# Economics - stage 6 – economic issues

**Note for teachers:**

Students are guided in completing an investigation into unemployment as an economic issue in the Australian economy. This sample virtual program is intended for two weeks of learning and includes several lessons and online resources.

Worksheets and resources are found at the end of the learning sequence.

This document references the [Economics](https://educationstandards.nsw.edu.au/wps/portal/nesa/11-12/stage-6-learning-areas/hsie/economics) Stage 6 Syllabus © 2009 Copyright NSW Education Standards Authority for and on behalf of the Crown in right of the State of New South Wales.

## 1.0 Economic issues in the Australian economy

**Students learn about:**

Unemployment

* measurement
  + labour force
  + participation rate
  + unemployment rate
* trends
* types and causes
  + cyclical
  + structural
  + frictional
  + seasonal
  + underemployment
  + hidden
  + long term
* non-accelerating inflation rate of unemployment (NAIRU)

### 1.1 Unemployment measurement and trends

**Teachers note - an understanding of economic concepts is essential for student learning. Students will need access to ICT in order to complete some of the activities, however, alternatives have been suggested. Students will need prior knowledge and definitions of:**

**Labour force** – the total of employed and unemployed people.

**Participation rate** – the percentage of people in the working-age population that are in the labour force.

**Unemployment rate** – the percentage of people in the labour force that are unemployed.

**Non-accelerating inflation rate of unemployment (NAIRU)** – the lowest theoretical level of unemployment that an economy can tolerate before wage inflation starts to increase.

Access to NESA’s Economics [2015 HSC exam pack](https://www.educationstandards.nsw.edu.au/wps/portal/nesa/resource-finder/hsc-exam-papers/2015/economics-2015-hsc-exam-pack) is required for the completion of an activity within this sequence. This may be accessed via the NESA website or a hard copy may be printed for students if required. Students should be made aware of how to access HSC exam papers for further study.

It is important to note that the sample answers provided in the HSC exam packs are not intended to be exemplary or even complete answers or responses, however, they are useful for students to develop knowledge and understanding of the marking process of HSC examinations.

#### **Activities:**

* Students complete a [parking lot](https://app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/570?clearCache=3cf6727-d35d-34e1-a8f8-e7ed4f41cd5) activity in which they post questions or comments about the economic issue of unemployment in Australia.
* Develop an overview of how the ABS collects and processes labour statistics for relevance and reliability by reading through the ABS [Labour statistics - concepts, sources and methods](https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6102.0.55.001~Feb%202018~Main%20Features~Overview%20of%20Labour%20Statistics~1) and APH [Unemployment statistics - a quick guide](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1718/Quick_Guides/Unemployment). Students complete worksheet 1 - ABS labour statistics report.
* Read through the ABS [labour force explained](https://www.abs.gov.au/websitedbs/D3310114.nsf/home/labour+force+explained), the ABS [labour force key figures](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0), and complete further research about unemployment in Australia. Students define and identify Australia’s labour force, participation rate and unemployment rate for the most recent months and answer the following questions:
  + Calculate the size of the labour force in Australia by adding the employed people figures with the unemployed people figures. Calculate the unemployment rate in Australia by dividing the unemployed people figures by the labour force then multiply by 100. The unemployment rate should be expressed as a percentage. Calculate the participation rate by dividing the labour force by the working-age people then multiply by 100. The participation rate should be expressed as a percentage.
  + Using the recent months statistics, has the labour force, participation rate and unemployment rate increased or decreased? By how much has it changed for each employment measure?
  + View the employed people and unemployment rate graph, what is the general trend estimates and the seasonally adjusted estimates? Describe the seasonally adjusted estimates.
  + Justify the recent changes in the trend, labour force, participation rate and unemployment.
  + Define the labour underutilisation rate and state the labour underutilisation rate for the most recent months? Describe the change in the rate? Why do you think there has or has not been a change?
* Using the previous activity, students create a fact sheet about the labour force, participation rate and unemployment rate in Australia. Students should include information and graphs about short and long term trends in labour statistics in Australia.
* Examine the [ABS labour force media release from August 2019](https://www.abs.gov.au/ausstats/abs@.nsf/lookup/6202.0Media%20Release1Jul%202019) which includes the graph below. Students explain the graph and the changes to x and y axis over the last 20 years. Students relate the graph to key periods of Australia’s economic history. For example, post WW2 economy, mid 1970 currency issues, floating of the Australian dollar, the global financial crisis.

