



Economics Questions By Topic:

Labour Market (3.5)

Mark Scheme

A-Level Edexcel Theme 3

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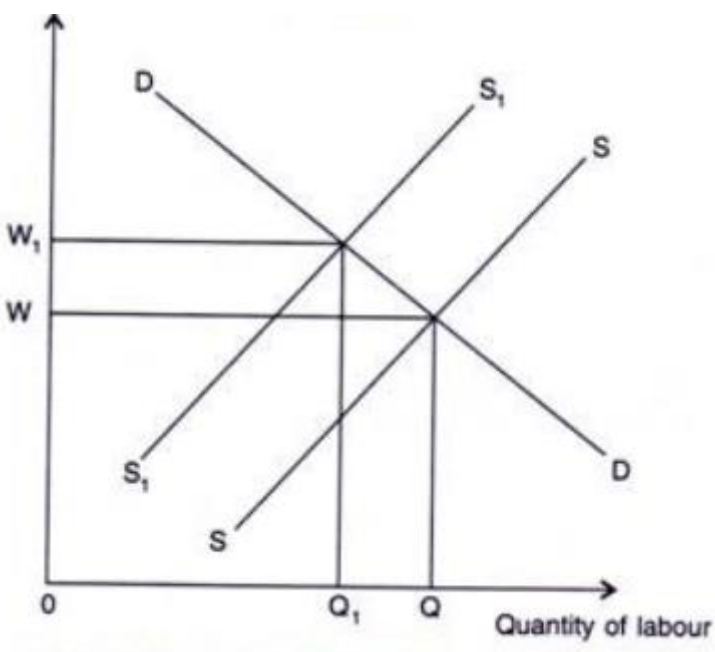
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SECTION A

Question Number	Answer	Mark
1	<p align="center">Knowledge 2, Application 1, Analysis 1</p> <p>Knowledge / understanding: 2 marks for understanding e.g.</p> <ul style="list-style-type: none"> • Supply of labour decreases (1) • Wage rises (1) <p>Application: 1 mark for e.g.</p> <ul style="list-style-type: none"> • Takes time to train engineers (1) • Migration of 1 million workers (1) • Annotating diagram in context of engineers (1) • Shortage of engineers (1) • 'Many engineers have left Poland for higher paid jobs in other countries' (1) <p>Analysis: 1 mark for a linked development e.g.</p> <ul style="list-style-type: none"> • Excess demand (1) • Firms offer higher wages (1) • Firms contract demand for labour (1) • New labour market equilibrium achieved (1) <p>NB Full marks only to be awarded for specific reference to labour market.</p> <p>Wage rate</p>  <p>Quantity of labour</p>	<p>(4)</p>

Question Number	Answer	Mark
2	<ul style="list-style-type: none"> • Answer A (1 mark) • Definition of a minimum wage (the lowest wage that workers can be paid / a wage or price floor for labour). (1 mark) • An increase in the minimum wage could cause a decrease in quantity demanded for labour / decrease in employment. (1 mark) • An increase in NMW will increase incentive to work and raise supply of labour / unemployment. (1 mark) • Correctly labelled diagram depicting the original minimum wage (as long as it is clearly labelled as a NMW or \$38) / and an increase in the minimum wage for garment workers (1+1 marks) NB: the original NMW may start at the market equilibrium price. • Accept use of \$38 and \$100 per month minimum wage if placed correctly on diagram. (1 mark) <div style="text-align: center;"> </div>	

	<p>Rejection marks</p> <ul style="list-style-type: none">➤ Option B incorrect since the higher wage rate will provide an incentive for the supply of labour in the clothing industry to rise. (1 mark) NB: do not double award ➤ Option C incorrect since the higher wage rate will make it more expensive or less affordable for firms to employ labour in the clothing industry / replace with capital. (1 mark) ➤ Option D incorrect since higher wage rate will increase costs of production for clothing and less employment. (1 mark)	
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Question Number	Answer	Mark
3	<p>Correct answer option A (1 mark)</p> <ul style="list-style-type: none"> • Written explanation that an increase in demand for new apps causes an increase in wage rates for app programmers(1 mark), OR, Annotation of diagrams showing an increase in demand for new apps and app programmers / with new equilibrium wage rate identified. (1+1 marks) • Identification of demand for labour as a derived demand (1 mark) <p>Rejection marks</p> <ul style="list-style-type: none"> • Option B incorrect since the demand for app programmers will increase in order to meet the increase in demand for new apps. (1 mark) • Option C incorrect since a decrease in supply of app programmers would be caused by factors such as worse working conditions or longer training periods. (1 mark) • Option D incorrect since total revenue should increase as the demand for tablets are complementary. (1 mark) 	(4)

Question Number	Answer	Mark
4	<ul style="list-style-type: none"> • C (1 mark) • Definition of geographical mobility of labour (the ability of labour to take available work in different areas/regions) (1 mark). <p>NB: accept definitions of geographical immobility of labour as long as it is made explicit.</p> <ul style="list-style-type: none"> • A decrease in regional house price differences means that many workers find it easier to afford or purchase property in different areas they move to (1 mark). • Application e.g. workers from the north find it easier to move to London or workers from the countryside can move to towns and cities (1 mark). • Accept numerical example of house price differentials / differentials falling (1 mark). <p>Rejection marks</p> <ul style="list-style-type: none"> • Option A incorrect since increase in average age of workforce typically leads to older workers being settled in location – so reduces mobility of labour (1 mark). • Option B incorrect since a significant increase in rail and bus fares makes it more expensive to travel to and from work. (1 mark). • Option D incorrect since a decrease in skilled workers will decrease occupational mobility of labour (1 mark). 	(4)

