
 - d. employed and out of the labour force
- A 2. Unemployment insurance does which of the following?
- a. raises unemployment and reduces search efforts
 - b. lowers unemployment and reduces search efforts
 - c. increases search efforts and raises unemployment
 - d. increases search efforts and lowers unemployment
- D 3. Which of the following statements is true regarding minimum-wage laws?
- a. They cause frictional unemployment.
 - b. They probably increase teenage employment.
 - c. They mainly affect skilled workers.
 - d. They mainly affect non-skilled workers
- A 4. When a union bargains with an employer, which of the following best describes what then happens in that industry?
- a. Unemployment and wages both rise.
 - b. Unemployment and wages both fall.
 - c. Unemployment rises and wages fall.
 - d. Unemployment falls and wages rise.
- C 5. According to economists, efficiency wages result in which of the following?
- a. a reduction in labour-force participation rates
 - b. a reduction in the natural rate of unemployment
 - c. a reduction in the incentive to shirk
 - d. an increase in worker turnover
- D 6. Which of the following are consequences of unemployment?
- a. a rising price level, which reduces the purchasing power of consumers
 - b. a rising aggregate output and income
 - c. an increase in the money supply, which increases inflation
 - d. a decline in output and income

- D 7. Which of the following statements is true regarding the natural unemployment rate?
- a. It is always at zero percent.
 - b. It is the amount of unemployment in the economy, adjusted for the effects of inflation.
 - c. It is decided upon by the federal government.
 - d. It is the amount of unemployment that the economy normally experiences.
- A 8. Which of the following best characterizes discouraged searchers?
- a. individuals who would like to work but have given up looking for a job
 - b. individuals dissatisfied with their present jobs
 - c. individuals included in the unemployment statistics
 - d. individuals unemployed but only for brief periods of time
- B 9. According to the theory of efficiency wages:
- a. The most profitable firms keep wages low.
 - b. Above-equilibrium wages are paid by the firm in order to increase worker productivity
 - c. Some occupations are predominantly male and others are predominantly
 - d. Differences in human capital explain why firms pay high wages.
- B 10. Which of the following events are most likely to ensue when a union successfully raises the wages of its members?
- a. an increase in total productivity, which must rise in proportion to the wage rate
 - b. a reduction in the quantity of labour demanded
 - c. an increase in the wages of nonunion workers
 - d. an increase in the share of income allocated to labour, as opposed to capital
- C 11. Which of the following most affects the natural rate of unemployment?
- a. It is affected by increased government spending.
 - b. It is affected by an insufficient number of workers.
 - c. It is affected by minimum-wage laws.
 - d. It is affected by reduced government spending.

- C 12. Which of the following statements is true concerning minimum wages?
- a. They are a predominant reason for unemployment.
 - b. have nothing to offer in terms of analysis of structural unemployment.
 - c. If minimum wage is kept above the equilibrium level, there will be unemployment.
 - d. If minimum wage is kept below the equilibrium level, there will be unemployment.
- D 13. Which of the following statements best describes the term labour-force participation rate?
- a. the percentage of people not working but actively seeking work
 - b. the percentage of working-age people who are either working or looking for work
 - c. the percentage of people who are actively participating in meaningful economic activity
 - d. the percentage of the adult population that is in the labour force
- A 14. Suppose an unemployed person quits looking for work. All else being equal, which of the following likely ensues?
- a. The unemployment rate decreases and the size of the labour force falls
 - b. The unemployment rate increases and the size of the labour force increases.
 - c. The unemployment rate decreases and the size of the labour force rises.
 - d. The unemployment rate increases and the size of the labour force falls.

True or False?

- T 15. The labour force is the number of employed plus the number of unemployed.
- F 16. Discouraged searchers are individuals who continually search for work even though they cannot find employment.
- F 17. The natural rate of unemployment is the rate of unemployment that is natural to any economy and can never change.
- F 18. Employment Insurance is a government program intended to ease the burden of those who are permanently unemployed.
- T 19. Collective bargaining is a process by which unions and firms agree on the terms of employment.

