2.5 Causes and Consequences of Unemployment: Test Pack

Total Marks

AQA 7136 · Calculators not allowed · about 20 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Use full sentences for every 'Explain', 'Assess' or 'Evaluate' question and for the diagram description. Time guidance: 20 minutes.

1 Define frictional unemployment in the context of the UK labour market.

(Total for Question 1 is 2 marks)

2 Define cyclical (demand-deficient) unemployment and state when it typically rises in the business cycle.

(Total for Question 2 is 2 marks)

3 Explain briefly how the Phillips curve illustrates a trade-off between inflation and unemployment, and state one limitation of the simple Phillips curve in the modern UK context.

(Total for Question 3 is 3 marks)

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4 Explain briefly why the UK claimant count and the Labour Force Survey figures for unemployment can differ, focusing on the reasons the two measures produce different headline numbers.

(Total for Question 4 is 3 marks)

5 Explain two likely consequences of a rise in unemployment for UK government finances.

(Total for Question 5 is 3 marks)

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Mark scheme · 2.5 Causes and Consequences of Unemployment: Test Pack

Question 1

short-term unemployment that occurs when workers are between jobs or entering the labour market, for example people voluntarily leaving a job to find a better one — **B1**

caused by job search, matching processes and time taken to find suitable employment — **B1**

Answer: Short-term unemployment arising when workers are between jobs or searching for their first job; it results from the time taken to match workers with suitable vacancies.

Question 2

unemployment that arises when there is insufficient aggregate demand for goods and services, so firms reduce output and lay off workers — **B1**

it typically rises during recessions or downward phases of the business cycle — **B1**

Answer: Unemployment caused by a fall in aggregate demand so firms cut output and workers, and it usually rises during recessions or economic downturns.

Question 3

explains the Phillips curve: it shows an inverse relationship between inflation and unemployment, implying lower unemployment is associated with higher inflation and vice versa — **M1**

development: policymakers trade off a bit of higher inflation to reduce unemployment in the short run — **A1**

limitation: in the long run the trade-off may not exist because expectations adapt, or supply shocks can shift the curve; e.g. UK inflation expectations and supply shocks mean the simple stable trade-off is unreliable — **B1**

Answer: The Phillips curve suggests an inverse short-run trade-off between inflation and unemployment, but a limitation is that expectations and supply shocks mean the relationship may break down in the long run, so it is not a reliable policy menu for the UK.

Question 4

the claimant count measures people claiming unemployment-related benefits, so it excludes unemployed people who do not claim benefits — **M1**

the Labour Force Survey (LFS) measures people actively seeking and available for work using a household survey, so it can include people not on benefits and exclude some claimants who are not job-seeking — **A1**

these definitional and coverage differences cause the two headline figures to differ, and timing or administrative changes can also affect the claimant count independently of the LFS — **B1**

Answer: The claimant count only includes benefit claimants while the LFS is a household survey of those actively seeking work; differing definitions, coverage and administrative timing make the two headline numbers differ.

Question 5

identifies one consequence: higher unemployment increases government spending on benefits such as Jobseeker Allowance or the Universal Credit element relating to unemployment — **M1**

explains the mechanism: more claimants and longer durations raise public expenditure, putting pressure on the budget — **A1**

identifies and explains a second consequence: tax revenues fall as income tax and national insurance receipts decline when fewer people are employed, widening the budget deficit unless spending is cut or borrowing increases — **B1**

Answer: Government benefit spending rises as more people claim unemployment-related support, while tax receipts fall because fewer people pay income tax and national insurance, worsening the fiscal balance.

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