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## Answers

# Exam-style questions

## Questions on employment

**Steve Stoddard**

This resource provides answers to the questions posed in the Exam-Style Questions column, in the April 2025 issue of ECONOMIC REVIEW.

### Question 1

Using Table 1, calculate the mean average rate of unemployment in the UK from 2016 to 2023. Give your answer to one decimal place. (2 marks)

#### Answer

$$(4.9 + 4.4 + 4.2 + 3.9 + 4.7 + 4.6 + 3.9 + 4.0) / 8 = 34.3/8 = 4.2875\%$$

- Answer = 4.3% (1dp)
- 1 mark for correct answer not rounded to 1dp (e.g. 4% or 4.29%)
- 1 mark for correct method but incorrect final answer

### Question 2

Explain how the data in Table 1 may show an inverse relationship between GDP growth and unemployment between 2016 and 2023? (4 marks)

#### Answer

Relevant points include:

- GDP growth rose from 1.9% to 2.7% between 2016 and 2017 while unemployment fell from 4.9% to 4.4% over the same period.
- GDP growth fell from 1.6% to minus 10.4% between 2019 and 2020 while unemployment rose from 3.9% to 4.7% over the same period.
- Unemployment is often a lagging indicator, so may fall or rise sometime after GDP growth rises or falls.

### Question 3

With the help of a diagram, explain why there may be an inverse relationship between economic growth and unemployment. (9 marks)

#### *Answer*

Relevant points include:

- Definitions, e.g. of economic growth, unemployment
- Reasons why increases in economic growth may lead to reduced unemployment, e.g. increasing average income likely to lead to increased spending and increased derived demand for labour, leading to reduced cyclical unemployment.
- Equally, falling unemployment could correlate with increased economic growth – explanation of multiplier effect
- Reference to data in Table 1
- Use of relevant diagram(s), e.g. AD/AS diagram, short run Phillips Curve

### Question 4

Evaluate methods that the UK government could use to reduce unemployment in the UK. (25 marks)

#### *Answer*

Issues for consideration:

- Understanding of unemployment and various types/causes of unemployment
- Reference to Table 1
- Knowledge of how unemployment is measured and examples of specific policy measures to reduce unemployment that may be used in the UK

Relevant points for analysis:

- Explanation of how expansionary monetary or fiscal policy may be used to increase aggregate demand and so reduce cyclical or demand-deficient unemployment by increasing the derived demand for labour
- Explanation of how education and training could be used to reduce occupational immobility and therefore reduce structural unemployment
- Explanation of how reduced income tax and/or reduced unemployment benefits could be used to reduce voluntary unemployment
- Explanation of how reduced national minimum wage or reducing trade union power could reduce classical/real wage unemployment
- Use of relevant diagram(s)

Relevant points for evaluation:

- Expansionary monetary or fiscal policy may stoke demand-pull inflation, increasing cost of living and worsening living standards

- Education and training can be expensive and may have significant time-lags
- Reducing income tax may reduce or increase government tax revenue (Laffer Curve)
- Reducing unemployment benefits, national minimum wage and trade union power may increase poverty and inequality (Lorenz Curve)
- 'Best' method or combination of methods depends on prevailing types/causes of unemployment
- Combatting economic activity may be a bigger problem as headline unemployment remains relatively low