20. The country of Bada has collected the following information:

Population 240,000
Employed 180,000
Unemployed 30,000

Do the following calculations:

$$\text{Labour Force} = E + UE = 180K + 30K = 210K$$

$$\text{Unemployment rate} = \frac{UE}{LF} \times 100\% = \frac{30K}{210K} = 14.29\%$$

$$\text{Labour-force participation rate} = \frac{LF}{\text{Adult popul}} \times 100\% = \frac{210K}{240K} \times 100\% = 87.5\%$$

21. Classify each of the following individuals into one of the following categories: employed (E), unemployed (U), or not in the labour force (NLF).

- a) Steve worked forty hours last week in a Music Supply store. **E**
- b) Last week, Elizabeth worked 10 hours as a computer programmer for the National Video Company and attended night classes at the local college. She would prefer a full-time job. **E**
- c) Roger lost his job at the R-gone Manufacturing Company. Since then he has been trying to find a job at other local factories. **U**
- d) Linda is a homemaker. Last week she was occupied with her normal household chores. She neither held a job nor looked for a job. **NLF**
- e) Linda's father is unable to work. **NLF**
- f) Scott has a Ph.D. He worked full-time but doesn't like his job as a dishwasher. He has applied for jobs with three companies and five universities. As soon as he gets an offer, he'll quit his current job. **E**
- g) Mary-Helen has been out of work for a full year. She would take a job if it was offered, but no local companies are hiring. She is not actively searching for work. **NLF**

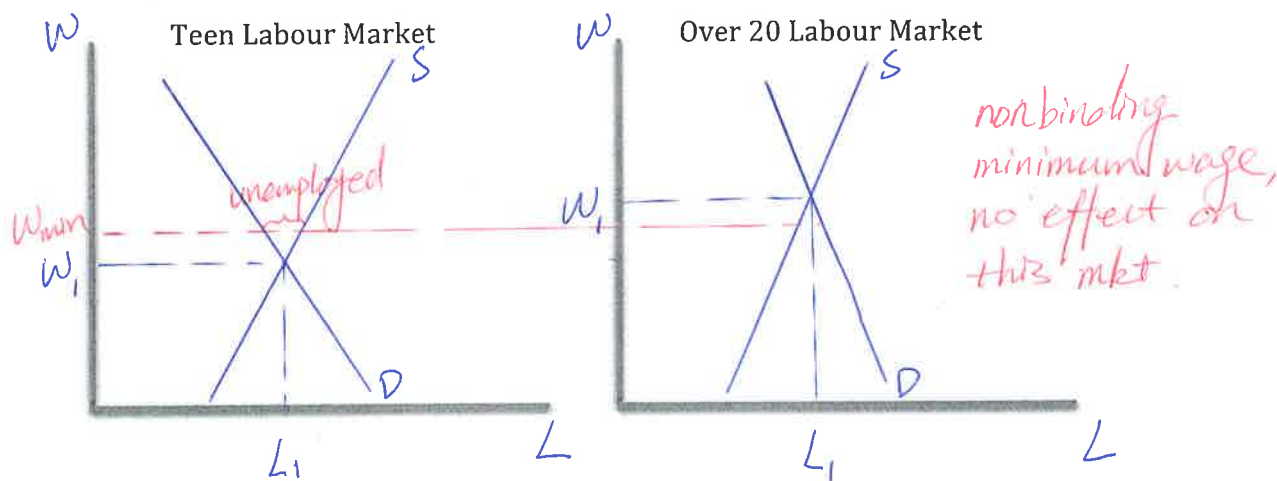
22. Fill in the blank entries in the table.

Country	Adult Population	Labour Force	Employed	Unemployed	Unemployment Rate	Labour-Force Participation Rate
Japan	108.12	66.99	63.79	3.20	4.78%	61.96%
France	46.06	25.98	23.53	2.45	9.43%	56.4 percent
Germany	69.17	39.75	36.5382	3.2118	8.08 percent	57.47%

23. What are five reasons why economies experience unemployment?

- ① ppl take time to find jobs that match their tastes & skill
- ② minimum wage law
- ③ efficiency wage
- ④ union & collective bargaining
- ⑤ business cycle

24. Teenage unemployment is higher than unemployment of people ages 20 and over. Explain why economists would attribute at least part of this difference to minimum-wage laws. (Hint: who is likely to get paid more?) Use the diagrams and explain.



25. Consider an economy where population increases. In a labour supply and demand diagram, analyze the effects of the increase in population on the equilibrium wage and employment. Show on the diagram and explain.