Question Number	Answer	Mark
5	<p>Answer C</p> <ul style="list-style-type: none"> • Definition / understanding of occupational mobility of labour (the ability of labour to change occupations to take available work (accept to change from one job to another job). Also accept definition / understanding of immobility of labour. (1 mark) • Some unemployed may lack relevant skills / qualifications / work experience to take available work / identification of structural unemployment. (1 mark) • Application to real world example e.g. an unemployed motor vehicle worker may lack skills to become a web designer. (1 mark) • Training programmes help increase the skills / qualifications / work experience for the unemployed to gain work in different occupations (1 mark). <p>Rejection marks</p> <ul style="list-style-type: none"> ➤ Option A is incorrect as once public goods are provided it is free for all to use / examples of public goods such as street lighting and how this has nothing to do with increasing occupational mobility of labour. (1 mark). ➤ Option B incorrect since an increase in tax on buying property will impact / reduce the geographical mobility of labour. (1 mark) ➤ Option D incorrect since relocation subsidies will impact / increase the geographical mobility of labour. (1 mark). 	(4)

Question Number	Answer	Mark
6	<p>Answer B</p> <ul style="list-style-type: none"> • Definition or understanding of the geographical mobility of labour or immobility of labour (the ability of labour to move from one region / area to another to take available work). (1 mark). • Definition of affordability (ratio of house prices to earnings / income) (1 mark) • It is harder for labour to move into a region with higher average house prices / due to more expensive to buy or rent or difficulty in obtaining a mortgage (1 + 1 marks). • Application e.g.: south-east and London house prices far more expensive than rest of UK so harder for labour to move into the region (1 mark). • Accept an outline of other causes of geographical immobility of labour e.g. family ties, removal costs and imperfect job market knowledge (1 mark) <p>Rejection marks include</p> <ul style="list-style-type: none"> ➤ Option A is incorrect as training and qualifications affect the occupational mobility of labour (1 mark). ➤ Option C is incorrect since relocation grants will make it easier for labour to move to other regions (1 mark). ➤ Option D is incorrect since a reduction in petrol prices will lower transport costs in getting to and from work (1 mark). 	(4)

Question Number	Answer	Mark
7	<p>Answer B (1 mark)</p> <ul style="list-style-type: none"> • Definition of a normal good (e.g. as real income increases, so will demand increase for a good OR as real income decreases, so will demand decrease for a good) (1 mark) • A fall in real income will cause a decrease in demand for new houses. This will cause price of housing to fall (1 mark). • A decrease in demand for housing will cause a decrease in demand for bricklayers so wages will fall (1 mark). • Labour is a derived demand - its demand is derived from the demand for the product it makes (1 mark). • Application to both diagrams, showing an inward shift in demand for new housing and bricklayers (1 mark). 	(4)

Question Number	Answer	Mark
8	<p>Answer D (1 mark)</p> <ul style="list-style-type: none"> • Explanation of the geographical mobility / immobility of labour (e.g. the ability / inability of labour to move from one location to another in taking work) (1 mark). • A major obstacle of geographical labour mobility is imperfect market knowledge of available jobs / asymmetric information OR by improving market knowledge of job vacancies, labour mobility will improve (1 mark). • Examples of improving market information (for example, increase funding of Job Centres / more staffing / improve location of Job Centres / relocation grants) (1+1marks). 	(4)

END OF SECTION A

SECTION B

Question Number	Answer	Mark
9	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 2</p> <p>Knowledge and Analysis: up to 3 marks for e.g.</p> <ul style="list-style-type: none"> • Staffing levels fall (1) • Diminishing marginal productivity means for an additional unit of labour the additional increase in productivity declines (1) so the additional cost of hiring more labour (1) needs to be set against the additional productivity gained (1) • As marginal productivity declines/diminishing returns set in (1) marginal cost increases at a faster rate (1) given labour is homogenous (1) • In the short run labour is variable (1) all other factors of production are held constant (1) so an additional unit of labour will result in less additional output (1) • An additional unit of labour results in: marginal product declines (1) average product declines (1) total product increases at a slower rate (1) total cost rises at a faster rate (1) marginal cost increases (1) average cost rises (1) <p>Application: up to 2 marks for e.g.</p> <ul style="list-style-type: none"> • lower marginal productivity of an additional crew member (1) explains why American Airlines are reducing staffing levels (1) • The first cabin crew member serves 50 passengers, the second serves 60 additional passengers, the third serves 30 more, the fourth serves 20 (1+1) • The number of additional meals served will decline per additional crew member (1) as crew members start to get in each other's way (1) • The available space on the plane is fixed (1) and seating/trolley/meals/doors available (1) • Lower cost per passenger (1) cheaper tickets (1) 	(5)

Question Number	Indicative content	Mark
10	<p style="text-align: center;">Knowledge 3, Application 3, Analysis 3</p> <p>Policies may include:</p> <ul style="list-style-type: none"> • Increase investment in training programmes to raise quantity and quality of human capital and productivity / increase provision of modern apprenticeship schemes / it may involve government subsidies or tax breaks to firms. • Recruit skilled workers from overseas via careers fairs and trade journals / provides a ready supply of labour. <p>Accept policies referring to geographical mobility of labour if linked to the energy sector.</p> <ul style="list-style-type: none"> • Change industry image so it appeals to more female school leavers and graduates – this may involve restructuring of careers advice / marketing programmes and information on career paths and opportunities. • Retain ageing workforce by improving working conditions and rates of pay / offer flexible working hours and part-time work / raise state retirement age; older workers have higher levels of human capital and so productivity could be increased. <p>NB: For Level 3 response candidates must refer to at least one business policy and one government policy.</p> <p>NB: For Level 3 response candidates must refer to the energy sector.</p>	(9)

