

Exercise walk-through

Unemployment ■ 4.5

eXercise

You must be able to

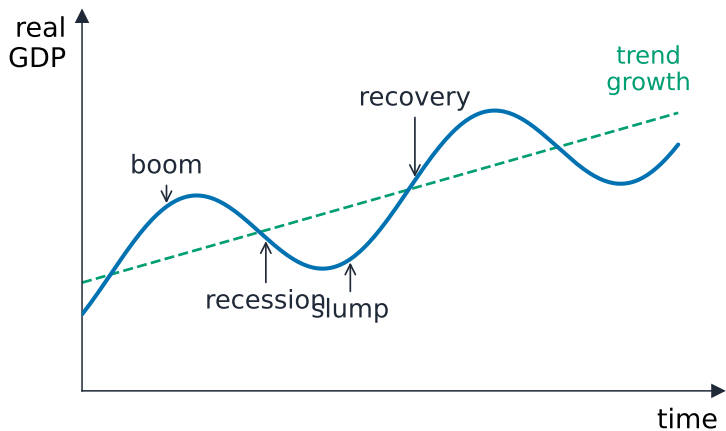
- define and measure unemployment (claimant count, labour force survey)
- distinguish the four types of unemployment
- analyse the consequences of unemployment

Method — Types of unemployment

- **Measuring: claimant count** 申领救济人数 (only benefit claimants) and the **labour force survey** 劳动力调查 (international standard).
- **Frictional** 摩擦性: short-term, between jobs. **Structural** 结构性: skills no longer match jobs.
- **Cyclical** 周期性: low AD in a recession (usually the largest). **Seasonal** 季节性: only certain times of year.
- **Consequences:** wasted output, lost income, higher benefit cost, social harm.

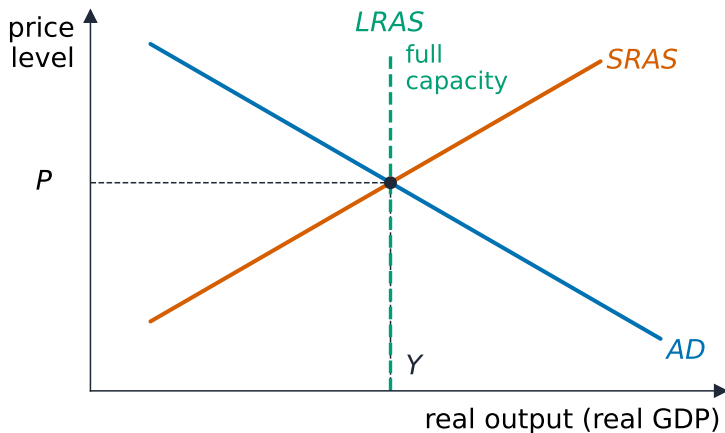
Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

Method — Types of unemployment



Cyclical unemployment rises in a recession when AD is low

Method — Types of unemployment



A fall in AD lowers real output, opening a recessionary gap and cyclical unemployment

Practice 2.1 ■ 2 marks

Define the term *unemployment*.

Solution 2.1

Method: Types of unemployment

Worked steps

people who are able and willing to work and are actively looking for a job, but cannot find one (2 for a clear definition; 1 for a partial idea).

Practice 2.2 ■ 2 marks

State two types of unemployment.

Solution 2.2

Method: Types of unemployment

Worked steps

any two of: frictional; structural; cyclical; seasonal (1 + 1).

Practice 2.3 ■ 1 mark

State one consequence of unemployment for the government.

Solution 2.3

Worked steps

any one of: more spent on unemployment benefits; less tax revenue collected (1).

Exam-style 3.1 ■ 1 mark

Unemployment caused by a fall in aggregate demand during a recession is:

- A** frictional unemployment
- B** structural unemployment
- C** cyclical unemployment
- D** seasonal unemployment

Solution 3.1

Method: Types of unemployment

A frictional unemployment

B structural unemployment

C cyclical unemployment 

D seasonal unemployment

Worked steps

C. A fall in AD in a recession causes cyclical unemployment.

Exam-style 3.2 ■ 6 marks

Explain the difference between **structural** and **cyclical** unemployment.

Solution 3.2

Method: Types of unemployment

Worked steps

[6] AO1 1 + AO3 up to 5 — structural unemployment occurs when an industry declines and workers' skills no longer match available jobs (a long-term mismatch); cyclical unemployment is caused by low aggregate demand in a recession and falls again when demand recovers.

Exam-style 3.3 ■ 12 marks

Discuss the consequences of a sharp rise in unemployment for an economy.

Solution 3.3

Method: Types of unemployment

Worked steps

[12] AO1/AO2/AO3 up to 8 + AO4 up to 4. **Costs:** lost output (the economy produces inside its PPC), lower incomes and consumption, higher government benefit spending and lower tax, plus social harm (crime, ill health). **But:** some unemployment is frictional and short-lived, and the effect depends on its cause and length. **Judgement:** a sharp rise is damaging, especially if cyclical and prolonged, but the severity depends on the type and how quickly the economy recovers.