



Skoolumy

**CAMBRIDGE A LEVEL ECONOMICS TOPICAL
MULTIPLE CHOICE QUESTIONS**

EMPLOYMENT AND UNEMPLOYMENT

PAST QUESTIONS

1 What is most likely to result from a decrease in the natural rate of unemployment?

A a decrease in government expenditure on goods and services

B a decrease in the level of government payments to the unemployed

C a decrease in trade union membership

D a decrease in interest rates

2 The table gives the percentage (%) rates of youth unemployment and total unemployment in France and the UK in 2001 and 2005.

	France		UK	
	youth unemployment (%)	total unemployment (%)	youth unemployment (%)	total unemployment (%)
2001	19.2	8.7	12.0	5.2
2005	22.1	10.1	12.5	4.8

What can be concluded from the table?

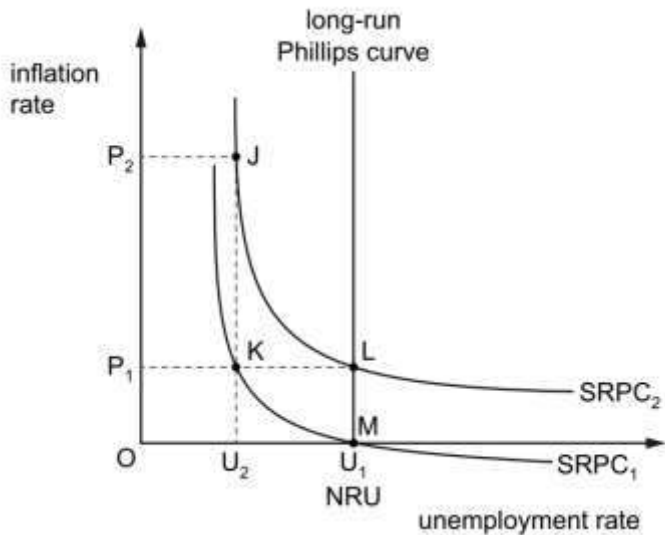
A France and the UK experienced the same trends in unemployment.

B France had a higher number of unemployed people than the UK.

C The UK used a different definition of unemployment from France.

D The UK was more successful than France in controlling unemployment.

3 The diagram represents the short-run Phillips curves SRPC1 and SRPC2 and the long-run Phillips curve in an economy, where NRU is the natural rate of unemployment. The economy is originally in equilibrium with no inflation.



If the government introduces a fiscal stimulus to reduce unemployment, monetarists predict that there will be a series of movements before long-run equilibrium is restored.

Which set of movements illustrates this prediction?

- A** J to K to L **B** L to K to J **C** M to K to J **D** M to K to L

4 In 2020 in a country, the unemployment rate of the 16–64 age group seeking work was 4.0%.

The employment rate for this group in the same period was 76.6%.

What can be concluded from this?

- A** 19.4% of the economy is working illegally.
B 23.4% of the age group is economically inactive.
C 80.6% of the age group is economically active.
D The data is inaccurate.

5 Which statement relating to unemployment benefits provided by a government is not valid?

A They allow firms to dismiss workers as unemployment benefits provide support to unemployed workers.

B They force firms to raise wages to encourage workers to work rather than relying on unemployment benefits.

C They provide a safety net to workers which might reduce their efforts to find a suitable job.

D They increase government spending and force it to raise taxes.

6 The table shows indicators for the macroeconomies of two South American countries over one year. During this year, both governments attempted to reduce unemployment by expanding aggregate demand.

country	GDP % change	current account balance % of GDP	change in currency units against US dollar
Argentina	17.9	1.7	-18.9
Chile	17.2	-1.8	-13.3

Based on the information given, what is the most likely reason why Argentina achieved a higher % change in the unemployment rate than Chile?

A Argentina had a greater % change in GDP growth.

B Chile's performance on the current account balance was worse.

C Each country had a weak exchange rate against the US dollar.

D Wage increases in each country were linked to their respective rates of inflation.

7 Which combination of factors is most likely to lead to a decrease in structural unemployment?

A a fall in inflation and an increase in lending for low income households

B a fall in real wages and an increase in subsidies for technological improvements

C an increase in tariffs and lower taxes for new businesses

D the introduction of a national minimum wage and better working conditions

8 Why might country X have a higher natural rate of unemployment than country Y?

A There is a higher level of trade unionisation in X.

B There is more training and education in X.

C There are greater incentives to find work in X.

D There is a higher level of job vacancy information in X.