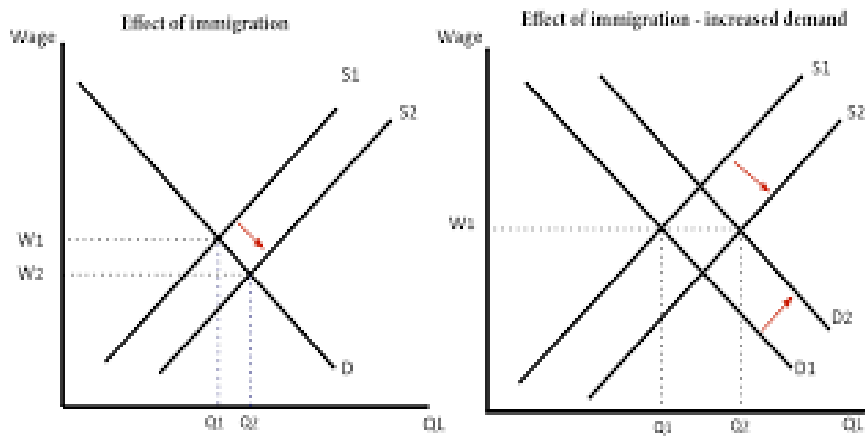
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
10 continued	Evaluation 6	
	<ul style="list-style-type: none"> • Training programmes involve (opportunity) costs to businesses and government / time period to train labour, especially in higher order technical skills / quality of training programmes. • Recruitment of skilled workers from overseas may create problems such as access to UK jobs following Brexit decision / language barriers / differences in qualifications and skills to those required / possibility of higher staff turnover if overseas workers intend to return home / family ties and high house prices may create geographical immobility of labour. • Changing energy sector image may require high levels of marketing expenditure / some jobs may not suit parents with family commitments. • Retain older workers could lead to problems of poor health and low productivity and ability to learn new tasks. Also the underlying skilled labour shortage remains – eventually older workers will retire. • Other policies to overcome labour shortage for example, new technology to substitute labour with capital, means that reducing labour immobility is not a priority. 	(6)

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
11	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4</p> <p>Knowledge/implicit understanding: Points might include:</p> <ul style="list-style-type: none"> • Increased labour supply – workers willing to take low-paid jobs • Arguments also allowed that since the UK left the EU, many workers are leaving – question does not specify immigration or emigration • Increased demand from increased UK population also allowed as an approach <p>Application:</p> <ul style="list-style-type: none"> • Immigrants the main employees at HCWs and similar labour intensive firms (Extract A) • Implication in EU that increased immigration (Extract A paragraph 4) has caused supply to increase and therefore wages half of minimum wage (Ext A last paragraph) • HCW often a first job while the migrant’s language improves on arrival in the UK (Ext A) • Following UK leaving the EU many low skilled labour may leave • Workers are not able to migrate as wages are not high enough in sector to be able to migrate to post UK leaving the EU <p>Analysis:</p> <ul style="list-style-type: none"> • Labour market diagram showing increase in the supply of labour • NMW diagram showing excess supply of labour at the wage floor • Allow decrease in supply, e.g. since the UK leaving the EU • Allow backward bending supply of labour • Allow monopsony diagrams (although not required) • Some segments require more skilled workers and not suit low skilled migrant workers, e.g. valeting • Reference to any industry that relies on migrant workers, e.g. hospitality, nursing, construction <p>NB if no valid diagram or reference to an industry, then award a maximum of Level 2 KAA</p>	(8)

Diagram, shift in demand and/or supply, or minimum wage e.g.



Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3-5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6-8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
11 continued	<p style="text-align: center;">Evaluation 4</p> <ul style="list-style-type: none"> • Impact of UK leaving the EU, Global Health Crisis etc. might put immigration figures into negative, and wages and conditions might improve • Depends on monopsony power • Evidence suggests there is not exploitation, or there is not enough evidence • Some firms are charging a fair wage • Other changes in the pipeline • The size of the changes in migration will dictate the impact on labour market • The ability of workers to move to other sectors/ speed language developed will determine impact on labour market • Within HCW there are sub-markets - some specialise in luxury vehicles - others are mobile operators who visit home - each will be affected differently 	(4)

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1-2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3-4	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
12	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4</p> <ul style="list-style-type: none"> • Increase in wages implies increased variable costs for firms (average cost or total cost) so profit falls • Diagram showing upwards movement of AC and MC (allow AC-only shift if clearly related to fixed costs of labour) • Allow TC/TR diagram <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> • For normal goods there is likely to be an increase in demand (average revenue or total revenue) • Diagram showing rightward/outward shift in AR and MR as demand increases <p>Diagrams</p> <p>NB an answer which does not include an accurate diagram is limited to Level 2. Diagram must show impact on firms.</p> <p>NB for a Level 3 answer diagram must show change in profit and can involve a change in FC or VC, and should explicitly link type of cost to type of wage change</p>	(8)

