

Cambridge IGCSE · Economics 0455 · Notes

Employment and unemployment

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What you need to know

This topic has six syllabus outcomes. In plain words, you should be able to:

1. **Define** employment, unemployment and full employment.
2. **Explain how the pattern and level of employment change:** more people working in services (the tertiary sector) and in the formal economy as a country develops, more women in paid work as attitudes change, and fewer people working for the state as a country moves toward a market economy.
3. **Explain how unemployment is measured:** the claimant count, the labour force survey, and the formula for the unemployment rate.
4. **Explain the three main types (causes) of unemployment:** frictional, structural and cyclical.
5. **Explain the consequences of unemployment** for the unemployed person, for firms and for the whole economy.
6. **Explain and judge the policies** a government can use to reduce unemployment, and how well each is likely to work.

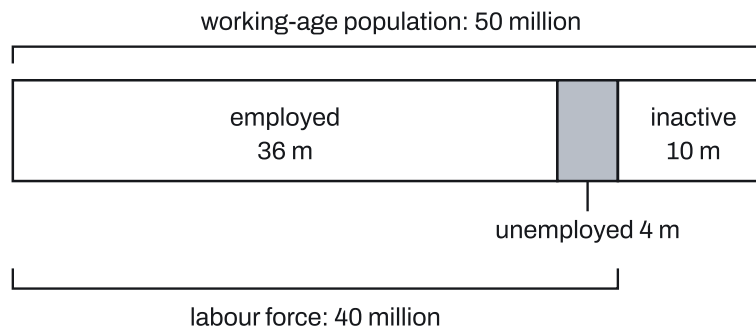
Understand it

Who is employed and who is unemployed

Start with everyone of **working age** (roughly from school-leaving age to retirement). Each of them is in one of three groups:

- **Employed:** has a paid job, full-time or part-time, or works for themselves.
- **Unemployed:** has no paid job, is **willing and able to work**, and is **actively looking** for work at the current wage rate.
- **Economically inactive:** has no job and is **not** looking for one, such as full-time students, retired people, people too ill to work, and parents who stay at home to care for children.

The employed and the unemployed together make up the **labour force** (also called the working population). The inactive are outside it.



$$\text{unemployment rate} = 4 \div 40 \times 100 = 10\%$$

(not $4 \div 50 \times 100 = 8\%$: the inactive are left out)

Not having a job is not enough to be unemployed: you must also be **available** and **looking**. A retired engineer is inactive; the same engineer at 40, sending off applications every week, is unemployed.

Full employment does not mean nobody is out of work, because some people are always between jobs. It means that **everyone willing and able to work at the going wage can find a job**: there is **no cyclical unemployment**, and only short spells between jobs (frictional) and skill mismatches (structural) remain. In practice a low rate, often around 3–5%, is treated as full employment.

Measuring unemployment

There are two methods.

	Claimant count	Labour force survey
How it works	Counts the people who are receiving unemployment benefit	Asks a large sample of households about their work; a person counts as unemployed if they have no job, are available to start soon and have actively looked for work recently (the international definition)
Strengths	Cheap and quick: the figures already exist in benefit records	Same definition in every country, so countries can be compared; includes jobless people who do not claim
Weaknesses	Leaves out jobless people who are not entitled to benefit or choose not to claim (school leavers, people whose benefit has run out, those with a working partner), so it usually understates unemployment; it changes whenever benefit rules change	Costly and slow; a sample, so some error; relies on honest answers

The **unemployment rate** is the share of the labour force that is unemployed:

$$\text{unemployment rate} = \frac{\text{number unemployed}}{\text{labour force}} \times 100, \quad \text{labour force} = \text{employed} + \text{unemployed}$$

The bottom of the fraction is the **labour force**, not the whole population and not the working-age population. In the diagram, dividing by 50 million gives 8%, which is wrong; dividing by 40 million gives the correct **10%**.

The rate can fall without anyone finding a job: people who give up looking become inactive and leave both the top and the bottom of the fraction.