9 Four citizens have each been unemployed for the past six months.

Which citizen would not be characterised as being structurally unemployed?

A worked as a coal miner but coal-fired power stations are now being closed and is not willing to retrain

B no longer works in a town centre coffee shop because fewer people are buying goods in the town centre since a pandemic

C cannot move with the firm that has relocated because of changing demand for its products

D has many skills and is waiting to decide which job might be the most suitable

10 What is the most effective policy a government could introduce to reduce frictional unemployment?

A cut welfare spending on benefits

B improve information about job vacancies

C reduce tax rates

D raise interest rates

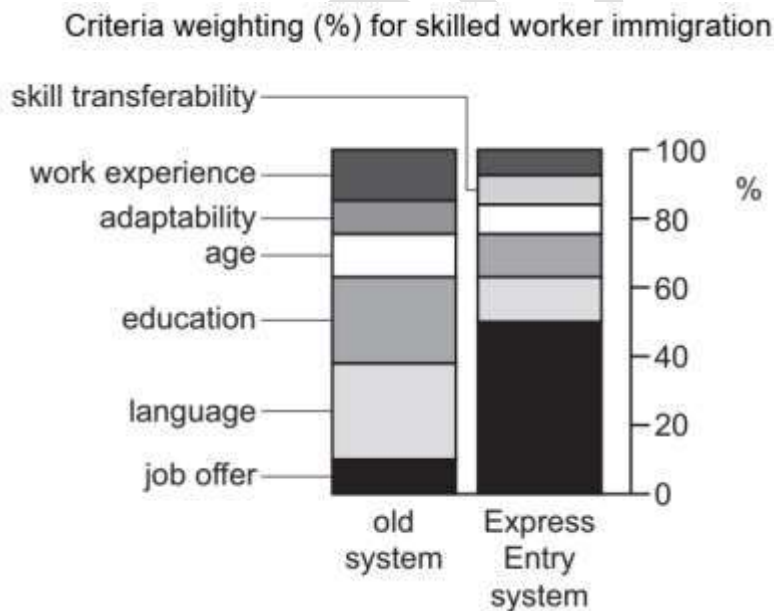
11 Economists define the unemployed as being those who are not in work but are actively seeking work. Other groups of people in the population of working age include those classed as inactive or self-employed.

Which groups of people are included as part of a country's labour force?

	unemployed	inactive	self-employed
A	no	no	no
B	yes	no	yes
C	yes	yes	no
D	no	yes	yes

12 Immigrants are awarded entry points according to their ability to fulfil criteria set by the Canadian Government. A new Express Entry system for the immigration of skilled workers was introduced.

The diagram shows the change in the relative importance or weighting given to these criteria between the old and new systems.



What can be concluded from the diagram?

A Canada intended to maintain the same level of skilled immigrants under both systems.

B Canada wanted a smaller number of highly educated skilled immigrants.

C Certainty of employment for skilled immigrants was made the main criterion.

D Skilled immigrants needed to have fewer years of work experience than previously.

13 Which type of unemployment can be classified as voluntary?

A cyclical

B frictional

C structural

D technological

14 Which policy is likely to increase unemployment?

A an increase in retraining facilities

B a significant increase in indirect taxes

C the imposition of selective import controls

D an increase in the public sector deficit

15 Which term is given to short-term unemployment when people are changing jobs?

A cyclical

B frictional

C seasonal

D voluntary

16 The table shows data for an economy's labour market.

	million
number of people of working age	42.7
number of people of working age who are actively seeking work, but are not working	2.2
number of people of working age who are not actively seeking work	9.4

What is the economy's percentage employment rate, to the nearest whole number?

A 5% B 23% C 73% D 95%

17 Which statement would be associated with Keynesian economic theory?

A A change in the money supply is the main determinant of the rate of inflation.

B When unemployment falls below its natural rate, there is upward pressure on prices.

C Total spending in the economy affects real output and employment in the short run.

D Wages and prices are flexible so output and employment will always return to its equilibrium rate.

18 Which type of unemployment is associated with a deficiency in aggregate demand?

A cyclical

B frictional

C structural

D voluntary

19 here has been a switch in demand from goods produced by labour-intensive methods of production to similar goods produced using high-technology methods of production. This has led to an overall increase in unemployment.

What is the best policy to reduce this type of unemployment?

- A reduce the rate of income tax
- B increase the rate of interest on borrowing for investment
- C subsidise products produced by labour-intensive methods
- D subsidise exports produced by high-technology industries

20 An economist once said 'if you pay people not to work and tax them when they do, don't be surprised if you get unemployment'.