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3-5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6-8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
12 continued	<p style="text-align: center;">Evaluation 4</p> <ul style="list-style-type: none"> • Depends on the proportion of costs made up by (low skilled) labour • Depends on the elasticity of demand for labour, e.g. the substitutability of capital for labour • Effect on profitability will depend on the ability of firms to pass on increased costs • Answers might consider the counterbalancing effects of changes in both revenues and costs • Increased wages have in the past led to increased value of output • In the long run firms might employ younger (under 25) workers, and other possible changes implied in Extract C • Demand might fall if the firm is selling inferior goods when incomes rise. • Real vs. nominal changes in wages • Depends on whether other costs remain the same, or if demand rises as result of increased incomes • Contrast between fixed and variable cost diagrams • Discussion of the supply of labour/opportunity cost of labour as wages rise 	(4)

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Answer	Mark
13	<p>6 KAA marks Candidates can argue either way: award the most effective explanation up to 6 marks (KAA) and the alternative view up to 4 marks (Evaluation).</p> <ul style="list-style-type: none"> • Definition of geographical mobility of labour (the ability of labour to move from one area to another area in order to take available work). (1 mark) <p>NB: accept correct definition of geographical immobility of labour as an alternative approach.</p> <ul style="list-style-type: none"> • Example of geographical mobility of labour. (1 mark) • Data reference: for example, 200 million passenger journeys per year on Crossrail / each train is 200 metres long and can carry 1500 passengers / 73 miles length (1 mark) <p>Crossrail is likely to increase geographical mobility of labour since:</p> <ul style="list-style-type: none"> ➤ Time factors / development of this. (1+1 marks) ➤ Distance factors / development of this point (1+1 marks) ➤ Capacity factors / development of this point (1+1 marks) ➤ Reduce congestion on other forms of transport / further development such as road network and other rail lines. (1+1 marks) <p>Evaluation (up to 2+2 or 1+3 or 1+1+2 marks) Geographical mobility of labour may not increase by much since:</p> <ul style="list-style-type: none"> ➤ London's population is growing / so future demand for transport may exceed supply leading to over-crowding. ➤ During construction the geographical mobility of labour might be reduced due to closure of rail stations and other delays from the building work. 	(10)

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| | <ul style="list-style-type: none">➤ Another 3 years before Crossrail is completed so little impact in short term.➤ It is likely to be expensive to travel on Crossrail / to pay for the high cost of building it / so many people may not be able to afford to use it.➤ Increased property prices along the route may make it more expensive to live along it.➤ It may not improve geographical mobility of labour for other parts of London e.g. north to south as implied by proposals for Crossrail 2 proposals / other regions of UK or overseas not affected as commute is too long.➤ Other factors affect geographical mobility of labour, for example, family ties and job market information. | |
|--|---|--|

Question Number	Answer	Mark
14	<p>8 KAA marks (2+2+2+2 or 3+3+2)</p> <p>Factors influencing the supply of labour include:</p> <ul style="list-style-type: none"> • Definition of supply of labour (quantity or quality of labour supplied at a given wage rate) • Diagram of either a movement along a supply curve for labour (which must be explained) or a shift in the supply curve for labour. • The wage rate or earnings: as the wage rate rises then so too will the supply of labour / since greater financial incentive to work longer hours. • Net advantages in construction of the tidal barrage: these may include bonuses / possible dangerous working conditions / sick pay and paid holidays / job satisfaction job security. • The level of training, qualifications, skills or work experience required: the high level of qualifications and skills on building turbines may limit the supply of labour. • Income tax or National Insurance Contributions: the lower the rate of income tax then the greater the disposable income / the greater the incentive to work or supply of labour. • Government social security benefits: cuts in the Job seekers' Allowance and Housing Benefits / may increase incentive to work or supply of labour / especially for low skilled areas of construction work. • Reference to the National Minimum Wage: an increase in NMW may raise incentive to work / so more supply of labour • The raising of school leaving age or retirement age: it may increase supply of labour for the project. • Net migration inflows to UK / membership of the Single European Market has increased net migration flow of labour to UK. • Trade Unions may affect rate of pay or other working conditions / e.g. more job security or safety at work. • Accept factors which may affect the regional or local supply of labour e.g. local house rental prices / local facilities such as public transport. • General state of labour market or economy / high unemployment may lead to greater supply of labour for tidal barrage project. Demographic factors e.g. population increase / increase in retirement age. 	(14)

NB: award a maximum of 6 KAA marks if no reference to the tidal barrage scheme. One reference to the barrage is sufficient to award the full KAA marks.

Evaluation 6 marks (2+2+2 or 3+3 or 4+2 marks)

- Prioritisation of factors e.g. availability and rental price of local housing likely to be very important compared to a change in NMW / geographical mobility of labour.
- Discussion of elasticity of the supply of labour.
- Many construction workers earning well above NMW so little impact / some labour may work below NMW.
- Discussion of type of construction work and variety of skills required: some work is highly skilled and so this may limit the supply of labour / e.g. engineers to build dams / other occupations in building the tidal barrage are less skilled e.g. building labourers.
- Supply of labour may increase over time / more knowledge of job vacancies or time to gain skills for the work.
- Accept discussion of income and substitution effects / backward sloping supply curve for labour.
- Accept discussion of measures to increase the supply of labour e.g. housing subsidies or training courses and other supply side policies.

NB: a maximum of 4 marks available for discussion of measures to increase supply of labour.

The quality of written communication will be assessed in this question based on the candidate's ability:

- To present an argument and conclude on the basis of that argument.
- To organise information clearly and coherently.
- To use economics vocabulary appropriately.
- To use grammar, spelling and punctuation appropriately.

