



Economics Questions By Topic:

**Employment & Unemployment
(2.1.3)
Mark Scheme**

A-Level Edexcel Theme 2

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Table Of Contents

Section A	Page 1
Section B	Page 7

SECTION A

Question Number	Answer	Mark
1(a)	Application 2 $\frac{910 - 894}{894} \times 100 (1) = \mathbf{1.79\% (1)}$ <p>Accept answers between 1.78% and 1.8%</p> <p>Award 2 marks for correct answer e.g. 1.79</p>	(2)

Question Number	Answer	Mark
1(b)	Knowledge 1, Analysis 1 Knowledge 1 mark for one relevant reason e.g. <ul style="list-style-type: none"> • Uncertainty over the process of leaving the EU (1) • Closure of high street shops (1) • Falling incomes (1) • Increased automation (1) • Slower economic growth (1) • Business expectations (1) Analysis 1 mark for linked development e.g. <ul style="list-style-type: none"> • Uncertainty discourages firms from expanding/investing into their businesses (1) • High street shops employ large numbers of people in the UK and with sales moving online jobs tend to be lost permanently (1) • Lower incomes lead to lower consumption so less demand for labour (1) 	(2)

Question Number	Answer	Mark
1(c)	The only correct answer is D <i>A is not correct because this is not related to a change in technology</i> <i>B is not correct because this is real wage inflexibility</i> <i>C is not correct because this is not related to a change in technology</i>	(1)

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 1, Application 1, Analysis 1</p> <p>Knowledge/understanding: 1 mark for identifying one relevant factor, e.g.</p> <ul style="list-style-type: none"> • Increased tax revenue/ lower welfare payments (1) • Increase in disposable income (1) • Less potential output will be lost (1) • Increase in consumption/AD/GDP (1) <p>Application: 1 mark for reference to the chart, for e.g.</p> <ul style="list-style-type: none"> • Unemployment rate has fallen (1) • Unemployment rate has decreased from nearly 8.3% in 2012 to around 4.3% in 2018 or has decreased by 4 percentage points (1) <p>Analysis: 1 mark for linked development, e.g.</p> <ul style="list-style-type: none"> • Budget deficit would decrease (1) • Confidence/consumption increase (1) • Less waste of scarce resources / fall in spare capacity (1) 	(3)

Question Number	Answer	Mark
2(b)	<p>The only correct answer is A</p> <p>B is not correct because decrease in quantitative easing will reduce AD and increase the unemployment rate</p> <p>C is not correct because an increase in the government payments to the unemployed will reduce the incentive to work, reducing AS and increasing the unemployment rate</p> <p>D is not correct because an increase in the UK base interest rate will increase the cost of borrowing, thus reducing AD and increasing the unemployment rate</p>	(1)

Question Number	Answer	Mark
3	A	(1)

Question Number	Answer	Mark
4(a)	<p style="text-align: center;">Knowledge 1, Application 1, Analysis 1</p> <p>Knowledge/understanding 1 mark for definition of under-employment, e.g.</p> <ul style="list-style-type: none"> • When a worker is working fewer hours than they would like to work (1) • When a worker is under-utilised in terms of ability (1) <p>Application 1 mark for reference to data provided e.g.</p> <ul style="list-style-type: none"> • Has nearly doubled from 76 482 to 142 788 (1) • Increased by over 66 000 or 86% (accept 85% - 100%) • Unemployment fell to 5.7% but underemployment increased <p>Analysis 1 mark for further development e.g.</p> <ul style="list-style-type: none"> • Reasons for increase: <ul style="list-style-type: none"> ○ Recession/lack of demand in the market (1) ○ Increase in zero-hours/part-time/flexible contracts offered by employers (1) ○ Increased mechanisation/use of technology in the workplace (1) • Underemployment makes the unemployment figure look better than it is • Comment on impact of lower pay e.g. standard of living 	(3)

Question Number	Answer	Mark
4(b)	D	(1)

Question Number	Answer	Mark
5(a)	<p style="text-align: center;">Knowledge 1</p> <p>Knowledge/understanding 1 mark for definition, e.g.</p> <ul style="list-style-type: none"> Number of people claiming unemployment benefit/jobseekers allowance 	(1)