The three main types of unemployment

Type	Cause	Example	How long it lasts	What cures it
Frictional	People between jobs : leaving one job, entering the labour force for the first time (school or university leavers), or searching for a better match. Jobs exist, but finding one takes time	A trainee chef finishes college in June and spends five weeks applying to restaurants	Short	Better information about vacancies (job centres, websites), help with applications
Structural	A long-term change in the structure of the economy : an industry declines because demand for its product falls, foreign firms make it more cheaply, or machines replace workers (technological unemployment). The jobless have the wrong skills or live in the wrong place for the new jobs	Typists lose their jobs as offices switch to voice software; a region's steelworks closes	Long; often concentrated in one region (regional unemployment)	Retraining, education, help with moving, attracting new firms to the region
Cyclical (demand-deficient)	A fall in total demand in a downturn or recession. Firms sell less, so they need fewer workers in every industry	During a recession, car dealers, builders and restaurants all cut staff	As long as the downturn: temporary	Raising total demand: expansionary fiscal or monetary policy

Why does a fall in total demand cost jobs? Because the **demand for labour is a derived demand**: firms hire workers in order to make products, so when sales fall, they need fewer workers. The cause of cyclical unemployment is a **temporary fall in the demand for labour**, not a change in the supply of workers.

Some other names you may meet:

- **Seasonal** unemployment comes and goes with the time of year (ski instructors in summer, fruit pickers in winter). It is **not** the same as cyclical unemployment: "cyclical" refers to the business cycle of boom and recession, not the cycle of the seasons.
- **Voluntary** unemployment: people who could take a job at the going wage but choose not to, for example because benefits are close to the wage on offer.

- **Regional** unemployment: high unemployment in one area, often because an industry located there has declined. It persists when workers are **geographically immobile**: housing costs more where the jobs are, moving is expensive, or family ties keep people at home. When they lack the skills the new jobs need, they are **occupationally immobile**.

Economists see **frictional unemployment as the least serious**: it is short, the vacancies exist, and some of it helps people find jobs that suit them better. Structural and cyclical unemployment last longer and waste more output.

Consequences of unemployment

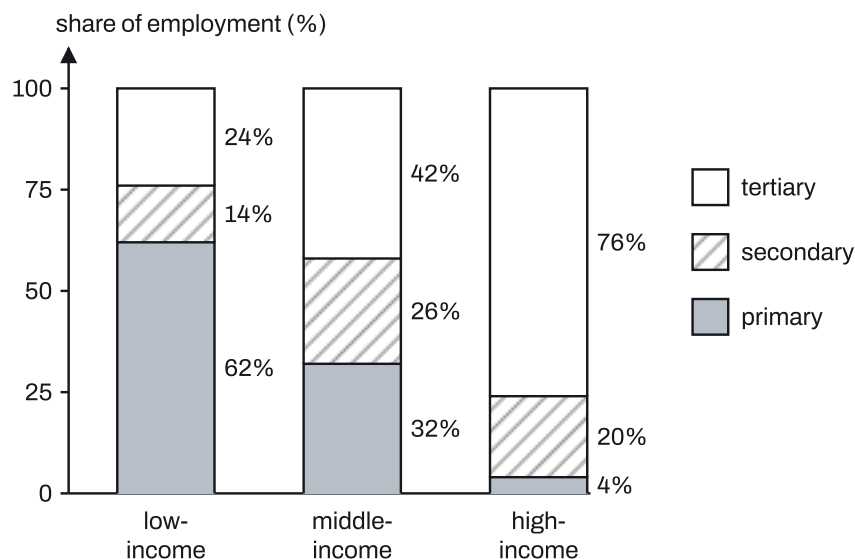
For the unemployed person	For firms	For the economy as a whole
Loss of income: benefits are usually well below a wage, so living standards fall and families risk poverty	Less spending by the jobless means lower sales and profits ; some firms close	Lost output : the economy produces inside its PPC, and the lost goods and services can never be recovered
Worry and lost self-esteem harm health; after many rejections some stop searching (discouraged workers)	A large pool of jobseekers makes it easier and cheaper to recruit , and wage demands are weaker	Lower tax revenue and higher spending on benefits , so the budget deficit widens, with an opportunity cost (schools or hospitals forgone)
Skills go out of date, so the longer the gap, the harder it is to be hired	Staff who fear for their jobs may work harder, but morale can fall	More poverty and inequality; skilled workers may emigrate
Savings run down and debts build up		

