



**Economics Questions By Topic:**

**Employment & Unemployment  
(2.1.3)**

**A-Level Edexcel Theme 2**

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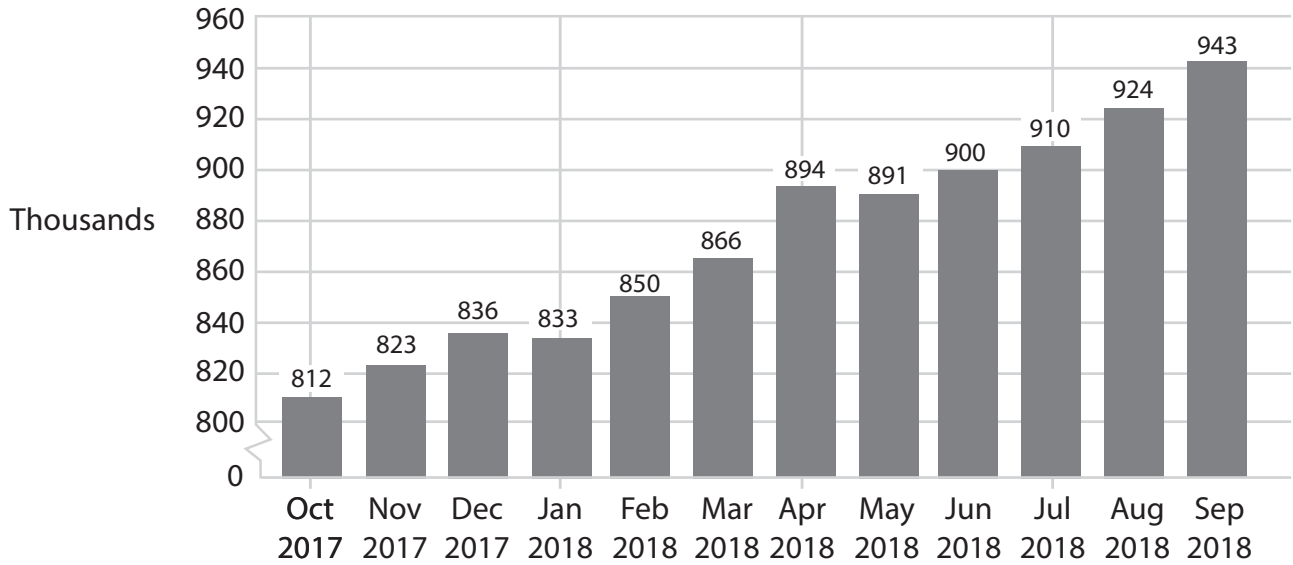
# Table Of Contents

Section A .....	Page 1
Section B .....	Page 10

## SECTION A

Write your answers in the spaces provided.

- 1 Number of unemployed persons, UK, as measured by the claimant count, thousands



(Source: <https://tradingeconomics.com/united-kingdom/unemployed-persons>)

- (a) Calculate the percentage change in the number of UK unemployed persons between April and July 2018. You are advised to show your working.

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(b) Explain **one** likely reason for the increase in the number of people unemployed in the UK over the time period shown.

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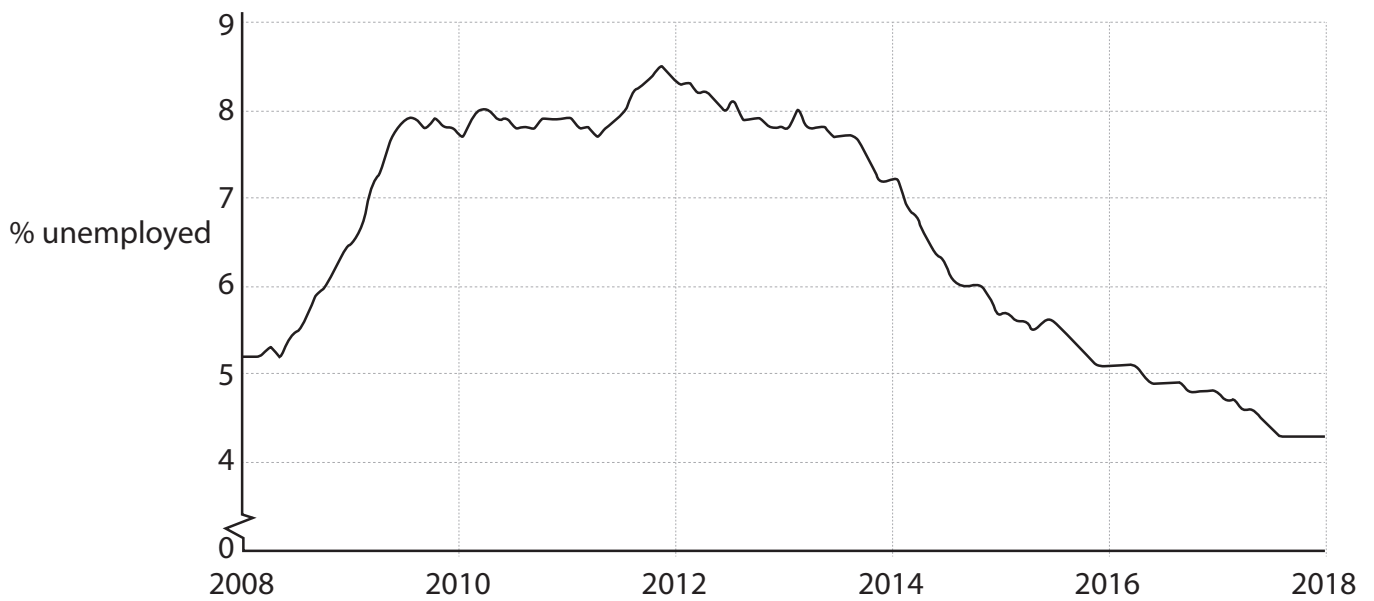
(c) Which **one** of the following types of unemployment is most likely to be caused by a technological change in an industry?

(1)

- A** Cyclical
- B** Real wage
- C** Seasonal
- D** Structural

**(Total for Question 1 = 5 marks)**

**2 UK unemployment rate as a % of all those economically active, seasonally adjusted, from 2008 to 2018**



(Source: adapted from <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx> Crown Copyright)

(a) With reference to the chart above, explain **one** likely economic effect of the change in the UK unemployment rate between 2012 and 2018.

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(b) Which **one** of the following policies is most likely to reduce the unemployment rate in the UK?