Question Number	Answer	Mark
5(b)	<p style="text-align: center;">Application 2</p> <p>$858,344 - 961,149 = -102,805$</p> <p>$(-102,805 / 961,149) \times 100 (1) = -10.7\% (1)$</p> <p>2 marks for -10.7% (or written equivalent- e.g. 'fell by 10.7%')</p> <p>If answer given is between -10.6% and -11%, award 2 marks.</p> <p>If answer given is between 10.6% and 11%, award 1 mark.</p>	(2)

Question Number	Answer	Mark
5(c)	B	(1)

Question Number	Answer	Mark
6(a)	C	(1)

Question Number	Answer	Mark
6(b)	<p style="text-align: center;">Knowledge 3, Application 1</p> <p>Knowledge/understanding: 1 mark each for how ILO and Claimant Count are measured:</p> <ul style="list-style-type: none"> the ILO measure of unemployment uses the Labour Force Survey/defines someone as unemployed if they are without a job, want a job, and have actively sought work in the last four weeks (1) the Claimant Count is the total number of people claiming Jobseekers' Allowance/unemployment benefit (1). <p>Possible answers might include:</p> <ul style="list-style-type: none"> these are measured in different ways some unemployed people are not eligible to claim JSA some unemployed people do not wish to claim JSA, or are unaware of their right to claim LFS may be subject to sampling bias. <p>Application: 1 mark for reference to the chart, e.g.</p> <ul style="list-style-type: none"> ILO measure is higher than the Claimant Count in all regions. 	(4)

END OF SECTION A

SECTION B

Question Number	Answer	Mark
7(a)	<p style="text-align: center;">Knowledge 2, Application 2</p> <p>Knowledge/understanding Identification of one reason (1) with development (1), e.g.</p> <ul style="list-style-type: none"> • Different reasons for collection/different methods of collection: imply different results • It is becoming much more difficult to claim unemployment related benefits e.g. changes in the level of savings making it difficult to claim unemployment related benefits • Stigma issues when people are unemployed with no stigma for ILO but high stigma for unemployment related benefits • Increase in frictional unemployment which would increase ILO but may show no change in unemployment related benefits • State of the economy where more vacancies in a boom so harder to claim unemployment related benefits <p>Application 2 marks for two data references from Figure 1 (1+1), e.g. Between 2010 and 2016:</p> <ul style="list-style-type: none"> • Claimant count is below ILO (1) • Claimant count fell by around 48% / 0.7m (1) • ILO unemployment fell by around 35% / 0.9m (1) • In 2010, ILO unemployment was 2.5m (1) and CC unemployment was 1.5m (1) 	(4)

Question Number	Indicative content	Mark
7(b)	<p style="text-align: center;">Knowledge 3, Application 3, Analysis 3</p> <p>Effects for employment:</p> <ul style="list-style-type: none"> • “Work remains the most common reason for long-term migration (312 000)” – this is most likely to lead to an increase in employment • “182 000 of these coming with a definite job” – these migrants could fill those vacancies that cannot be filled by indigenous workers • Increased size of population means that there is increase in supply of labour, thus reducing wage rate and increasing demand for labour • Increased consumer spending from an increased population means more jobs are created • Increased demand for public services creating an increased demand for public sector workers <p>Effects for unemployment:</p> <ul style="list-style-type: none"> • “130 000 looking for work” – these migrants could displace the current indigenous workers • “10 547 people granted asylum” / 80 000 family members – surplus labour in the market as they might attempt to join the labour market but with inappropriate skills <p>NB Answer must refer to both <i>employment and unemployment</i> to access Level 3</p>	(9)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
7(b) continued	Evaluation 6	
	<p>Points may include:</p> <ul style="list-style-type: none"> • Magnitude and the significance of net migration – the figures on emigration have not been provided • “Long-term migration to the UK for study was estimated to be 163 000” – so may only be short-term migrants; also it is not sure they will remain in the UK after study • If the UK economy starts to grow, it can take on more labour without increasing unemployment • Evidence might be inaccurate, e.g. reason for migration is a very loaded question/inadequate data – it does not indicate if there has been an increase or decrease in the figures shown • Depends on the skills of migrants • “Dependents” may or may not have an effect • Depends on the percentage of asylum seekers granted leave to remain (Extract B) • Different industries may be affected differently 	(6)