Not every effect is bad. Rising unemployment means less spending, which **eases inflation**, and cheaper labour can help firms. A **fall** in unemployment reverses the table: more output, more tax revenue, less benefit spending, less poverty, higher living standards; but if the economy gets close to full employment, firms compete for scarce workers, wages are bid up, and **inflation** can rise.

The pattern of employment

Every job belongs to one of three **sectors**:

- **Primary**: taking natural resources from the land or sea: farming, fishing, forestry, mining, quarrying, oil and gas extraction.
- **Secondary**: turning materials into goods: manufacturing, food processing, construction, engineering, making vehicles, generating electricity.
- **Tertiary**: providing services: shops, hotels and restaurants, transport, banking and insurance, teaching, health care, tourism, entertainment.



How the pattern changes as a country develops, and why:

- **From primary to secondary and tertiary, and from countryside to town.** Machinery lets a few farmers grow what many used to, so people leave the land for factories and offices in towns. As incomes rise, people spend more of each extra dollar on holidays, health care, education and eating out, so service jobs grow fastest.
- **Factory jobs shrink in high-income countries** once they lose their cost advantage: production moves to countries where making goods is cheaper, and machines take over tasks people used to do.
- **From the informal to the formal economy.** In a poor country many people work for cash with no contract or records (street traders, day labourers). With development, more jobs are registered, taxed and legally protected.
- **More women in the labour force.** Paid work by women becomes socially expected; girls stay longer in education and qualify for better-paid jobs; smaller families, childcare and part-time jobs make it easier to combine work and family; anti-discrimination laws make work more rewarding.
- **Fewer people in the public sector.** As a country moves toward a market economy, the state privatises firms it used to run, so a smaller share of workers are employed by the government.
- **The level of employment** rises in a boom, falls in a recession, and grows over time if the labour force grows (more young people, immigration, more women working).

To read a table of employment by industry, sort each industry into its sector, add up each sector's total in each year, and compare. Remember that a change in the **number** of workers says nothing on its own about **output**: productivity may have changed.

Policies to reduce unemployment

The right policy depends on the **type** of unemployment: raising total demand cures cyclical unemployment but does little for a coal miner whose skills no longer match any vacancy.

Policy	How it reduces unemployment	Type it targets best	Why it may not work
Expansionary fiscal policy: more government spending, lower income tax, lower tax on profits or spending	More spending (directly, or because people keep more of their income) raises total demand; firms sell more and hire more; the new workers spend their wages, so demand rises again (the multiplier)	Cyclical	Widens the budget deficit; tax cuts may be saved or spent on imports; time lags; near full employment it causes demand-pull inflation
Expansionary monetary policy: lower interest rates, more money supply, a lower exchange rate	Cheaper borrowing encourages households to buy on credit and firms to invest; a lower exchange rate makes exports cheaper abroad and imports dearer at home, so demand for home-produced goods rises	Cyclical	Weak if confidence is low; time lags; inflation risk; dearer imported raw materials
Supply-side policy: education and training	Gives the jobless the skills employers want, raising occupational mobility and productivity	Structural	Slow and costly; people may train for the wrong jobs; useless if there are no vacancies
Supply-side policy: better job information and help with moving (job centres, relocation grants, more affordable housing)	Cuts the time spent searching and lets workers go where the jobs are	Frictional, regional	Some people will not move away from family; housing takes years to build
Supply-side policy: lower benefits or lower income tax at the bottom	Widens the gap between pay and benefits, so taking a job pays more	Voluntary, frictional	Can push families into poverty; does not create jobs where there are none
Subsidies to firms that hire young or long-term unemployed workers, or that set up in high-unemployment regions	Lowers the cost of employing these workers	Structural, regional	Opportunity cost; firms may take the money for jobs they would have created anyway; training quality may be poor

Policy	How it reduces unemployment	Type it targets best	Why it may not work
Protection (tariffs, quotas)	Imports become dearer, so buyers switch to home-produced goods, and home firms hire more workers	Structural (in an industry facing foreign competition)	Other countries may retaliate against exports; dearer imported materials raise costs; protected firms may become inefficient; consumers pay more

The **policy that targets the type** is the strongest answer: training and education for structural unemployment, more total demand for cyclical, better information for frictional.