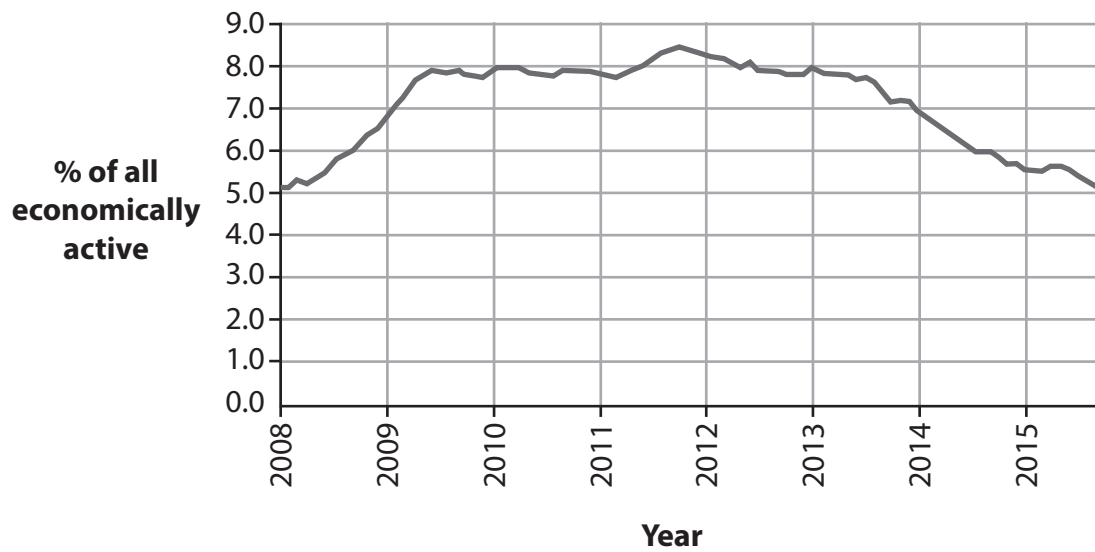
(1)

- A** A decrease in direct taxes on company profits
- B** A decrease in quantitative easing
- C** An increase in government payments to the unemployed
- D** An increase in the UK base interest rate

**(Total for Question 2 = 4 marks)**

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3 The chart below shows the UK unemployment rate, seasonally adjusted, from 2008 to 2015



(Source: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/december-2015/statistical-bulletin.html#tab-8--Unemployment>)

Which **one** of the following types of unemployment best explains the change in the data between 2008 and 2010?

(1)

- A Cyclical
- B Frictional
- C Seasonal
- D Voluntary

(Total for Question 3 = 1 mark)

4 Between 2008 and 2014 the number of people in the UK looking to work longer hours and therefore receive more total pay increased from 76 482 to 142 788. Over the same period the unemployment rate fell to 5.7%.

(Sources: <https://www.gov.uk/government/statistics/numbers-of-part-timers-seeking-full-time-employment> and <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Unemployment+Rates#tab-data-tables>)

(a) With reference to the statement above, explain the term 'under-employment'.

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(b) Which **one** of the following is the most likely reason for a fall in the unemployment rate?

(1)

- A Increasing unemployment benefit payments
- B Decreasing real GDP
- C Decreasing funding for apprenticeships
- D Increasing consumer spending

(Total for Question 4 = 4 marks)



5 The table below shows claimant count data for the UK.

	Number of Claimants
August 2014	961 149
September 2014	923 240
October 2014	887 771
November 2014	848 085
December 2014	823 880
January 2015	852 934
February 2015	858 344

(Source: <http://www.nomisweb.co.uk/query/construct/submit.asp?forward=yes&menuopt=201&subcomp=>)

(a) Define the term 'claimant count'.

(1)

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(b) Calculate the percentage change in the claimant count from August 2014 to February 2015.

(2)

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(c) Which **one** of the following is likely to cause a reduction in the claimant count?

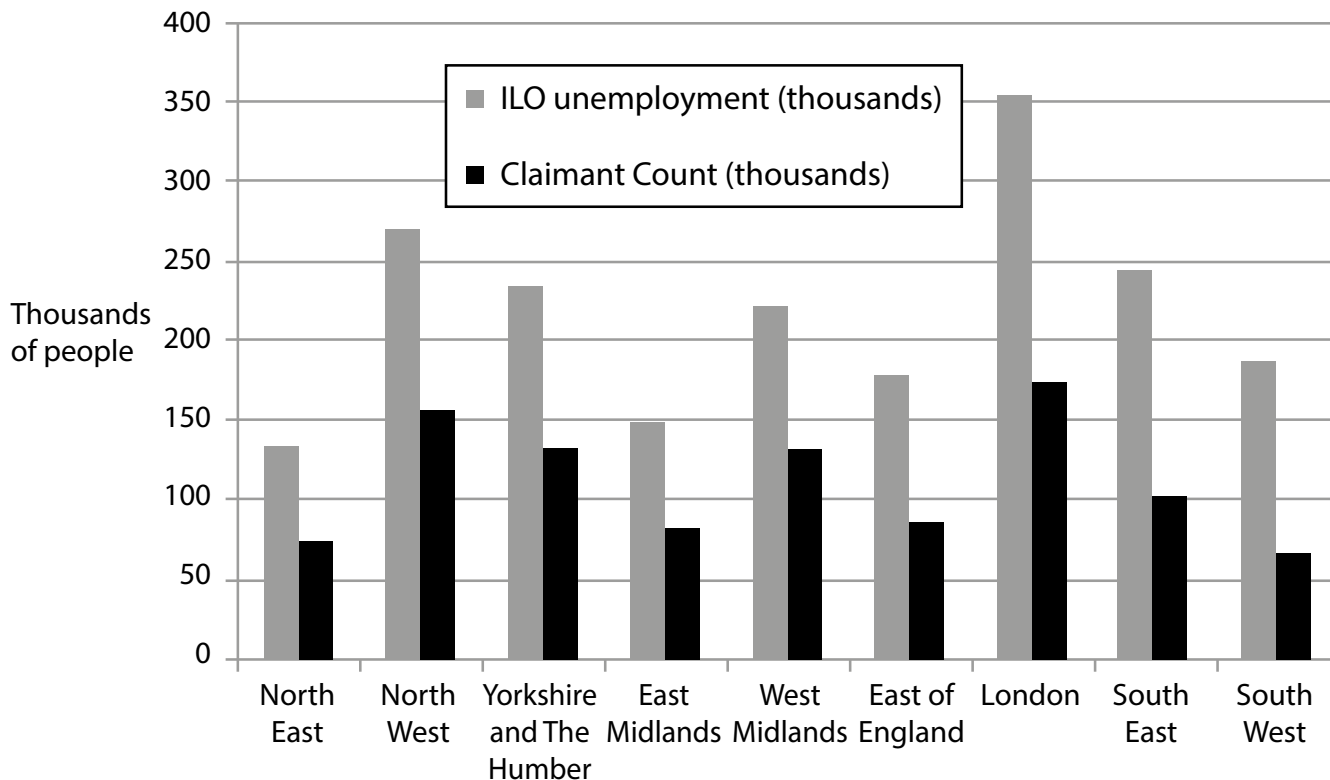
(1)

- A** An increase in the weekly payment for claimants
- B** A compulsory weekly interview for every claimant
- C** An increase in the size of the workforce
- D** A fall in employment

**(Total for Question 5 = 4 marks)**

- 6 The chart below shows UK regional unemployment in December 2013, as measured by both the International Labour Organisation (ILO) measure of unemployment and the Claimant Count.

**UK regional unemployment, December 2013 (thousands)**



(Source: ONS, Regional Labour Market Statistics, February 2014, <http://www.ons.gov.uk/ons/rel/subnational-labour/regional-labour-market-statistics/february-2014/stb-regional-labour-market-february-2014.html>)

(a) Which **one** of the following can be inferred from the chart?

