

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

2.1

- 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)

2.2

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

2.3

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

3.1 C

- A fall in AD in a recession causes cyclical unemployment

3.2

- [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

3.3

- [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