Changes that are not designed as unemployment policies also matter. **More investment** raises demand now and capacity later, creating jobs, though labour-saving machines can destroy some. **Higher productivity** can mean fewer workers are needed for the same output, but it also makes firms more competitive, so they may sell more and hire more. A **minimum wage** raises the reward for working, but if it is set above the market wage, firms may hire fewer workers. Higher **direct taxes** cut spending and so raise cyclical unemployment.

Key facts and formulas

There is no formula list for 0455. "Learn it" means you must remember it.

Formula or fact	Status
Unemployed: of working age, without a paid job, willing and able to work and actively seeking work at the current wage	Learn it
Labour force = employed + unemployed	Learn it
Unemployment rate = $\frac{\text{number unemployed}}{\text{labour force}} \times 100$	Learn it
Full employment: everyone willing and able to work at the going wage has a job; no cyclical unemployment	Learn it
Claimant count: people receiving unemployment benefit (understates unemployment)	Learn it
Labour force survey: sample asked whether they are without work, available and actively seeking work	Learn it
Frictional = between jobs; structural = change in the economy's structure; cyclical = lack of total demand	Learn it
Primary = natural resources; secondary = manufacturing and construction; tertiary = services	Learn it

Formula or fact	Status
Demand for labour is a derived demand	Learn it

How to do it

We have tagged 69 questions on this topic (2021–2025): 38 multiple choice on Paper 1 and 31 structured questions on Paper 2. Four multiple-choice questions were set more than once, so 65 are different; repeats are counted below. Eleven structured questions have parts of two different types, so the counts add up to 80.

Question type	Questions
Analyse how a policy or economic change affects unemployment	15
Identify, define or explain types and causes of unemployment	13
Explain or pick the consequences of unemployment (or of low unemployment)	11
Explain or interpret changes in the pattern of employment	11
Discuss whether a fall or rise in unemployment is good or harmful	7
Discuss whether a policy will reduce unemployment	7
Define employment, unemployment and full employment	5
Measure unemployment: claimant count, labour force survey, unemployment rate	5
Calculate from labour-market data	2
Analyse a relationship in unemployment data	2
Explain why some unemployed people stay unemployed for a long time	2

Written answers. Explain (4 marks) needs two points, each explained; Analyse (6 marks) needs **about three short chains, or two long ones**; Discuss needs both sides and a judgement (mark rules in "How to get the marks"). The plan: **point** → **developed chain** → **(Discuss) the other side, with new reasons** → **a judgement saying what it depends on**.

1. Analyse how a policy or economic change affects unemployment (15 questions)

- 1. Name the route.** Does the change alter **total demand** (spending), the **cost of employing workers**, or the **skills and mobility** of workers?
- 2. Build the chain to the labour market.** Spending route: change → spending → firms' sales → output → demand for workers (derived demand) → employment. Then go one step further: newly hired workers spend their wages, raising demand again.
- 3. Name the type of unemployment affected:** a demand route changes cyclical unemployment; a skills or mobility route changes structural or frictional.

4. **Add a second route** for 6 marks, such as a supply-side effect (new infrastructure, healthier or better-trained workers) or an effect on tax revenue.