(1)

- A** The North East had the lowest number of unemployed people according to both measures of unemployment
- B** According to the Claimant Count measure, there were more than twice as many people unemployed in London as in the South East
- C** London had the highest number of unemployed people according to both measures of unemployment
- D** According to the ILO measure of unemployment, there were more than twice as many people unemployed in the North West as in the East Midlands

Answer

(b) With reference to the chart, explain why the ILO measure of unemployment is different to the Claimant Count for all regions.

(4)

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**(Total for Question 6 = 5 marks)**

**END OF SECTION A**

**SECTION B**

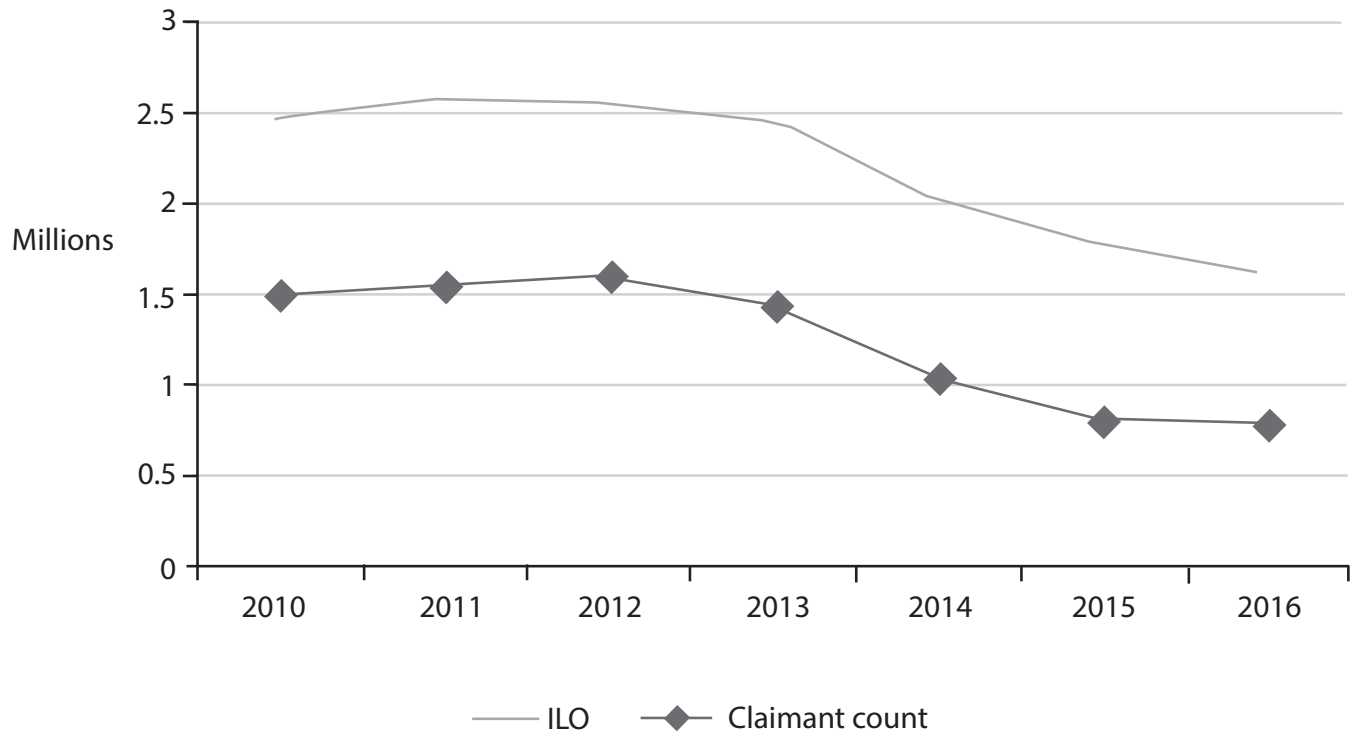
**Read all extracts/figures before answering.**

**Write your answers in the spaces provided.**

**Question 7**

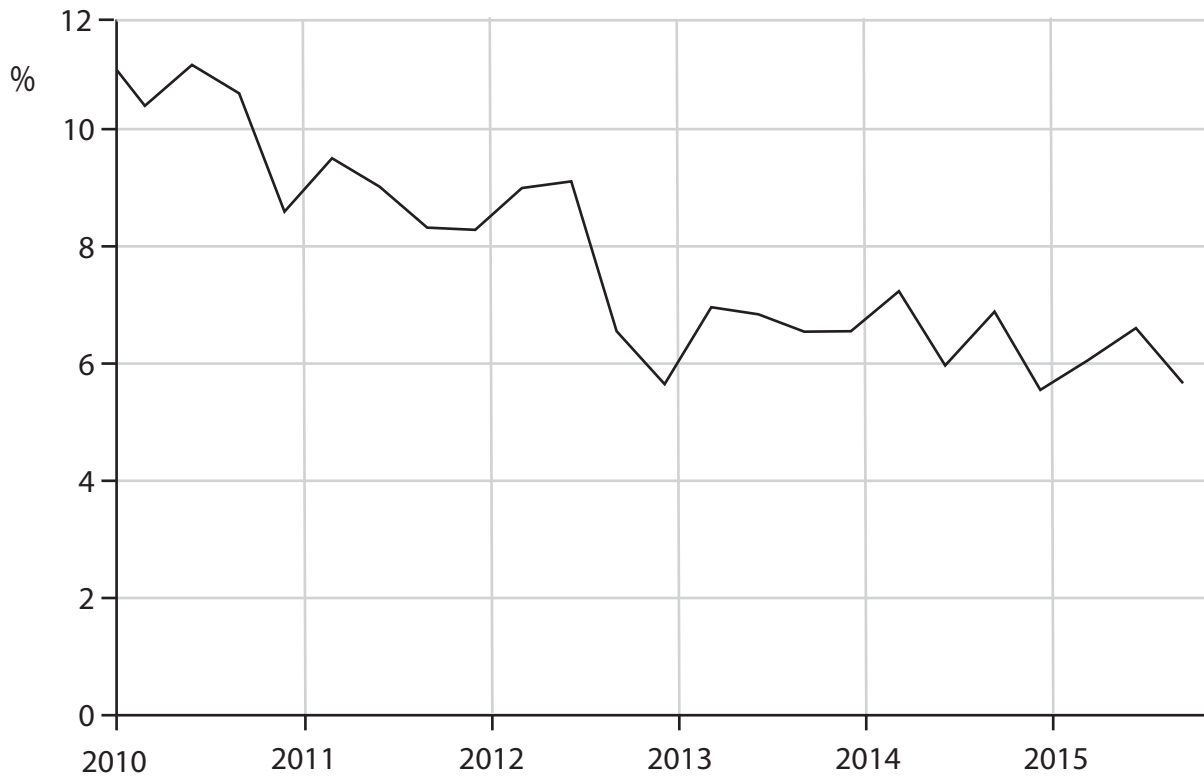
**The UK economy**

**Figure 1: Unemployment – International Labour Organisation (ILO) and the claimant count, millions, 2010-2016**



(Source: ONS Datasets, <https://www.ons.gov.uk/>)

