Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

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

2.1

- labour force $= 2 + 38 = 40$ million
- $2 \div 40 \times 100 =$ **5** %

2.2

- (i) **seasonal**
- (ii) **structural**

2.3

- it is **short-term**: workers are between jobs (K)
- vacancies exist, and searching helps workers find a job that suits their skills (An)

3.1

C

3.2

(a)

- before $4000 \div 80\,000 \times 100 =$ **5** %
- after $10\,000 \div 80\,000 \times 100 =$ **12.5** %

(b) two consequences, each explained (K + App each):

- families lose **income**, so poverty rises
- local shops and suppliers lose customers, so more jobs are lost
- older workers' **skills** are wasted; some may move away, leaving empty homes

(c) a developed chain, for example:

- the government pays more **unemployment benefits** (K)
- the unemployed pay no **income tax** (An)
- they spend less, so **indirect tax** revenue (sales tax) falls too (An)
- firms earn less profit, so **corporation tax** falls (App)
- so the budget deficit grows, and the government may need to borrow or cut other spending (An)

(d) unemployment more serious: (An)

- it wastes output and causes poverty and lost skills directly; long-term unemployment is hard to reverse
- costs fall heavily on certain regions and groups

inflation more serious: (An)

- high inflation hits **everyone**: savers, people on fixed incomes; it harms exports and planning
- very high inflation can wreck an economy

judgement: (Ev) for example, at moderate levels unemployment is more serious because its costs are concentrated on the poorest; but if inflation becomes very high, it can become the bigger threat.

Level 3 (6–8): both sides analysed and a justified judgement. Level 2 (3–5): one side analysed or both explained. Level 1 (1–2): simple points.