Variations you will meet:

- **Government spending on a project** (roads, housing, a power station). Jobs appear on the project, then in the firms supplying it, then wherever the new wages are spent. The finished project can help too: more homes or transport links make it easier for workers to move to jobs.
- **A tax change.** Say which tax. Income tax works through disposable income and through the reward for working; a tax on profits works through firms' funds for investment. Examiners praised answers that took spending and each tax in turn.
- **A fall in the exchange rate:** exports become cheaper abroad, so export firms take on workers; imports become dearer, so buyers switch to home-made goods.
- **More investment, higher productivity, a minimum wage:** argue each both ways (see the end of "Policies to reduce unemployment").
- **Source questions on frictional unemployment** (Section A, 4 marks): find two measures in the source that shorten job search and explain how each gets people into work sooner.
- **Multiple choice:** match the measure to the type. Cyclical unemployment needs a measure that **adds to total demand**; in fiscal terms that means spending more or taxing less, which pushes the budget toward deficit. Structural unemployment needs a measure that changes **skills**, not spending. When two measures are paired, both must push employment the same way.

2. Identify, define or explain types and causes of unemployment (13 questions)

- **Identify** (2 marks): name two types: frictional, structural, cyclical (or demand-deficient). Seasonal, voluntary, regional and technological are also accepted. A general description of "people without jobs" scores nothing.
- **Define** (2 marks): the **cause** (1) plus a **feature** or example (1). Structural: unemployment caused by a long-term change in the structure of the economy, such as the decline of an industry (1), leaving workers with skills no longer in demand (1). Cyclical: unemployment caused by a lack of total demand (1) in a downturn or recession (1).
- **Explain two types, or how two types differ** (4 marks): for each, identify (1) and explain its cause (1). To contrast frictional and cyclical, compare cause (between jobs vs lack of demand), length (short vs as long as the recession) and whether vacancies exist (yes vs few).
- **Multiple choice: classify the case.** Ask three questions in turn. Is the person simply between jobs, with vacancies available? Frictional. Has their industry or job disappeared for good (falling demand for the product, foreign competition, machines doing the job)? Structural. Are firms in all industries cutting jobs because spending has fallen? Cyclical.
- **Data tables:** if jobs in one sector fall while another grows, and the number out of work for a long time rises, the unemployment is structural (people cannot move into the growing sector).
- **Vacancies in one place, jobless in another:** look for a reason why workers cannot **move** (see regional unemployment).

3. Explain or pick the consequences of unemployment (or of low unemployment) (11 questions)

1. **Check who the question is about:** the unemployed person, firms, the government, or the economy.
2. **Take two points from the consequences table** in "Understand it", each with its result: identify (1), explain (1).
3. For "**why might a government make lower unemployment its main aim**" (6 marks), turn the table round: more output, more tax and less benefit spending, less poverty, more sales for firms, with a link for each.

Multiple choice: think in directions. When unemployment **rises**: output and growth fall, tax revenue falls, benefit spending rises (so the deficit widens), and inflation pressure eases. When it **falls**: the reverse, with the main risk being faster inflation. If the question gives an advantage and a disadvantage, both must be true of the same change.

4. Explain or interpret changes in the pattern of employment (11 questions)

- **Sector tables** (multiple choice): sort each industry into primary, secondary or tertiary (watch for services such as hotels, finance, education and health, which are all tertiary), add up each sector in each year, and compare the totals. A change in the number of workers alone does not tell you whether output rose.
- **Development** (multiple choice and 4 marks): use the list in "The pattern of employment". In a "which is **not** a reason" question about shrinking factory jobs, a real reason makes home factories less competitive or lets them use fewer workers; reject the option that does neither.
- **More women working** (6 marks): give each reason a chain: girls stay in education longer → better qualifications → higher wages on offer → working pays more than staying at home. Examiners marked down answers that named a reason (such as a lower birth rate) without saying **why** it brings women into work.
- **How a shift to services or skilled jobs raises average wages or living standards** (6 marks): skilled jobs often have higher productivity → higher pay → more spending on necessities, education and health; safer work; more tax for public services. In source questions, find two changes in the source and explain each.