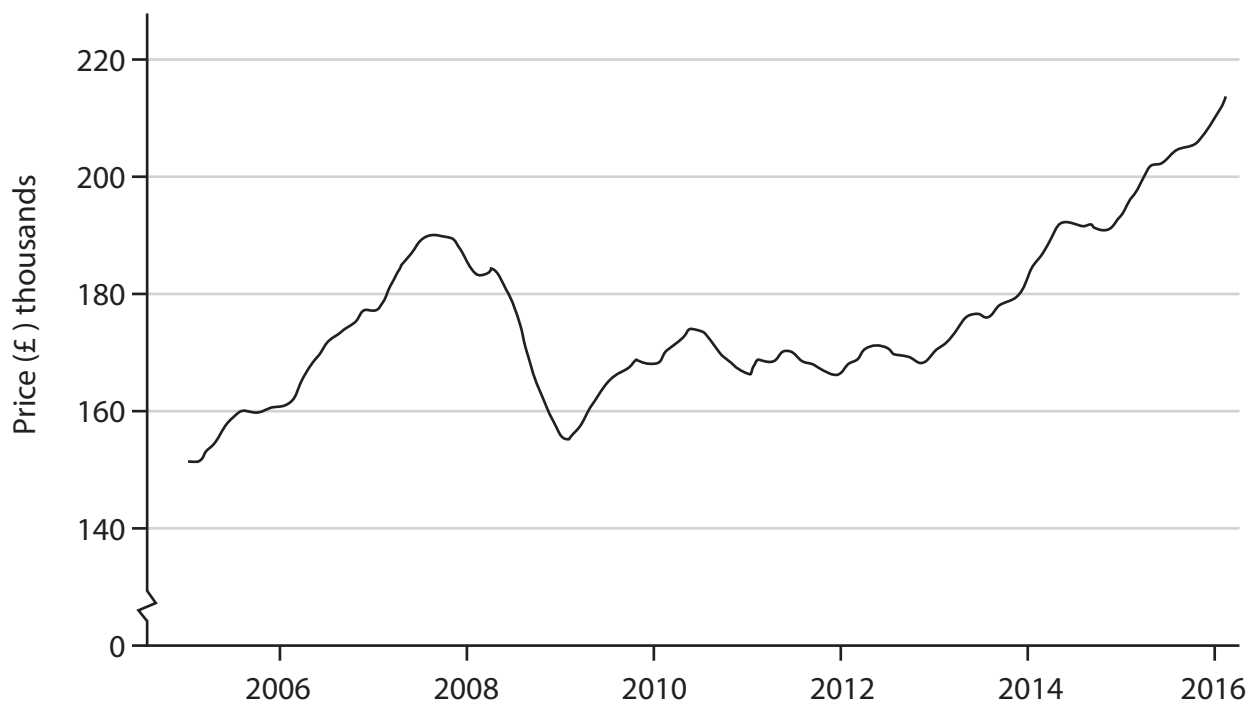
**Figure 2: Household savings\*, 2010-2015**



\* Savings as a percentage of household disposable income

(Source: <http://www.tradingeconomics.com/united-kingdom/personal-savings>)

**Figure 3: UK average house prices, 2005-2016**



(Source: <http://www.telegraph.co.uk/property/house-prices/the-state-of-the-uk-housing-market-in-five-charts/>)

## Extract A

### Soaring house prices

House prices are still rising rapidly. The average UK house price was £214 000 in June 2016, according to the Office for National Statistics (ONS). This is £24 000 more than it was at its peak in September 2007, just before the economic downturn. First-time buyers have experienced the largest rise in house prices.

5

Even the loss of consumer confidence over Britain's vote to leave the EU did not stop house prices from rising – annual growth increased from 5.2% in July 2016 to 5.6% in August 2016. House price growth was the strongest in London, with annual average prices rising by 9.6%. However, in Wales average house prices actually fell by 0.5% during the same period. In its first post-Brexit referendum forecast, estate agency Countrywide said that house prices will fall by 1% across the UK in 2017, before rising by 2% in 2018.

10

Real household income in the UK fell by 10.4% in the years following the financial crisis. This increased the difference between real income and house prices. In 1997, a house cost little more than twice the average income. By early 2015, the average price of a house was five times the average annual income.

15

The rate of home ownership for 25 to 34-year-olds has fallen to 35.8% over the last twenty-five years as houses became less affordable. First-time buyers have to wait longer to save up for a house deposit. Conversely, home ownership has risen to 78.6% among those aged 65 to 74.

(Source: adapted from 'The state of the UK housing market in five charts', The Telegraph, <http://www.telegraph.co.uk/property/house-prices/the-state-of-the-uk-housing-market-in-five-charts/>; 'UK house price growth slows as demand cools after Brexit vote', The Guardian, <https://www.theguardian.com/business/2016/sep/30/uk-house-price-growth-slows-demand-cools-brexit-vote-nationwide>)

## Extract B

### UK migration trends in the year ending June 2016

Inward migration levels are among the highest ever recorded with an estimated 650 000 people moving to the UK. This is an increase of around 11 000 from the previous year.

Employment remains the most common reason for long-term migration (312 000) to the UK, with around 182 000 of these coming with a definite job and 130 000 looking for work.

5

Long-term migration to the UK for study was estimated to be 163 000. In addition, 80 000 long-term migrants arrived in the UK to accompany their families. There were 41 280 refugees applying for asylum, including dependants, of which 10 547 people were granted asylum. Asylum applicants cannot usually accept offers of employment while their case is being processed.

10

(Source: adapted from 'Migration Statistics Quarterly Report: December 2016', ONS, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/dec2016>)



(b) With reference to Extract B and Figure 1, discuss the likely impact of migration on employment **and** unemployment in the UK.

(15)

A series of horizontal dotted lines for writing the answer.



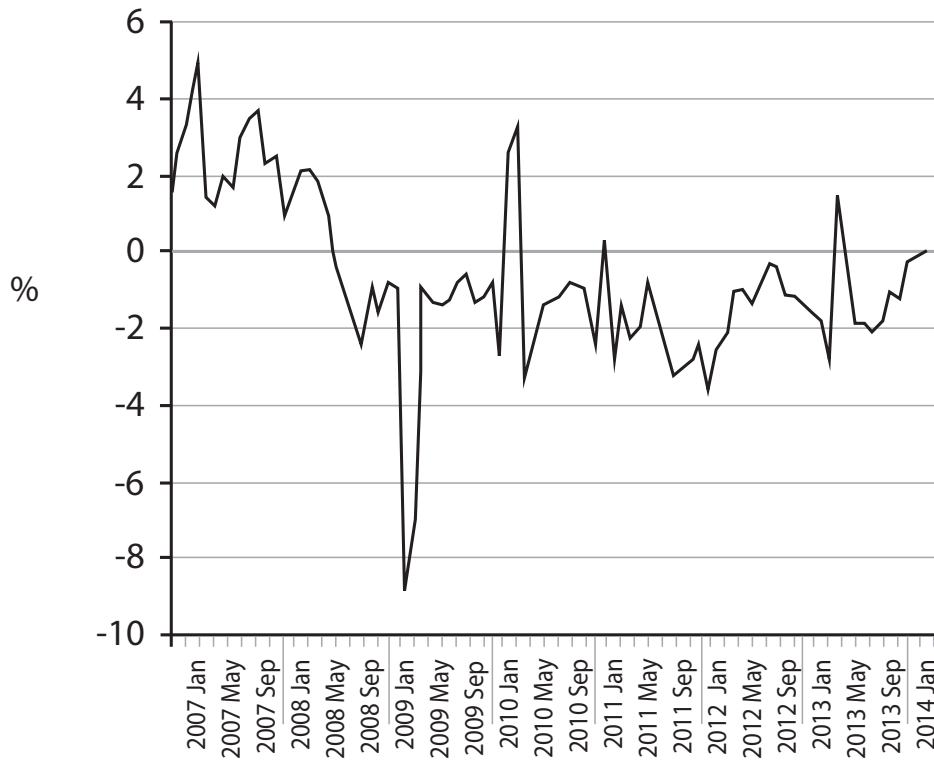
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(Total for Question 7 = 19 marks)

