Macro Module 11 Natural Unemployment Rate practice exam questions

(The attached PDF file has better formatting.)

The natural unemployment rate is 25.74% per annum. A new restriction on firing workers without cause reduces the job separation rate by 16.98% and the job finding rate by 31.39%.

Question 11.1: Relation of job finding rate and job separation rate

What is the job finding rate as a function of the job separation rate before the new restriction on firing workers without cause?

Answer 11.1: (1 – 0.2574) / 0.2574 = 2.8850

job finding rate / job separation rate = (1 – natural unemployment rate) / natural unemployment rate

Question 11.2: Relation of job finding rate and job separation rate

What is the job finding rate as a function of the job separation rate after the new restriction on firing workers without cause?

Answer 11.2: 2.8850 × (1 – 31.39%) / (1 – 16.98%) = 2.3842

Multiply by (1 – percentage decrease in job finding rate) / (1 – percentage decrease in job separation rate)

Question 11.3: Natural unemployment rate

What is the natural unemployment rate after the restriction on firing workers without cause?

Answer 11.3: 1 / (1 + 2.3842) = 29.55%

(natural unemployment rate = 1 / (1 + ratio of job finding rate to job separation rate))