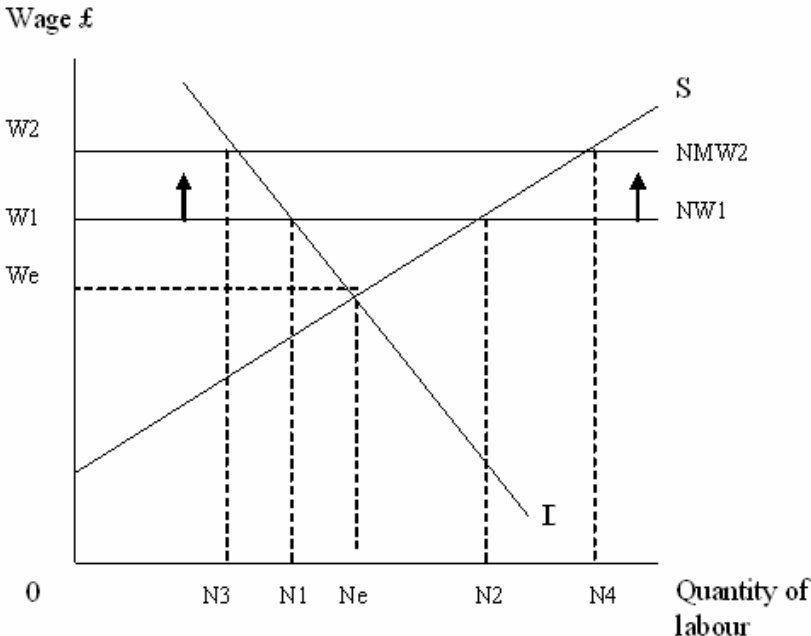
Question Number	Answer	Mark
15	<p>KAA = 8 marks NB: Accept reference to coal mining in different countries</p> <p>Definition of immobility or mobility of labour – referring to occupational and geographical.</p> <p>Occupational mobility refers to the ability of labour to move from one occupation to another (1 mark).</p> <p>Geographical mobility refers to the ability of labour to move from one area to another to take available work (1 mark).</p> <ul style="list-style-type: none"> • Award for data reference e.g. up to 140 000 jobs at risk in Australia (1 mark). • Identification of two measures, for example government training schemes and relocation subsidies (1+1 marks). • Development of the two measures (3+3 or 4+2 marks). <ul style="list-style-type: none"> ➤ Training schemes: mining skills highly specialised so occupational mobility is low /workers may acquire new skills / increase human capital / train for work in occupations where shortages exist / example of other occupations. ➤ Relocation subsidies: workers might be given help with house removal costs / contributions to mortgage or rental costs / accommodation available to immediately move into. <p>NB: Accept demand and supply diagram depicting a subsidy (2 marks).</p> <p>NB: Accept other measures to reduce immobility of labour, for example, improving labour market information and building affordable homes.</p> <p>Evaluation (2+2+2 or 3+3 marks)</p> <ul style="list-style-type: none"> ➤ Discussion of financial costs to the government / magnitude of government funds available for training programmes or relocation subsidies (for example, regional house price differences may be enormous and so relocation may involve significant funding). 	(14)

- Magnitude of training or relocation subsidies required since just 40,000 jobs directly at risk / discussion of significance for the economy.
- Time period required to retrain labour/ especially higher order skills / older workers may find it harder to pick up new skills.
- Quality of training schemes may vary / the wages of other jobs may be much lower than for mining so little incentive to retrain.
- Fraudulent use of training funds / with some development of this point.
- Lack of alternative jobs available / especially as pollution permits scheme is relevant across the whole of Australia and so affects all mining activities / fears of a global recession mean firms reluctant to take on extra staff.
- Workers may be unwilling to move due to family ties / children at school.
- Imperfect market knowledge on job vacancies elsewhere.
- Anglo American Corporation might be wrong concerning fear over job losses / the continued growth of China means demand for Australian raw materials will continue to rise / so issue of reducing labour immobility in mining is irrelevant.

Level	Mark	Descriptor
Level 1	1-4	Understanding of immobility of labour and identification of two measures to reduce it.
Level 2	5-8	Explanation of two measures to reduce immobility of labour.
Level 3	9-10	Up to one evaluation point
Level 4	10-12	Up to two evaluation points.
Level 5	12-14	Up to three evaluation points.

Question Number	Answer	Mark
16(a)	<p>KAA = 4 marks</p> <ul style="list-style-type: none"> • Definition of NMW [the legal minimum hourly rate of pay employers can set] (1 mark) • Data reference to extract 1 e.g. the actual increase in minimum wage or the level of minimum wage or increase in food and fuel prices (1 mark) • Identification of a reason for government intervention to impose NMW (1 mark) and its development (up to 3 marks). <p>Reasons might include:</p> <ul style="list-style-type: none"> ➤ Reduce poverty / inequality / exploitation: the NMW may help poor people who are in low paid job / create fairer society / help part-time or female or young unskilled workers / maintain incentive to work. ➤ Reduce voluntary unemployment: the increase in NMW makes it worthwhile for low paid to remain in their jobs / fill low paid job vacancies / prevent unemployment trap or poverty trap / maintain differential between low paid work and benefits such as Job Seekers' Allowance ➤ Inflation / cost of living: to keep up with cost of living (higher fuel and food prices) / so that in real terms the NMW remains the same / to afford basic necessities. ➤ Earnings growth: to keep up with growth in average earnings / so in relative terms the NMW keeps its value / maintain incentive for low paid to remain in their jobs ➤ Training & productivity: the increase in NMW may give greater incentive for employers to train low paid staff / to raise productivity levels / and so justify the wage increase. <p>NB: Accept an overlap in the explanation of a reason offered.</p>	(4)