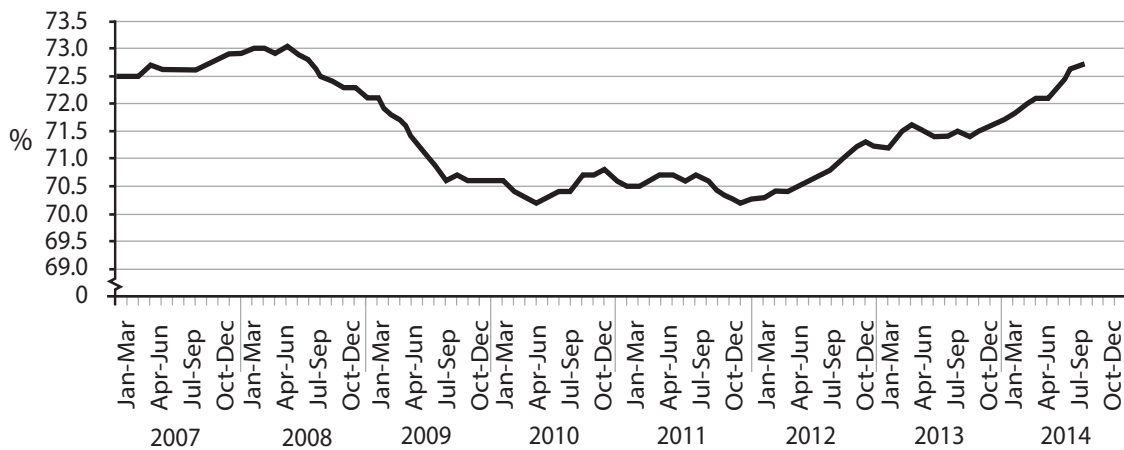
## 8 UK wages, employment, migration and the trade deficit

**Figure 1 Real wage growth, per cent change on the same month a year ago**



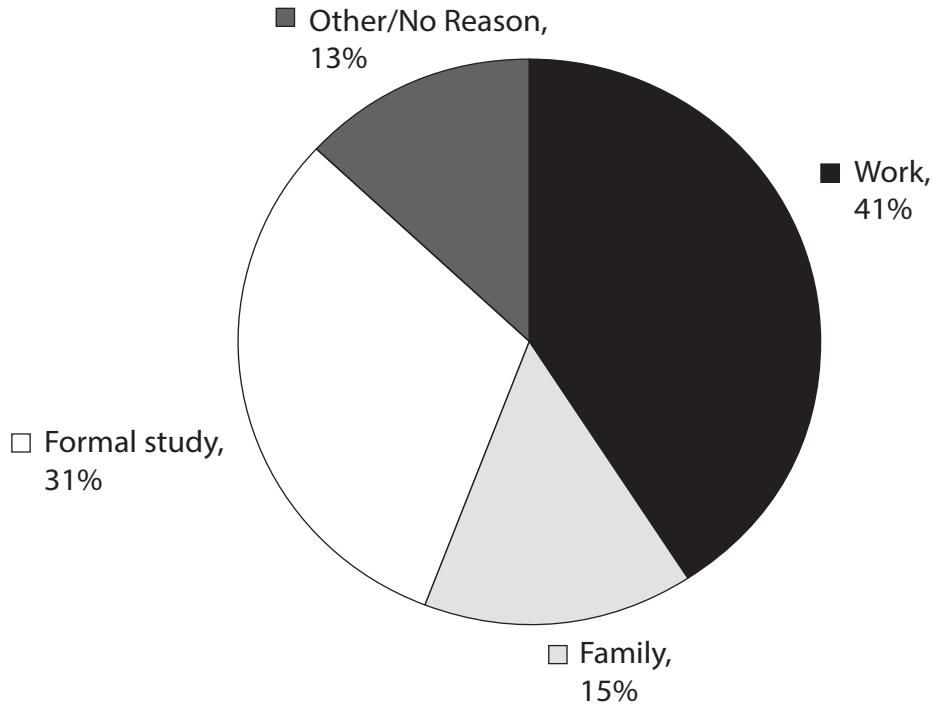
(Source: © ONS Economic Review June 2014, [http://www.ons.gov.uk/ons/dcp171766\\_365818.pdf](http://www.ons.gov.uk/ons/dcp171766_365818.pdf))

**Figure 2 UK employment rate, % of 16–64 age group**



(Source: © ONS Economic Review June 2014, [http://www.ons.gov.uk/ons/dcp171766\\_365818.pdf](http://www.ons.gov.uk/ons/dcp171766_365818.pdf))

**Figure 3 Main reason for immigrating to UK, year ending March 2014**



(Source: © ONS Migration Statistics Quarterly Report, August 2014, [http://www.ons.gov.uk/ons/dcp171778\\_375307.pdf](http://www.ons.gov.uk/ons/dcp171778_375307.pdf))

**Extract 1 Migration trends**

- Net long-term migration to the UK was estimated to be 244 000 in the year ending March 2014, an increase from 175 000 in the previous 12 months.
- 560 000 people immigrated to the UK in the year ending March 2014, an increase from 492 000 in the previous 12 months.
- An estimated 316 000 people emigrated from the UK in the year ending March 2014. Long-term emigration has been relatively stable since 2010.
- There was an increase in immigration for work (up 38 000 to 228 000).

5

(Source: adapted from © ONS Migration Statistics Quarterly Report, August 2014, [http://www.ons.gov.uk/ons/dcp171778\\_375307.pdf](http://www.ons.gov.uk/ons/dcp171778_375307.pdf))

## Extract 2 Trade deficit widens

The UK's trade position deteriorated unexpectedly in July 2014 after imports increased more than exports, frustrating the Coalition Government's ambitions to rebalance the economy. The trade in goods deficit widened to £10.2 billion from £9.4 billion in June 2014. It almost matched the largest monthly deficit on record. The broader trade in goods and services deficit also widened in July 2014, to £3.3 billion from £2.5 billion in June 2014. The Office for National Statistics data showed a larger goods deficit in July 2014 driven by a £1.3 billion rise in imports to £34.2 billion, outpacing a £0.5 billion increase in exports to £24 billion. 5

In 2012, the Government set a target of doubling UK exports to £1 trillion by 2020 as part of a broader ambition to rebalance the economy away from consumer spending and towards manufacturing and exports. However, exports increased by just 2.1% in 2013 to £505.6 billion, and this target is looking increasingly challenging. With the eurozone economy remaining weak and ongoing unrest in Eastern Europe and the Middle East, export growth is likely to remain low in the short term. 10

Exchange rates are of particular concern for UK trade, according to Martin Beck, a senior economic advisor: "With around 45% of UK manufactured goods exported, overseas sales are key for continued growth in the sector. The recent fall in the value of sterling should, temporarily, boost prospects for UK exporters." 15

(Source: adapted from © Guardian Newspaper Ltd., September 2014, <http://www.theguardian.com/business/2014/sep/09/uk-trade-deficit-widens-unexpectedly>)



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A large rectangular area with rounded corners, containing 25 horizontal dotted lines for writing.

