

Formative Assessment: Employment, Recession, and Recovery

Part A – Multiple Choice Questions

Choose the correct answer.

1 The **employment rate** is calculated by dividing:

- a) Total population by total labour force
- b) Total employed by total labour force
- c) Total unemployed by total population
- d) Labour force by total unemployed

2 The **official unemployment rate** does *not* include:

- a) People who stopped looking for work
- b) Part-time workers who want full-time jobs
- c) Hidden or discouraged workers
- d) All of the above

3 **Cyclical unemployment** occurs when:

- a) Workers move between jobs
- b) Jobs are lost due to changes in technology
- c) There is a downturn in the business cycle
- d) A region relies too heavily on one industry

4 Full employment means:

- a) Everyone has a job
- b) There is no unemployment
- c) Only normal (frictional and structural) unemployment exists
- d) The government hires everyone

5 According to **Okun's Law**, if unemployment rises by 1%, GDP will:

- a) Increase by 1%
- b) Decrease by 2%
- c) Stay the same
- d) Decrease by 1%

6 **Stagflation** refers to a situation where:

- a) Inflation is high and unemployment is low
- b) Prices and employment both rise
- c) Inflation and unemployment are both high
- d) GDP and employment are both growing

7 A **recession** is defined as a decline in real GDP for at least:

- a) One month
- b) One quarter
- c) Two consecutive quarters
- d) One year

8 The **participation rate** shows:

- a) How many people are working or looking for work
- b) How many people are retired
- c) How many people go to school
- d) How many people are unemployed

Part B – True or False

- 9. Underemployment means a person works part-time or below their skill level.
- 10. Technological unemployment happens when machines take jobs from people.
- 11. Structural unemployment means short-term job changes.
- 12. Seasonal unemployment happens because of the time of year, like farming or tourism.

13. Hidden unemployed are people who stopped looking for jobs or work part-time.
14. During a recovery, unemployment usually goes down.
15. When GDP goes up, unemployment goes down.
16. Prices usually rise during an economic expansion.

Answer Key

Part A – Multiple Choice

1. b
2. d
3. c
4. c
5. b
6. c
7. c
8. a

Part B – True/False

9. False — Underemployment means working part-time or below skill level, not wanting fewer hours.
10. True
11. False — That's *frictional* unemployment.
12. True
13. True
14. False — Unemployment *falls* during recovery.
15. True
16. True