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Indicative Content	Mark
8(a)	<p>KAA 8</p> <p>1 mark for only an identification of a point, 1 mark for identification and very brief explanation, further 1 marks for analysis/development of the point.</p> <p>2 marks for reference to data – Only 1 mark if no/inaccurate figures used. Maximum 6/8 if no data reference. Maximum 5/8 if no reference to employment and unemployment</p> <p>Effects for employment: up to 3 marks for 1 point</p> <ul style="list-style-type: none"> • Increased size of population means that there is an increase in supply of labour, thus reducing wage rate and increasing demand for labour, so employment rises • 41% of people have immigrated for work and this is likely to lead to an increase in employment – these 228,000 immigrants may fill those vacancies that cannot be filled by indigenous workers • Increased consumer spending from an increased population means more jobs are created • Increased demand for public services creating increased demand for public sector workers <p>Effects for unemployment: up to 3 marks for 1 point</p> <ul style="list-style-type: none"> • Increased immigration means more people looking for work so likely to increase unemployment – 41% of immigrants looking for work, hence could displace current employees • Surplus labour in the market, e.g. family (15%), might attempt to join the labour market but with inappropriate skills <p>Evaluation 4 marks (2+2 or 4):</p> <ul style="list-style-type: none"> • Magnitude: only 41% coming for work • Magnitude of net immigration– 244,000 in the year ending March 2014 • 31% are for formal study so may only be short-term migrants; also not sure they will remain in the UK after study • Different sectors of the economy may be affected differently • Growing UK economy can take on more labour without increasing unemployment • Evidence might not be accurate/reliable, • Depends on the skills of the immigrants 	(12)

Level	Mark	Descriptor
Level 3	9-12	2 convincing reasons with at least one evaluative point
Level 2	5-8	2 convincing reasons with no connections, or 1 convincing impact with some good analysis but no evaluative point; 1 or 2 less-convincing impacts with some evaluation
Level 1	1-4	Identification of relevant reasons with or without brief evaluative keywords

Question Number	Indicative content	Mark
8(b)	<p>KAA 18 marks</p> <p>Up to 6 marks:</p> <ul style="list-style-type: none"> • Identification of government policies as fiscal or supply-side policy (2) • Definition of employment rate OR data reference to employment rate (2) • Diagram showing AD shift and/or AS shift consistent with analysis (4); axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift inconsistent with analysis. <p>Explanation of how the policies might help increase employment: 12 marks (3 x 4 marks or 2 x 6 marks);</p> <p>1 mark for only identification of a point, 2 marks for identification and very brief explanation, up to further 4 marks for analysis/development of the point</p> <ul style="list-style-type: none"> • Investment in education and training to provide a more skilled workforce through increases in the level of human capital • Reduction in minimum wage to encourage more firms to increase employment levels • Reduction in unemployment and associated benefits to increase incentive to find work • Grants/tax breaks to firms encourage increases in employment • Reduction in taxation to encourage firms to expand or set up in UK, therefore increasing employment • Reduction in income tax creating a larger incentive to work, increasing consumption and therefore, employment • Decreasing the power of trade unions will help reduce real wage unemployment • Improving geographical mobility of labour - government providing tax breaks to firms who set up in depressed areas/giving some financial assistance to unemployed workers who move to areas with high employment • Government improving the labour market flexibility by making it easier to hire and fire workers may encourage more job creation • Increase provision of free childcare 	

	<p>Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks)</p> <ul style="list-style-type: none"> • Time lag (e.g. education takes a long time to have significant impact on productivity) and implementation lags • Government budget deficit and national debt make it difficult to pay for large investments or offer significant grants/tax breaks • External factors beyond UK government's control, e.g. recession in Eurozone • Magnitude of the policy change • Conflicts with other UK economic objectives • Conflicts between the policies • Depends if there is spare capacity • Creditworthiness of the UK government • Discussion of effectiveness of individual policies - this could be 3 separate points <p>Quality of written communications will be assessed in this question based on the candidate's ability:</p> <ul style="list-style-type: none"> • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately 	(30)
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Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing points with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks)
Level 3	19-24	2 or 3 convincing points with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing points with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