\*(b) Evaluate government policies that could be used to increase the employment rate in the UK.

(30)

A series of horizontal dotted lines for writing the answer.

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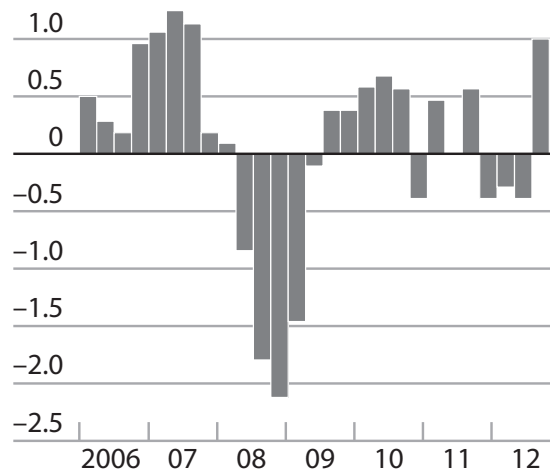
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## 9 Growth, Productivity and Unemployment

**Figure 1**  
**UK Growth, percentage change in real GDP from previous quarter**



### **Extract 1** **Exceptional effects on growth**

The 1% growth rate in real GDP in the third quarter of 2012 from the previous quarter was the strongest in five years. However, the economy is still no bigger than it was a year ago, and is 3% smaller than it was before the financial crisis hit in 2008. One-off factors such as the Queen's Diamond Jubilee and the London Olympics also improved the third quarter figure, which was better than the 0.6% economists predicted.

5

But few believed the better data signalled the start of a strong economic recovery. Employment is rising, real disposable incomes are recovering and retail sales are picking up. However, the global economy is slowing, the government plans to reduce its budget deficit further next year and confidence among businesses and households remains fragile.

10

(Source for Figure 1 and Extract 1: © The Financial Times Ltd 2013)

### **Extract 2** **UK unemployment and employment**

UK ILO unemployment is at 2.51 million, up 55% since 2007, a similar increase to the US and the eurozone, according to the OECD. That eurozone average disguises huge variations, however, from rises of well over 100% in Greece and Spain to a fall of 33% in Germany.

5

In past recessions, the proportion of the unemployed out of work for more than 12 months in the UK has typically increased to 40–50%. This time it has reached only 35%. This has been partly attributed to the welfare-to-work policies of current and previous governments which try to push people quickly back into whatever jobs are available.

10

The UK's strength in creating jobs, taking the number employed back above the pre-crisis level, has been balanced by concern about the quality of those jobs – a lot of them self-employed, part-time or temporary – and a poorer productivity performance than the average for developed countries.

(Source for Figure 1 and Extract 2: © stats.oecd.org)

(a) Explain how 'UK ILO unemployment' (Extract 2, line 1) is measured.

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(b) Explain **two** possible problems for the UK economy of 35% of the unemployed being “out of work for more than 12 months” (Extract 2, lines 5 – 6).

(8)

A series of horizontal dotted lines provided for the student to write their answer.

**(Total for Question 9 = 12 marks)**

## 10 Real Income and Unemployment

### Extract 1 UK households' real disposable incomes

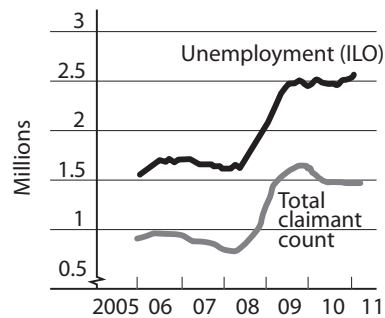
New GDP figures show real household disposable incomes falling by 0.8% in 2010. This is the first time the measure has fallen since 1981.

Nominal wage growth edged up with average earnings rising 2.3% in the year to January 2011. This annual growth rate for workers' pay was mainly driven by bonus payments in the finance and business services sector. Meanwhile, CPI inflation was 4.0% in January 2011.

5

(Source: Adapted from an article by Brian Groom from the Financial Times on 16 March 2011  
© The Financial Times Limited 2011)

### Figure 1 UK unemployment at 17-year high, millions



(Source for Figure 1: Adapted from the Financial Times on 16 March 2011  
© The Financial Times Limited 2011)

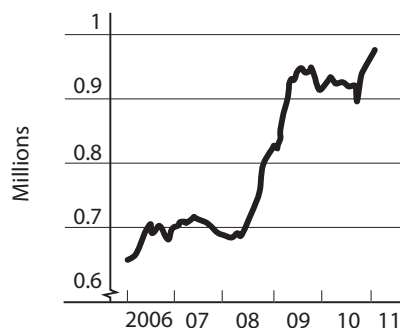
### Extract 2 Unemployment measurements diverge

The unemployment rate, as measured by the International Labour Organisation (ILO), for the three months to January 2011 was 8.0% of the economically active population. The total number of unemployed people, using the ILO measure, increased by 0.1% (27,000) over the three months to January 2011 to reach 2.53 million, the highest figure since 1994. The number of people claiming Jobseeker's Allowance (the claimant count) fell by 10,200 between January and February 2011 to reach 1.45 million.

5

(Source for Extract 2: Adapted from the Office of National Statistics 16 March 2011  
© Crown Copyright)

### Figure 2 ILO survey of youth (aged 16-24) unemployment, millions



(Source: Adapted from the Financial Times on 16 March 2011  
© The Financial Times Limited 2011)

### **Extract 3 Youth unemployment**

The ILO unemployment level for those aged from 16 to 24 reached 974,000 in the three months to January 2011, the highest figure in percentage and absolute terms since comparable records began in 1992. Chris Grayling, the employment minister, has questioned the accuracy of the ILO figure and the survey method used.

Grayling claimed that youth unemployment had fallen if young people in education were excluded from the figures. The ILO survey should make sure that full time students who cannot find a part-time job while they study are not included in this measure of unemployment.

5

(Source: Adapted from © Guardian News & Media Ltd 2011, April 13 2011)

(a) With reference to Figure 1 and Extracts 2 and 3, distinguish between the claimant count and the ILO measures of unemployment.

(6)

A series of horizontal dotted lines provided for writing the answer.

(b) With reference to Figure 1 and Extracts 2 and 3, outline **two** possible reasons why the trends in the claimant count rate and the ILO measure of unemployment differ after 2009.