Question Number	Answer	Mark
16(b)	<p>KAA = 6 marks</p> <ul style="list-style-type: none"> • Definition of government failure (government intervention which leads to a net welfare loss / inefficient allocation of resources) (1+1 marks). Also accept idea of government intervention to correct market failure but it makes things worse (1 mark). NB a maximum of 2 marks available for definition. • Data reference to tax evading activities or unrecorded cash payments (1 mark) • Identification of tax evading activities being illegal (1 mark) • Hairdressers not declaring all their income / less tax revenue to the government (1+ 1 marks). • Employers may pay below NMW rate / use of example such as immigrants or young unskilled / less tax revenue to the government (1 + 1 + 1 marks). • Weak government implementation of NMW / monitoring and enforcement of hairdressers paying below the minimum wage (1+1 marks). • An increase in the NMW may increase unemployment in hairdressing / and also reduce tax revenue or increase in benefits as without government intervention more staff may be employed (1+1 marks). <p>Accept 'higher order analysis' which suggests the government failure is not significant since: the NMW increase is small / data reference to hourly wage increases of 7p per hour / not worth the risk of fines for breaking law / especially as severe penalties / difficult to obtain staff / 87% of employees are paid above NMW / labour productivity still above wage cost / so profit made on employees even with higher wage. (2 marks)</p> <p>NB if no reference to informal economy or tax evading activities award up to 2 marks for the link with unemployment and loss of government revenue</p>	(6)

Question Number	Answer	Mark
16(c)	<p>KAA = 8 marks</p> <ul style="list-style-type: none"> • Data reference of the actual increase or level of the minimum wage e.g. 7p, 1.2% or £5.80 an hour / National Hairdressers Federation believes significant job losses will occur in current economic climate (1 + 1 marks) • The increase in NMW increases costs / lower profits or even losses/ firms may lay off workers or exit industry (1+1 + 1 marks). • Diagram of a labour market which shows (up to 5 marks): <ul style="list-style-type: none"> ➢ Initial diagram of labour market (both demand & supply curves) (1) ➢ Original NMW line (anywhere on diagram) (1) ➢ New and higher NMW line (anywhere on diagram) (1) ➢ Demand for hairdressers contract (fall from N1 to N3) or original excess supply (N1/ N2) (1). ➢ Supply for hairdressing work extends (from N2 to N4) or new excess supply (N3 - N4) (1) <div style="text-align: center;">  </div> <p>NB: Candidate may show NMW below or at free market wage equilibrium but likely to gain a maximum of 3 marks for the diagram.</p> <p>NB: if no labour market diagram award a maximum of 5 marks in this section.</p> <p>Evaluation (2+2+2 or 3+3 marks)</p>	

	<ul style="list-style-type: none"> • Impact on job losses depend upon: <ul style="list-style-type: none"> ➤ Magnitude of NMW increase: the extract indicates this is very low at just 7p per hour (6p and 4p respectively for 18-21 year olds and 16-17 year olds) / so not much impact on job losses. ➤ Wage or price elasticity of demand for labour: if inelastic then few jobs lost / if elastic than more jobs lost / reference can be made to diagram. ➤ It depends on wage costs as a proportion of total costs: if low then easy to absorb the higher wages costs / if high then harder to absorb the wage rise / hairdressing is quite labour intensive with 126,000 employed in 2008. ➤ Most hairdressers are paid above NMW so little impact of the increase in NMW / data reference to just 27% being paid at the NMW or 73% paid above NMW / implies support for argument made by Brendan Barber, TUC general secretary (this could be shown by NMW being drawn so it remains below the free market wage). ➤ Trainee hairdressers are not subject to national minimum wage / despite extract implying trainee places may be cut. ➤ Employment in hairdressing actually increased by 5000 in 2008 / despite previous increases in the NMW. ➤ Economic recovery now underway so easier for firms to pass on extra wage costs to customers. ➤ Firms may decide to employ people illegally below the NMW / so limited impact on job losses if employees accept situation. ➤ Discussion of short run and long run implications. <p>Quality of written communication skills will be assessed in this question based on the candidate's ability:</p> <ul style="list-style-type: none"> • To present an argument and conclude on the basis of that argument. • To organise information clearly and coherently. • To use economics vocabulary appropriately. • To use grammar, spelling and punctuation appropriately 	(14)
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Level	Mark	Descriptor
Level 1	1-2	Impact on job losses / higher wage costs.
Level 2	3-8	Diagram showing an increase in the NMW
Level 3	9-11	One evaluation point developed.
Level 4	12-14	Two or three evaluation points well developed.