5. Discuss whether a fall or rise in unemployment is good or harmful (7 questions)

1. **Define** the key term (unemployment, full employment).
2. **For:** chains from the consequences table (income and poverty, output, tax and benefits).
3. **Against:** new reasons, not the first side reversed. For a fall in unemployment, the new jobs may be low-paid, part-time or temporary; prices may rise near full employment; people outside the labour force (pensioners, the sick) gain nothing directly; relative poverty may persist if wages at the top rise faster. For a rise, it may be frictional and short, and it eases inflation.
4. **Judge:** it depends on the type of unemployment, how close the economy is to full employment, and the quality of the jobs.

When the question **gives** job losses, start from them rather than arguing that unemployment is bad in general: examiners rewarded answers that weighed poverty and lost output against the chance that the losses are temporary and the workers retrain.

6. Discuss whether a policy will reduce unemployment (7 questions)

1. **Why it might work:** two chains from type 1, naming the type of unemployment the policy reduces.
2. **Why it might not:** two new chains from the last column of the policy table: wrong type targeted, time lags, inflation, retaliation, opportunity cost, poor quality, side effects on other aims.
3. **Judge:** depends on the type of unemployment, spare capacity, the size and funding of the policy, and the time scale.

Variations: a cut in government spending (it raises unemployment unless private spending replaces it); whether fiscal or supply-side policy can reach full employment; protection (see the table); paying firms to train young people; penalties on the long-term unemployed (pressure can shorten job search, but not where jobs are missing, and it deepens poverty); whether unemployment policies cause inflation (demand-side ones can near full employment; supply-side ones raise capacity too).

7. Define employment, unemployment and full employment (5 questions)

Use the definitions in "Who is employed and who is unemployed". For 2 marks on full employment: everyone willing and able to work at the going wage has a job (1), so the only unemployment left is short-term or frictional (1). **Multiple choice:** unemployment needs every condition at once (no job, willing, able, looking); employment simply means having a job.

8. Measure unemployment: claimant count, labour force survey, unemployment rate (5 questions)

All multiple choice so far. Use the measurement table: the claimant count misses non-claimers, so it can **underestimate**; the survey ignores benefit eligibility and counts anyone available and searching. The **unemployment rate** is the unemployed as a percentage of the **labour force**, and only two groups enter it: the employed and the unemployed who want work.

9. Calculate from labour-market data (2 questions)

1. Labour force = employed + unemployed (leave out the inactive).
2. Rate = unemployed ÷ labour force × 100; number unemployed = rate × labour force ÷ 100; labour force as a share of working-age population = labour force ÷ working-age population × 100.
3. Give the units and check which total the question means (one report noted that some candidates took the percentage of the whole population instead of the labour force).

10. Analyse a relationship in unemployment data (2 questions)

Section A, 4–5 marks, with a table or graph:

1. **Expected relationship**, in one sentence: for example, countries or years with more investment should have **lower** unemployment (an inverse relationship).
2. **Evidence**: name two years (or countries) that fit, and say how in words, not just quote numbers.
3. **Why**: the economics (firms building and equipping new factories need workers, and those workers' spending creates more jobs).
4. **Exception**: name it, and explain it (the new machines may replace workers, or the jobs may go to a different region or need skills the jobless lack).

Multiple choice with two graphs: check each period on **each** graph separately, then find where both lines move the way the question says.

11. Explain why some unemployed people stay unemployed for a long time (2 questions)

Why they may stay jobless.

- *What has happened to the economy*: if the job went in a recession or because an industry shrank, vacancies that suit the worker may not appear for years. A spell of frictional unemployment ends quickly because the vacancies already exist.
- *What happens to the worker*: every rejected application dents confidence, so people apply less often and some stop looking altogether.
- *How employers see it*: a long gap makes an employer doubt that the applicant's skills are up to date, so they choose someone recently in work.

Why they may not. A recovery in spending brings vacancies back; and a worker willing to move house or learn a new trade (for example on a government course) can reach jobs elsewhere. Judge by the type of unemployment and how long the gap already is.

Worked examples

Example 1

A labour force survey in a country gives these figures.