(8)

Dotted lines for writing.

\* (c) With reference to the information and your own knowledge, examine **two** factors which might explain the rise in UK unemployment since 2008.

(12)

A series of horizontal dotted lines for writing the answer.

(Total for Question 10 = 26 marks)

## 11 Economic Growth and Unemployment

### Extract 1 The World Economy – a glimmer of hope?

The worst of the economic downturn is over only in the sense that the pace of global decline has peaked. Thanks to expansionary – and unsustainable – fiscal and monetary policies, output growth will eventually become positive again. However, growth, when it comes, will be too feeble to stop unemployment and spare capacity rising. The increasing output gap will keep many individuals and firms dependant on the government.

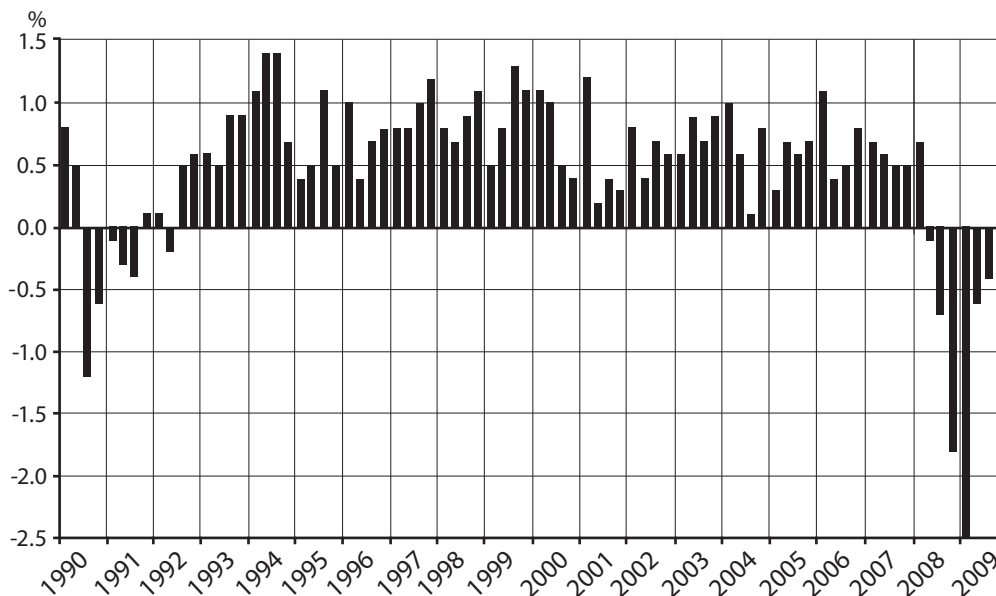
5

Consider what that means. Much of the rich world will see unemployment rates that reach double figures, and then stay there. Inflation will become negative thanks to falling fuel costs and record economic spare capacity, pushing down prices and wages. Government borrowing will soar because of falling growth, prolonged fiscal spending and the growing costs of bailing out the banks and other firms. Continuing high unemployment, years of falling investment and higher government borrowing will limit economies' underlying potential. It is clear that rates of economic growth will be lower than the long-term trend for years to come.

10

Source: adapted from *The Economist* 24 April 2009  
[http://www.economist.com/opinion/displaystory.cfm?story\\_id=13527685](http://www.economist.com/opinion/displaystory.cfm?story_id=13527685).

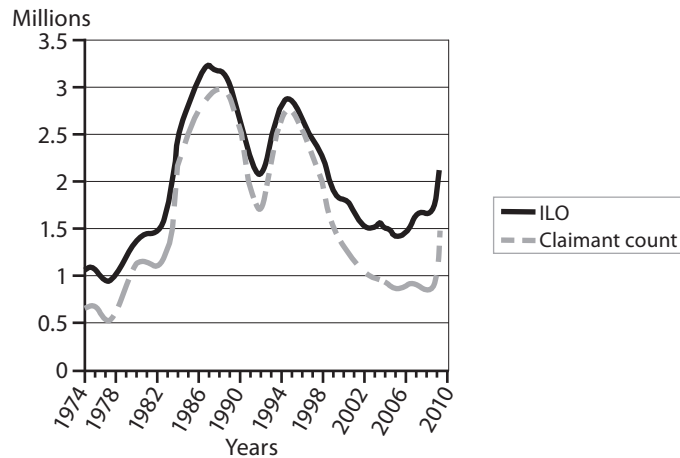
**Figure 1 UK Growth rates at a 30-year low**



Source: statistics.gov.uk



**Figure 2 Unemployment: ILO and the Claimant Count**



Source: [www.statistics.gov.uk](http://www.statistics.gov.uk)

**Extract 2 Unemployment: ILO and the Claimant Count**

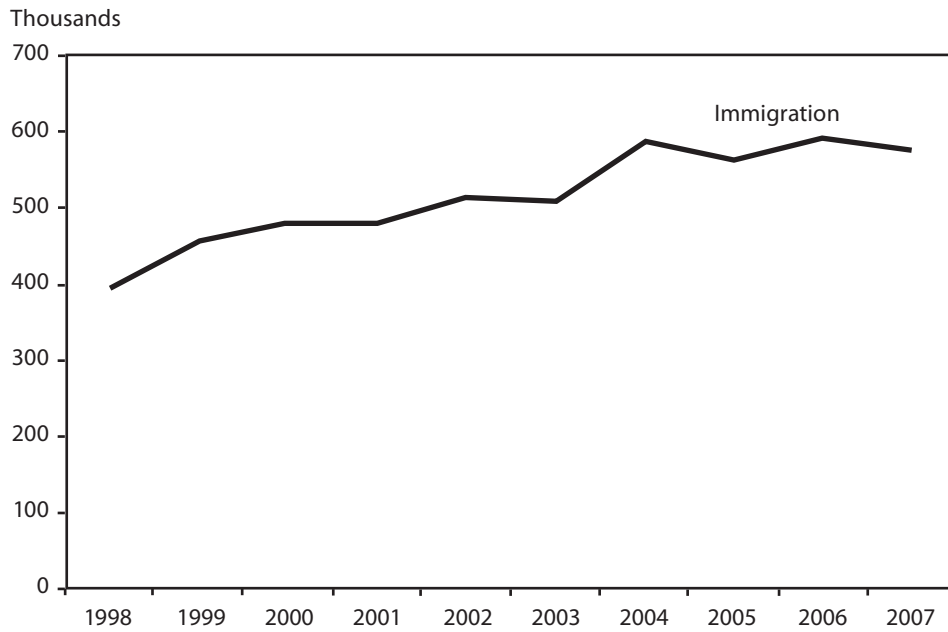
ILO unemployment is now 6.7% (2.1 million). In some regions it is much higher, for example the West Midlands (8.4%) and the North East of England (8.3%). While ILO unemployment is still much lower, so far, than in the recent recessions of the 1980s and 1990s, it is forecast that the level will go above 3 million in 2010. The employment rate for people of working age is 73.8% as measured by the International Labour Organisation (ILO).