What is this an example of?

- A cyclical unemployment
- B frictional unemployment
- C structural unemployment
- D voluntary unemployment

21 Two members of the Hernandez family have recently become unemployed. Mariana has lost her job at the local factory, which has closed because of competition from cheaper imports. Alfonso has lost his job as a shop assistant because the sales have dropped during a recession.

How would an economist classify these job losses?

	Mariana	Alfonso
A	frictional unemployment	seasonal unemployment
B	regional unemployment	frictional unemployment
C	structural unemployment	cyclical unemployment
D	technological unemployment	structural unemployment

22 Which combination of fiscal, monetary and supply-side policies is most likely to reduce unemployment?

	fiscal policy	monetary policy	supply-side policy
A	increasing taxation	increasing interest rate	increasing flexibility in the labour market
B	increasing government expenditure	decreasing the money supply	increasing education and training
C	decreasing taxation	decreasing interest rate	increasing flexibility in the labour market
D	decreasing government expenditure	increasing the money supply	increasing education and training

23 The natural rate of unemployment in an economy is 5%.

What will happen if a government persists in trying to achieve a target rate of unemployment of 3% by expansionary monetary policy?

- A an accelerating rate of inflation
- B a diminishing rate of inflation
- C a high but constant rate of inflation
- D a negative rate of inflation

24 In country X, unemployment is rising at the same time as the number of job vacancies is increasing.

What is the most likely reason for this?

- A Economic growth is falling.
- B Economic growth is rising.
- C Geographical mobility of labour is rising.
- D Occupational immobility of labour is rising.

25 An increase in which variable affecting labour markets is most likely to reduce the natural rate of unemployment?

- A the level of unemployment benefit
- B the militancy of trade unions
- C the national minimum wage
- D the participation on training courses

26 The table shows data about the population of a country.

total population	2 000 000
labour force	1 200 000
number of people employed	900 000
number of people unemployed	300 000

What is the rate of unemployment?

- A 25% B 33% C 60% D 75%

27 In all major towns in a country, a government adopts a policy of opening centres where job vacancies are advertised.

Which type of unemployment is the government aiming to reduce with this policy?

- A cyclical
- B frictional
- C regional
- D seasonal

28 Some workers in a low-paid job decide to work longer hours to increase their disposable income.

However, this decision reduces state-provided benefits, leaving them worse off.

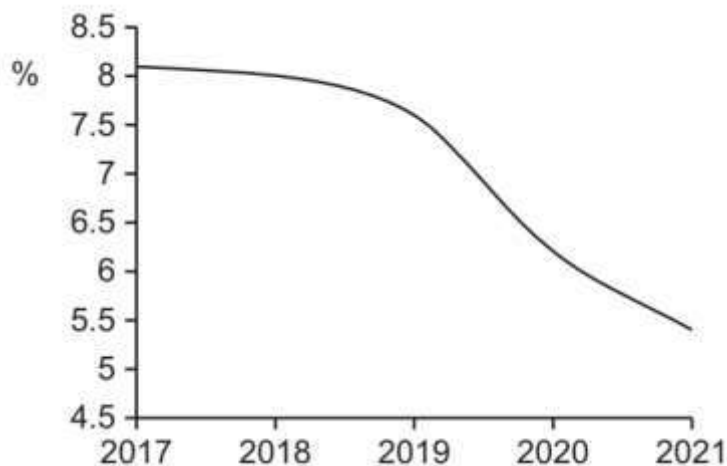
What does this describe?

- A debt trap
- B liquidity trap
- C poverty trap
- D unemployment trap

29 Which statement about unemployment is correct?

- A Cyclical unemployment is caused by the occupational immobility of labour.
- B Frictional unemployment is caused by a lack of information on jobs in the labour market.
- C Structural unemployment is caused by a deficiency in aggregate demand.
- D Voluntary unemployment is caused by variations in the demand for labour in the year.

30 The graph shows the percentage unemployed in a country for the period 2017–2021.



What is the most likely cause of the change in unemployment?

- A a reduction in government expenditure
- B a reduction in interest rates

C a reduction in investment by firms

D a slowdown in growth in the global economy

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MARK SCHEME

1 B

2 D

3 D

4 C

5 B

6 A

7 C

8 A

9 D

10 B

11 B

12 C

13 B

14 B

15 B

16 D

17 C

18 A

19 C

20 D

21 C

22 C

23 A

24 D

25 D

26 A

27 B

28 C

29 B

30 B

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