Question Number	Indicative content	Mark
9(a)	<p>KAA 4 marks 4 x 1 mark:</p> <ul style="list-style-type: none"> • It refers to those of working age who are not working (1) • Actively looking for a job and out of work in last four weeks (1) • Ready to work in two (1) • Labour Force Survey/survey (1) • Questionnaire/interview (1) • Conducted quarterly • Internationally recognised (1) • Age 16-64 (1) • Sample (1) 	(4)

Question Number	Indicative content	Mark
9(b)	<p>KAA 8 marks Up to 4 marks for each cost identified and explained/applied. Award up to 2 costs only. Costs might include:</p> <ul style="list-style-type: none"> • Loss of income and/or credit problems (such as house repossession) will have a downward pressure on consumption and AD, and therefore on output. It will have an upward pressure on unemployment. • Loss of skills and other human capital: hard to get into or back into labour market and increased welfare problems for individuals and dependents and poverty issues, possibly leading to a reduction in the PPF and a downward pressure on actual and potential growth. • Government revenue falls so spending likely to fall, leading to a downward pressure on AD and therefore on output. It will have an upward pressure on unemployment. • Increased government expenditure e.g. on benefits • Social costs: large numbers of idle workers can have a negative effect on society, for example crime, morale, social disintegration, possibly leading to a reduction in the PPF a downward pressure on actual and potential growth. • Opportunity costs: resources could be used elsewhere more effectively, leading to an actual output inside the PPF a downward pressure on actual growth • Downward pressure on wages caused by surplus of workers: could lead to increased inequality. 	(8)

Question Number	Indicative Content	Mark
10(a)	<p>KAA 6 marks</p> <p>Use of data up to 2 marks for any one of the following:</p> <ul style="list-style-type: none"> • Figure 1 ILO typically 1 million higher than Claimant Count 05-11 • Extract 2 ILO approximately 1 million higher than Claimant Count Jan 2011 • Extract 3 Grayling's view that full time students who cannot find a part time job while they study should not be included in the ILO. <p>N.B. Must use actual figures to gain data marks. Award only 1 mark if it is stated that ILO is typically higher than CC.</p> <p>Differences up to 4 marks (2 x 2 marks)</p> <p>Unemployment (ILO) up to 2 marks:</p> <ul style="list-style-type: none"> • Actively looking for a job and out of work in last four weeks (1) • ready to work in two (1) • Questionnaire/interview (1) • Survey by phone call/paper (1) • Internationally recognised (1) • age 16-65 (1) • Sample, and related problems (1) <p>Claimant count up to 2 marks:</p> <ul style="list-style-type: none"> • the number of people claiming/receiving (1) • JSA/dole/or unemployment related benefit (1) • Age range – 18-60/65 (1) • savings cap (1) • must be able to prove they are looking for work (1). • Register at unemployment offices (1) • Does not include those unemployed for more than 6 months (1) • Excludes those who have voluntarily left employment (1) <p>Reward other valid explanations</p>	(6)

Question Number	Indicative Content	Mark
10(b)	<p>KAA 8 marks</p> <p>2 reasons up to 4 marks each (2 x 2 marks) 2 marks for the identification and 2 marks for the explanation of each reason.</p> <p>Reasons may include:</p> <ul style="list-style-type: none"> • Rise in youth unemployment (including 16 and 17 year olds) • It has become increasingly difficult to claim JSA • Stigma of collecting the JSA means that the unemployed will only collect it if they really can't find a job, whereas those who can manage without JSA • Decrease in the value of JSA relative to wage changes <p>In the LFS:</p> <ul style="list-style-type: none"> • The underemployed might declare themselves unemployed on the LFS • Recession makes it more difficult for students to find part time work and so more likely to claim to be unemployed on LFS • Rise in students seeking employment following increase in tuition fees <p>Also: award 2 marks for recognition of divergence between ILO and CC after 2009.</p> <p>Reward other valid explanations</p>	(8)