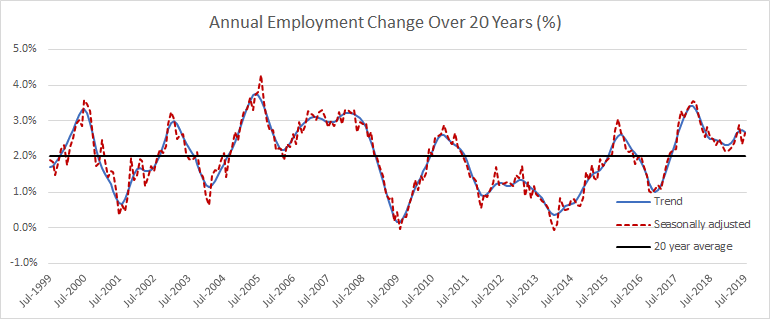


Image of annual employment change from [Australian Bureau of Statistics](https://www.abs.gov.au/ausstats/abs@.nsf/95553f4ed9b60a374a2568030012e707/e66aada637f8e8c4ca258479001e39ea/Body/0.A32!OpenElement&FieldElemFormat=gif).

### 1.2 Types and causes of unemployment

* There are several types of unemployment in Australia. Read the RBA resource [Unemployment - its measurement and types](https://www.rba.gov.au/education/resources/explainers/unemployment-its-measurement-and-types.html), Economics online’s [Unemployment types](https://www.economicsonline.co.uk/Managing_the_economy/Unemployment_types_and_causes.html) and watch [What causes unemployment?](https://www.youtube.com/watch?v=S10c2ODs-yc&list=PLxIZjtYBDUZd223O2AtdRccijFHSyppX9&index=6&t=0s) (duration 10:58). Using this information, complete the following table:

Table 1 – Types of unemployment

|  |  |  |  |
| --- | --- | --- | --- |
| Types of unemployment | Definition | Causes | Example |
| Cyclical unemployment |  |  |  |
| Structural unemployment |  |  |  |
| Frictional unemployment |  |  |  |
| Seasonal unemployment |  |  |  |
| Underemployment |  |  |  |
| Hidden unemployment |  |  |  |
| Long term unemployment |  |  |  |

* Using the previous activity and your knowledge of unemployment, you have been asked to present recommendations to the Department of Education, Skills and Employment. The recommendations should make specific government policy decisions to help to address the causes of the different types of unemployment in Australia. For example, a targeted government human resource management program to help frictional unemployed people quickly move between jobs in the labour market and reduce the transition into and out of the labour force.

### 1.3 Inflation rate and unemployment

* Watch the short clip [What is the NAIRU](https://www.youtube.com/watch?v=SiLKkJNDA3s)? (duration 7:35) read the [NAIRU definition](https://www.economicsonline.co.uk/Definitions/NAIRU.html) and examine the RBA’s article [Estimating the NAIRU and the unemployment gap](https://www.rba.gov.au/publications/bulletin/2017/jun/2.html). Students answer the following questions:
  + Define NAIRU
  + Discuss why NAIRU matters in the Australian economy. Provide specific Australian examples.
  + How does NAIRU affect interest rates and the different types of unemployment?
  + How does it relate to the natural rate of unemployment?
  + Why is NAIRU an indicator of wage inflation?
  + Describe how and why NAIRU is estimated
  + Why is there uncertainty over the estimates of NAIRU?
  + Assess why it is considered a highly theoretical concept?
* Using the previous activity, write a short newspaper style economics article that explains NAIRU impact on the Australian economy and unemployment. In your response, you should demonstrate your understanding of NAIRU, use economic terms, concepts and relationships. Your response should select, organise and integrate economic information from a variety of primary and secondary sources for their relevance and reliability.
* Access NESA’s Economics [2015 HSC exam pack](https://www.educationstandards.nsw.edu.au/wps/portal/nesa/resource-finder/hsc-exam-papers/2015/economics-2015-hsc-exam-pack) and complete the following steps:
  + answer question 23c on page 19
  + read through the [marking guidelines](https://www.boardofstudies.nsw.edu.au/hsc_exams/2015/guides/2015-hsc-mg-economics.pdf) (PDF 416KB) for question 23c on page 7
  + using the marking criteria, students assess their response giving a theoretical mark out of 5
  + read question 23c sample answer on page 7 and highlight key economic concepts
  + read through the marking criteria again and students mark the sample response
  + using this experience of understanding the marking criteria, re-attempt question 23c
  + students compare their first and second response for question 23c and compare their response to the sample response and the marking criteria.