	Millions
Working-age population	24.0
Employed	15.3
Unemployed	1.7

	Millions
Economically inactive	7.0

(a) Calculate the size of the labour force. **[1]**

(b) Calculate the unemployment rate. **[1]**

(c) At the same time, 1.2 million people were claiming unemployment benefit. Calculate the unemployment rate on this measure and explain one reason why it differs from your answer to (b). **[3]**

(d) A year later, 0.3 million of the unemployed have stopped looking for work. Nothing else has changed. Calculate the new unemployment rate and explain why the fall may not be good news. **[3]**

(a) Labour force = employed + unemployed = 15.3 + 1.7 = **17.0 million** (1).

(b) $\frac{1.7}{17.0} \times 100 = 10\%$ (1).

(c) $\frac{1.2}{17.0} \times 100 \approx 7.1\%$ (1). The claimant count includes only people receiving unemployment benefit (1); some jobseekers, such as school leavers who have never worked or people whose benefit has run out, do not claim, so they are missed (1).

(d) They become inactive, so both the unemployed and the labour force fall by 0.3 million: $\frac{1.4}{16.7} \times 100 \approx 8.4\%$ (1). Nobody has found a job (1): the rate fell only because discouraged people left the labour force, and their lost output and income remain (1).

Example 2

Analyse how a fall in consumer confidence could increase unemployment. **[6]**

When households become worried about the future, they save more and spend less, especially on expensive items such as cars and furniture (1). Total demand in the economy falls (1). Firms sell less, so they cut output and need fewer workers, because the demand for labour is derived from the demand for products (1). Some workers are made redundant, so cyclical unemployment rises (1). These workers now have lower incomes and cut their own spending, so sales fall at other firms too, which then lay off staff of their own (1). Firms that expect weaker sales also postpone investment, reducing demand for construction and machinery workers (1). Tax revenue falls, so the government may cut its own spending, adding to the fall in demand for labour (1). (Any 6.)

Example 3

A government plans to pay a grant to unemployed people who move to another region to take up a job. Discuss whether or not this will reduce unemployment. **[8]**

Unemployment is the number of people of working age who are willing and able to work and are actively looking for a job but cannot find one.

Why it might. Many jobless people live in regions where an old industry has closed, while vacancies are unfilled elsewhere. Moving costs money: removal costs, a deposit on a new home and possibly higher rents. The grant lowers this barrier, so more workers become geographically mobile and fill the vacancies, cutting regional and structural unemployment (developed point for).

Once these workers earn wages again, they spend them in their new area, raising demand for local shops and services, while the government saves on benefits and collects more income tax. Firms that could not expand for lack of staff can now grow, creating further jobs (developed point for).

Why it might not. The grant helps only if there are vacancies to move to. If unemployment is cyclical, there are few jobs anywhere, and moving people around just shifts the problem. Even with vacancies, the jobless may lack the skills the new jobs need, so occupational immobility remains (developed point against).

Many people will not move however large the grant, because of family ties, children's schooling or a partner's job. The grant also has an opportunity cost: the same money could pay for retraining that brings new firms to the high-unemployment region, which might help more people (developed point against).

Judgement. The grant is most likely to work where the unemployment is regional and vacancies exist elsewhere for workers with similar skills, and where it is combined with training and affordable housing. It is unlikely to help much in a recession. Both sides are developed and the judgement says what it depends on: Level 3 (6–8 marks).

Common mistakes

- **Confusing cyclical with seasonal or structural.** In one session fewer than a third of candidates defined cyclical unemployment correctly: it is caused by a **lack of total demand** in a downturn, not by the seasons, and not by one industry's decline (that is structural).
- **Dividing by the wrong total.** The unemployment rate uses the **labour force**. One report noted that some candidates took the percentage of the whole population instead of the labour force.
- **Counting the inactive as unemployed.** Students, retired people and full-time carers are not looking for work, so they are outside the labour force.
- **Writing causes when the question asks for consequences** (or the other way round). Underline the key word before you start.
- **Stating without explaining.** "A smaller labour force lowers unemployment" or "more women work because of a lower birth rate" earns little without the "because". Every point needs its chain.
- **Skipping links.** Examiners saw answers jump from "lower taxes" straight to "less unemployment". Show each step: disposable income → spending → sales → output → demand for workers.
- **Mobility not linked to unemployment.** Say how mobility lets the jobless fill vacancies faster, not only that workers can change jobs.
- **Choosing a policy that does not target unemployment**, such as a tax on harmful goods, when the question is about reducing unemployment.
- **Ignoring the data** in Section A relationship questions, or quoting numbers without saying what they show.