Question Number	Answer	Mark
16(d)	<p>KAA = 8 marks</p> <p>Factors influencing the supply of labour to any one occupation (2+2+2+2 marks or 3+3+2 marks).</p> <ul style="list-style-type: none"> ➤ The wage rate or earnings / as the wage rate increases then so too will the supply of labour rise due to incentive of higher pay. ➤ Net advantages to an occupation / these include tips, hours of work, cleanliness of environment, career progression, job satisfaction, private pension scheme, sick pay and paid holidays. ➤ The level of qualifications, training or work experience required for a particular occupation / the higher the qualifications, training and work experience required, the lower the supply of labour. ➤ Income tax or national insurance contributions / the higher the rates of tax the lower the potential supply of labour. ➤ Government social security benefits such as Job Seekers Allowance and Housing benefit / the higher the benefits, the lower the supply of labour to low paid occupations. ➤ Higher university tuition fees or scrapping Education Maintenance Grants / may lead to increase in supply of school leavers to labour market. ➤ Raising of school leaving or retirement age / lead to an increase in supply of labour. ➤ Net migration flows into UK / the single European market has increased net migration flows into the UK. ➤ Trade Unions affecting rates of pay and other work conditions / so increasing supply of labour. ➤ Accept factors influencing the geographical supply of labour such as house prices. <p>NB Do not accept the NMW.</p> <p>Evaluation (2+2+2 or 3+3 marks)</p>	

	<p>➤ Magnitude of factors affecting supply, for example, tips are substantial in hair dressing or, dangers involved in certain occupations (armed forces) are so great as to discourage supply.</p> <p>➤ Prioritise between factors: for example, job satisfaction or career progression may be more important than pay, or flexibility in hours of work could be more important than pay.</p> <p>➤ Time factor: For some occupations where significant training / qualifications are involved, supply might be limited in the short run but increase in the long run. Discussion of elasticity of supply is acceptable here.</p> <p>➤ State of economy: many people may be discouraged from seeking work in a recession but encouraged to seek work in an economic recovery.</p> <p>➤ Accept discussion of income and substitution effects / backward sloping supply curve.</p> <p>Quality of written communication skills will be assessed in this question based on the candidate's ability:</p> <ul style="list-style-type: none"> • To present an argument and conclude on the basis of that argument. • To organise information clearly and coherently. • To use economics vocabulary appropriately. • To use grammar, spelling and punctuation appropriately. 	(14)
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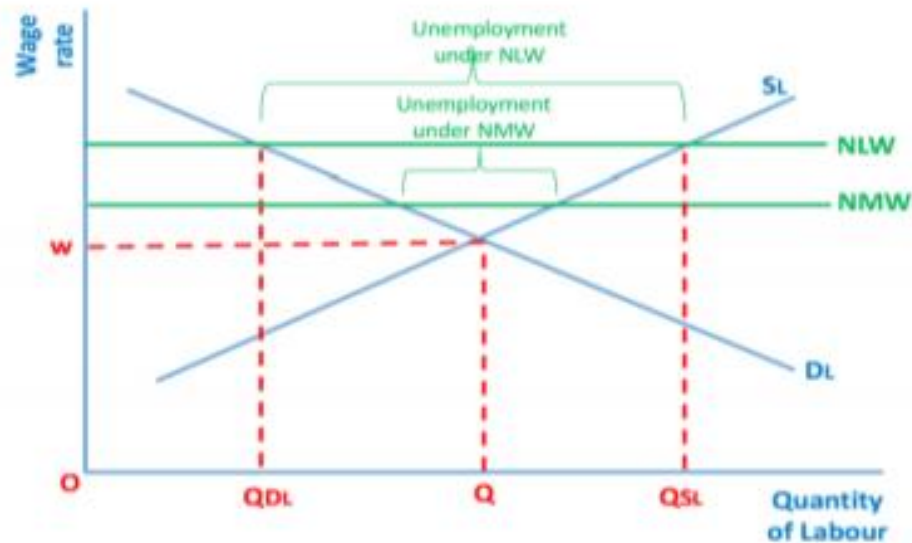
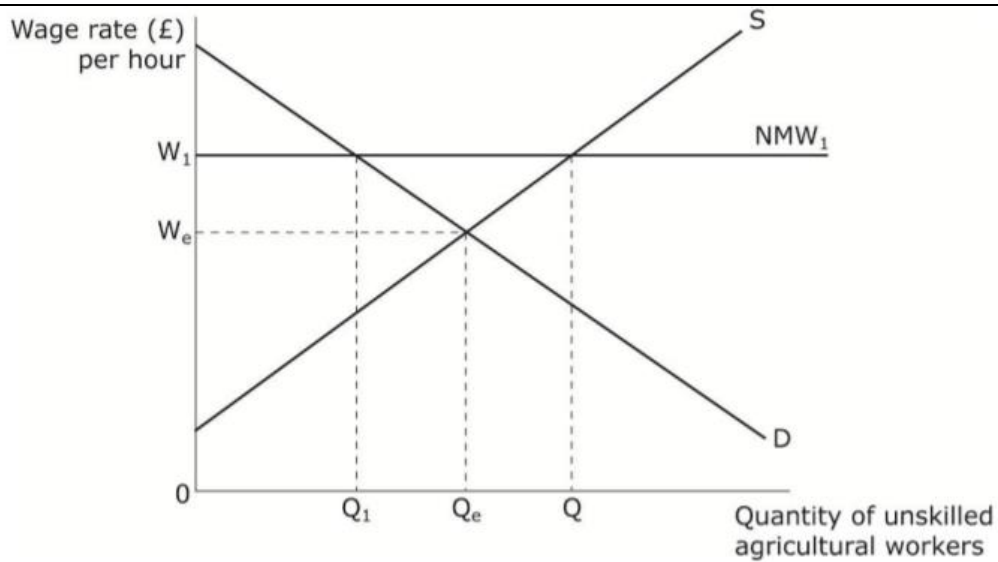
Level	Mark	Descriptor
Level 1	1-2	Identification of two or more supply determinants.
Level 2	3-8	Explanation of two or more supply determinants.
Level 3	9-11	At least one evaluation point developed.
Level 4	12-14	At least two or more evaluation points developed