#### Worksheet 1 – ABS report

The Australian Bureau of Statistics (ABS) has asked you to write an independent short report that provides an overview of how labour statistics are measured in Australia. Students should address the following questions:

##### Question 1

What are labour statistics? Use economic terminology and concepts.

##### Question 2

How can the labour statistics be used?

##### Question 3

How does labour statistics relate to other economic research? Provide specific Australian examples.

##### Question 4

How and where are they produced and published? Provide links to further research.

##### Question 5

Why are they subject to varying degrees of accuracy and reliability?

## Resources

* Parking lot [app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/570?clearCache=3cf6727-d35d-34e1-a8f8-e7ed4f41cd5](https://app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/570?clearCache=3cf6727-d35d-34e1-a8f8-e7ed4f41cd5)
* ABS Labour statistics: concepts, sources and methods [https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6102.0.55.001~Feb%202018~Main%20Features~Overview%20of%20Labour%20Statistics~1abs](https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6102.0.55.001~Feb%202018~Main%20Features~Overview%20of%20Labour%20Statistics~1)
* Australian Parliament House Unemployment statistics - a quick guide [aph.gov.au/About\_Parliament/Parliamentary\_Departments/Parliamentary\_Library/pubs/rp/rp1718/Quick\_Guides/Unemployment](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1718/Quick_Guides/Unemployment)
* ABS labour force key figures <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>
* ABS labour force explained [abs.gov.au/websitedbs/D3310114.nsf/home/labour+force+explained](https://www.abs.gov.au/websitedbs/D3310114.nsf/home/labour+force+explained)
* ABS annual employment change 20 year graph [https://www.abs.gov.au/ausstats/abs@.nsf/lookup/6202.0Media%20Release1Jul%202019a](https://www.abs.gov.au/ausstats/abs@.nsf/lookup/6202.0Media%20Release1Jul%202019)
* RBA Unemployment - its measurement and types [rba.gov.au/education/resources/explainers/unemployment-its-measurement-and-types.html](https://www.rba.gov.au/education/resources/explainers/unemployment-its-measurement-and-types.html)
* Economics online Unemployment types [economicsonline.co.uk/Managing\_the\_economy/Unemployment\_types\_and\_causes.html](https://www.economicsonline.co.uk/Managing_the_economy/Unemployment_types_and_causes.html)
* What causes unemployment? (duration 10:58) [youtube.com/watch?v=S10c2ODs-yc&feature=youtu.be](https://www.youtube.com/watch?v=S10c2ODs-yc&feature=youtu.be)
* What is the NAIRU? (duration 7:35) [youtube.com/watch?v=SiLKkJNDA3s](https://www.youtube.com/watch?v=SiLKkJNDA3s)
* Economics online NAIRU definition [economicsonline.co.uk/Definitions/NAIRU.html](https://www.economicsonline.co.uk/Definitions/NAIRU.html)
* RBA Estimating the NAIRU and the unemployment gap [rba.gov.au/publications/bulletin/2017/jun/2.html](https://www.rba.gov.au/publications/bulletin/2017/jun/2.html)