- **Giving the other side as the first side reversed.** "Tax revenue may rise" against "tax revenue may fall" for the same reason scores once.

How to get the marks

- **Identify and define** (2 marks): two short answers (only the first few are read), or a definition in two parts: the meaning and a condition or example.
- **Calculate** (1 mark): show the division, give the unit (% , million), and check you used the labour force.
- **Explain** (4 marks): two **different** points, each identified (1) and explained (1).
- **Analyse** (6 marks): one mark per relevant link; repeated ideas score once. Use the terms: derived demand, total demand, cyclical, structural, occupational and geographical mobility, multiplier (credited but not required).
- **Discuss** (8 marks): define the key term, two developed points each side, then a judgement that says **what it depends on** (the type of unemployment, spare capacity, time scale). One-sided answers stay in Level 2 (3–5 marks).
- **Discuss in Section A** (6 marks): up to 4 marks a side; refer to the source country throughout. A point scores again on the other side only with a **new reason**.
- **Multiple choice**: 1 mark each, no penalty for guessing.

Quick check

1. Classify each person's unemployment as frictional, structural or cyclical: (i) a coal miner whose mine closes because the country's power stations switch to solar energy; (ii) a graphic designer who resigned and spends three weeks choosing between job offers; (iii) a furniture-factory worker laid off when households cut spending during a recession.
2. A country's labour force is 6.4 million, of whom 352 000 are unemployed. (a) What is the unemployment rate? (b) 80 000 of them find jobs, and nothing else changes. What is the new unemployment rate?
3. A region's employment (thousands) is: forestry 3, brewing 2, insurance 4, dentistry 1, shipbuilding 3, quarrying 2. Sort the industries into sectors and find the tertiary sector's share of the region's employment.
4. Explain one reason why the claimant count may show **more** unemployed people than the labour force survey, and one reason why it may show **fewer**. [4]
5. Explain two consequences of high unemployment for firms. [4]

Answers

1. (i) Structural: demand for coal has fallen for good, and the miner's skills do not match the new jobs. (ii) Frictional: jobs are available; the designer is between jobs. (iii) Cyclical: a fall in total demand cuts jobs across the economy.
2. (a) $\frac{352\,000}{6\,400\,000} \times 100 = 5.5\%$. (b) $352\,000 - 80\,000 = 272\,000$ unemployed; the labour force is unchanged (they move from unemployed to employed), so the rate is $\frac{272\,000}{6\,400\,000} \times 100 = 4.25\%$.
3. Primary: forestry and quarrying (5 thousand). Secondary: brewing and shipbuilding (5 thousand). Tertiary: insurance and dentistry (5 thousand). Total 15 thousand, so the tertiary share is $\frac{5}{15} \times 100 \approx 33.3\%$.
4. More: some claimants have stopped searching, or do undeclared cash work (1), yet the claimant count includes them because they receive benefit (1). Fewer: some jobseekers are not entitled to benefit or choose not to claim (1), so the survey counts them but the claimant count does not (1).
5. Lower sales (1): unemployed households have less income to spend, so firms selling to them see revenue and profit fall, and some may close (1). Easier recruitment (1): with many people seeking work, firms can fill vacancies quickly and may not need to raise wages, which keeps costs down (1).

Past questions to try

- **0455/21/M/J/21 Q3**: parts (a) and (d), defining cyclical unemployment and whether lower unemployment reduces poverty.
- **0455/23/M/J/21 Q3**: part (c), how higher government spending and tax cuts reduce cyclical unemployment.
- **0455/22/F/M/22 Q4**: parts (b) and (c), consequences of unemployment and why more women join the labour force.
- **0455/12/O/N/22 Q21**: the definition of the unemployment rate.