Question Number	Answer	Mark
17	<p>Explanation of KAA up to 6 marks</p> <p>Candidates may refer to both geographical and occupational mobility / immobility of labour.</p> <ul style="list-style-type: none"> • Explanation / understanding of geographical immobility / mobility of labour (difficulty in relocating to other regions to take available work) (1) • Geographical mobility of labour will depend on individual e.g. age / family circumstances / knowledge of available jobs in other localities / house price differentials and rental differentials / removal costs (1+1+1). • Data reference e.g. Magna motor vehicle plants at Luton and Ellesmere Port - areas of high unemployment and so a labour immobility problem (1). • Explanation / understanding of occupational immobility / mobility of labour (difficulty in car workers taking available work in different occupations) (1) • Occupational mobility may be quite low as car work is highly specialised / occupational mobility is low and so retraining courses may be required for car workers / lack of government funds available for retraining / discussion on transferable skills (1+1+1). • Discussion on temporary plant closures - which may have little effect on mobility of labour if they reopen (1). <p>Use of real life example (1)</p>	(6)

END OF SECTION B

SECTION C

Question Number	Indicative content	Mark
18	<p>Knowledge 4, Application 4, Analysis 8, Evaluation 9</p> <ul style="list-style-type: none"> • Minimum wage – legally enforced wage floor • Wage set above market equilibrium wage • Increasing from £8.72 to £10.50 • Extension in supply of labour • Contraction in demand for labour • Excess supply of labour <p>Drawback of increase</p> <ul style="list-style-type: none"> • Unemployment in specific labour market • Firms close in specific market - rise in variable/fixed cost depending on market • Additional drawbacks of minimum wage <p>Wage elasticity of demand</p> <ul style="list-style-type: none"> • Proportion of labour costs relative to total costs • Ease and cost of factor substitution • PED for final product, derived demand <p>Wage elasticity of supply</p> <ul style="list-style-type: none"> • Relative skills required in specific market • Income effect • Substitute effect <ul style="list-style-type: none"> • Allow suitable minimum wage diagram e.g. 	(25)



NB a diagram is not required

NB for Level 4 the candidate must refer to a specific labour market.

Evaluation

- Benefits of increase
- Increased labour mobility into specific market
- Increased productivity
- Counters monopsony employer abuse
- Firms decide to now train labour as paying higher wage
- Improved customer service/social objectives achieved
- Improved living standards/reduced relative poverty e.g. north of England
- Additional benefits of minimum wage

	<ul style="list-style-type: none"> • Minimum wage set below equilibrium – in parts of country • Does not apply to some workers in specific market • Relative price elasticity of demand for labour • Relative price elasticity of supply • Short-run/Long-run considerations – substitute capital, qualifications and training • Labour in specific market is not homogenous • Backward bending supply of labour • Cost of labour relative to other factor inputs • Ability of firm to relocate/move into another market • Problems measuring productivity 	
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Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1-3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4-6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	7-9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
19	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 8, Evaluation 9</p> <ul style="list-style-type: none"> • Definition of a wage differentials • Recognition that labour is a derived demand • Use of labour market diagrams to show the reasons for wage differentials <p>Likely reasons:</p> <ul style="list-style-type: none"> • Differing demand for labour • Differing levels of supply of labour • Compensatory reasons – skills/qualifications/experience/region/productivity/age • Public versus private sector workers • Problem of a monopsony employer for certain workers • Impact of trade union membership • Impact of immobility of labour • Impact of discrimination • Use of elasticity of demand for labour • Use of elasticity of supply of labour • Current labour market issues – gig economy/zero hours/austerity/gaps in employment for carers <p>NB – For Level 4 the candidate must refer to a specific industry and the reasons for the wage differentials that exist within it.</p> <p style="text-align: center;">Evaluation</p> <ul style="list-style-type: none"> • Significance of the reasons provided • Counterarguments made to the point raised • Extent to which wage differentials may reflect the fact that labour market forces are working efficiently • Extent to which wage differentials may reflect imperfections in the labour market • Likely to be a combination of reasons • Wage differentials may ignore bonuses or other financial/non-financial rewards • Consideration as to whether the wage differentials are increasing or decreasing within the industry • Contrast to alternative industries • Short run versus long run consideration • Increased transparency may reduce pay differentials. • Regulations/National Minimum Wage/unions/public pressure reducing wage differentials. • Gaps in employment becoming shorter or delayed 	(25)

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.
Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
20	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 8, Evaluation 9</p> <p>Define minimum wage.</p> <p>Positive impacts:</p> <ul style="list-style-type: none"> • above-inflation increase to the rate of £6.31 per hour/ real term rises – could help people cover the rising cost of living • a rise of more than 50p an hour – helps reduce poverty • lowers inequality • higher rewards may improve productivity. <p>Negative impacts:</p> <ul style="list-style-type: none"> • big rise could cost people their jobs • diagram- showing minimum wage above equilibrium – labelling unemployment • above-inflation increase to the rate of £6.31 per hour – could be inflationary • not supporting business – adds to costs/growth • may make informal/ grey economy more attractive for employers to pursue – less protection/less tax revenue <p>Evaluation</p> <ul style="list-style-type: none"> • May not be a problem in many markets where wages are well above minimum wage. • Depends on the proportion of costs that are allocated to wages. • Depends on how labour intensive production is – big impact if labour intensive. • Short term – firms may be slow to adjust to new cost conditions. 	(25)

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

END OF SECTION C