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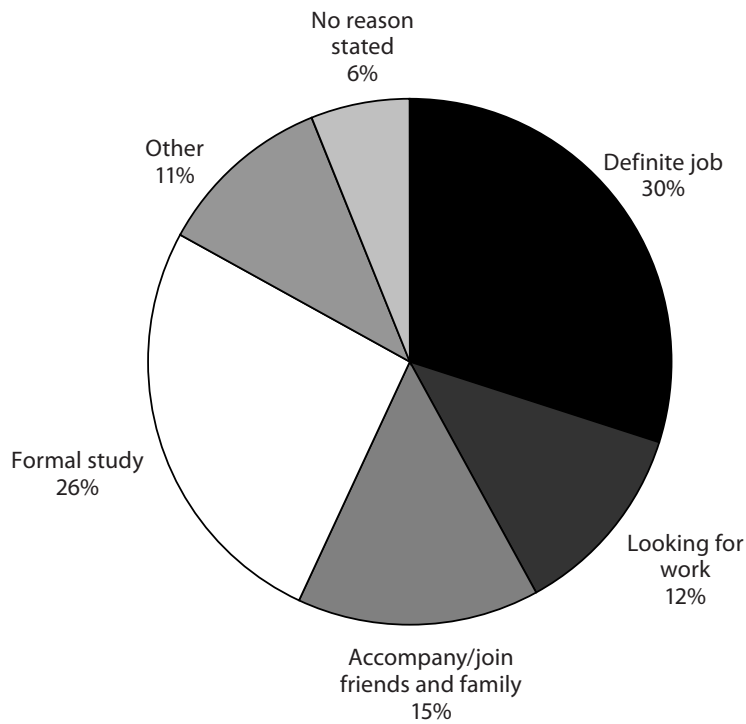
The claimant count has now increased continuously for 14 months. The claimant count rate in March 2009 was 4.5% (1.5 million), up 0.2% on the previous month and 2.1% higher than in March 2008.

Source: adapted from 'First Release labour market statistics' April 2009 ONS

**Figure 3 Total immigration into the UK 1998 to 2007**



**Figure 4 Estimates for the main reason for immigration to the UK, 2007**



Source: <http://www.statistics.gov.uk/pdfdir/tim1108/pdf>

(a) Explain the methods used to obtain measures of *ILO unemployment* and the *claimant count*.

(4)

Dotted lines for writing the answer to question (a).

(b) Explain why ILO unemployment is still expected to rise above 3 million even though 'the worst of the economic downturn is over' (*Extract 1, line 1*).

(6)

Dotted lines for writing the answer to question (b).

(c) With reference to Figure 3 and Figure 4, assess the significance of immigration for employment and unemployment.

(14)

A series of horizontal dotted lines for writing the answer.

A large rectangular area with rounded corners, containing 25 horizontal dotted lines for writing.

Blank writing area with horizontal dotted lines.

**(Total for Question 11 = 24 marks)**

## Question 12

### Demand management

#### Extract 1 Bank of England cuts interest rates again

The Bank of England's Monetary Policy Committee today voted to reduce the official interest rate. The prospects for global output growth abroad have worsened and the disruption to world financial markets has continued. In the UK, credit conditions for households and businesses are tightening. Consumer spending growth appears to have eased. Although the substantial fall in the sterling exchange rate is likely to lessen the effects of the fall in aggregate demand, output growth has moderated to around its historical average rate and business surveys suggest that further slowing is in prospect. These developments might lead to CPI inflation falling below target in the long run.

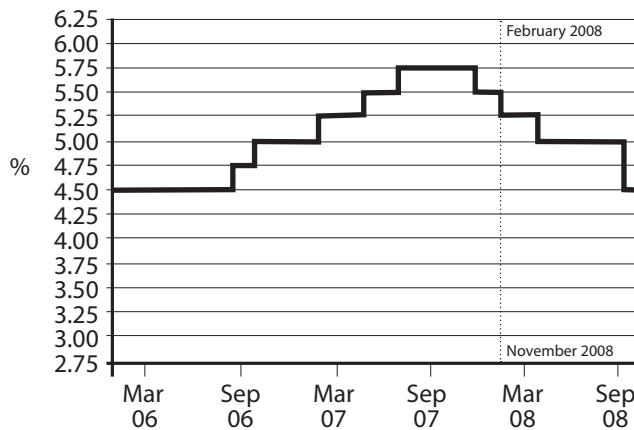
5

CPI inflation, at 2.1% in December 2007, was close to the inflation target, but higher energy and food prices are expected to raise the rate of inflation, possibly quite sharply, in the short run. The lower level of sterling will significantly increase import costs.

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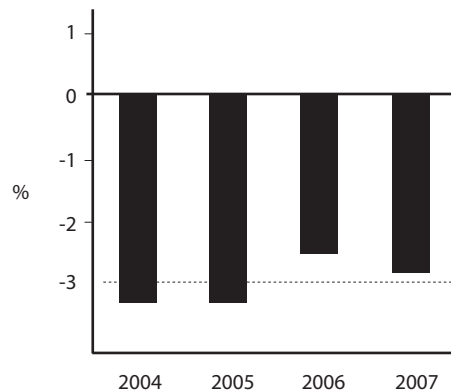
Source: Adapted from press release February 2008 [www.bankofengland.co.uk](http://www.bankofengland.co.uk)

**Figure 1 The Bank of England's official interest rate**



Source: [www.bankofengland.co.uk](http://www.bankofengland.co.uk) November 2008

**Figure 2 Government fiscal position as a percentage of GDP**



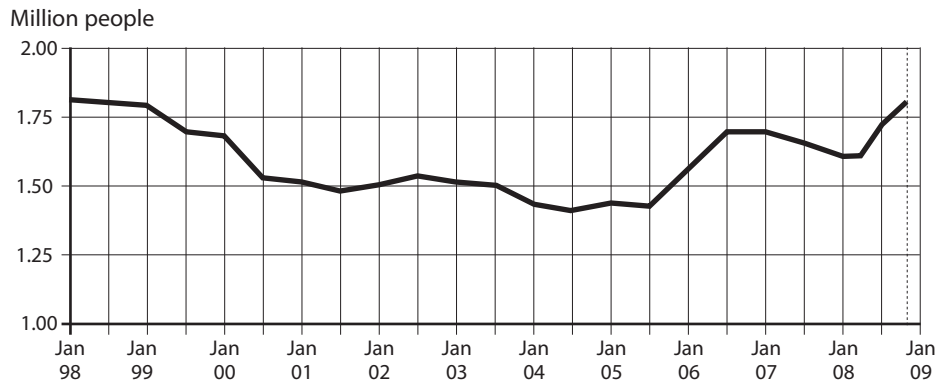
Source: [www.statistics.gov.uk](http://www.statistics.gov.uk) 7 April 2008

## Extract 2 Government budget deficit

Provisional estimates show that for the calendar year 2007 the UK recorded a government budget deficit of £39.4 billion, which was equivalent to 2.8 per cent of gross domestic product (GDP).

Source: [www.statistics.gov.uk](http://www.statistics.gov.uk) 7 April 2008

### Figure 3 Unemployment in the UK



Source: ONS



**12** With reference to Figure 3, explain **two** costs of unemployment.

**(10)**

A series of horizontal dotted lines for writing the answer.

**END OF SECTION B (Total for Question 12 = 10 marks)**