Question Number	Indicative Content	Mark
10(c)	<p>KAA 8 marks</p> <p>2 factors up to 4 marks each (2 x 2 marks) 2 marks for the identification and 2 marks for the explanation of each factor.</p> <ul style="list-style-type: none"> • Fall in UK domestic demand in the recession causing more unemployment generally • Decline in real incomes • Global recession resulting in falling exports • UK reliance on service sector which has a low propensity to export • Loss of UK competitiveness e.g. linked to a higher rate of inflation • The minimum wage being too high • Net immigration rates • Exchange rate changes • Structural unemployment • Reduction in availability of credit • Tightening of fiscal policy <p>Reward other valid explanations</p> <p>Also award up to 2 marks for use of data</p> <p>Evaluation 4 marks (1 x 4 or 2 x 2) factors might include</p> <ul style="list-style-type: none"> • The relative impact of the factors • Timing of the factors and their expected persistence • Regional/sectoral/occupational differences • Inequality or equity issues <p>Quality of written communications will be assessed in this question based on the candidate's ability:</p> <ul style="list-style-type: none"> • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately 	(12)

Level	Mark	Descriptor
Level 3	9-12	2 convincing points with at least one evaluative point
Level 2	5-8	2 convincing explanations with no connections, or 1 convincing explanation with some good analysis but no evaluative point; 1 or 2 less-convincing explanation with some evaluation
Level 1	1-4	Identification of relevant points with or without brief evaluative keywords

Question Number	Answer	Mark
11(a)	<p>Unemployment (ILO) up to 2 marks:</p> <ul style="list-style-type: none"> • out of work in last four weeks (1) • ready to work in two (1) • Questionnaire/interview (1) • Survey by phone call/paper (1) • Internationally recognised (1) • age 16-65 (1) • Sample, and related problems (1) <p>Claimant count up to 2 marks:</p> <ul style="list-style-type: none"> • the number of people claiming/receiving (1) • JSA/dole/or unemployment related benefit (1) • Age range - 18-60/65 (1) • savings cap (1) • must be able to prove they are looking for work (1). • Register at unemployment offices (1) 	(4)

Question Number	Answer	Mark
11(b)	<p>Unemployment is a lagging indicator or similar indication that there is a time delay (2 marks).</p> <p>Allow one reason up to 4 marks, or two reasons 3+3 marks or 4+2 marks.</p> <ul style="list-style-type: none"> • Workers are not laid off immediately when sales fall because contracts are in place or for compassionate reasons (this may be two points). • Cost of redundancy and recruitment • Fear that recovery will not be sustained, therefore lack of investment in recruitment and training • As recession hits workforce, incomes fall, so spending falls, so unemployment increases further. A vicious circle. • Workers are only laid off as a last resort because they represent investment in human capital • Unreliable ILO data 	(6)

Question Number	Answer	Mark
11(c)	<p>KAA 10 marks</p> <p>Use of data (2 marks)</p> <p>Significance of immigration for employment:</p> <ul style="list-style-type: none"> • 30% of immigrants have definite job - the immigrants may fill vacancies that cannot be filled by indigenous workers • Increased supply of labour might push down wages and average wage levels will fall. The demand for workers increases and employment increases • Increased consumer spending from increased population means more jobs are created <p>(4 marks for one point or 2+2 marks or 3+1 mark)</p> <p>Significance of immigration for unemployment:</p> <ul style="list-style-type: none"> • 12% of immigrants are looking for work or the 30% with jobs - these might displace current employees • Surplus labour in the market, e.g. friends and family, might attempt to join labour market but with inappropriate skills <p>(4 marks for one point or 2+2 marks or 3+1 mark)</p> <p>The arguments in reverse are allowable in the context of falling immigration rates (shown in fig. 3)</p> <p>Evaluation 4 marks (2+2 marks or 3+1 mark):</p> <ul style="list-style-type: none"> • Evidence might not be reliable - e.g. reason for immigration is a loaded question • It is not known whether those coming for 'formal study' are going to remain in the UK • The friends and family may or may not wish to join the labour market; they cannot be counted as unemployed unless they are willing and able to work in the next two weeks. Might have dependents. • Dependents may or may not have an effect • Net migration is a more significant figure 	(14)

Question Number	Answer	Mark
12	<p>Award two costs.</p> <p>Identification of costs (2 marks for each cost clearly identified). For development/application of costs 2 marks each. Costs might include:</p> <ul style="list-style-type: none"> • loss of income, credit problems such as house repossession, welfare problems for dependants, poverty issues • loss of skills and other human capital: hard to get back into labour market • government revenue falls so spending likely to fall, other fiscal issues • social costs: large numbers of idle workers can have negative effect on society, for example crime, morale, social disintegration • opportunity costs: resources could be used elsewhere. 	(10)

END OF SECTION B