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AQA A-LEVEL ECONOMICS: QUESTIONS BY TOPIC

The Labour Market

AQA A-level Economics 7136 — Topic 4.1.6

40 questions · 291 marks · Mark schemes included

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest mark tariff to the highest within each one.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme.

Diagrams, graphs, tables and data are printed exactly as they appeared in the original papers.

QUESTION	SOURCE	MARKS	PAGE
4.1.6.1 THE DEMAND FOR LABOUR		16 Qs · 96 marks	4
1. Q08	A-level Paper 3, Section A (MCQ) June 2017	1	5
2. Q25	A-level Paper 3, Section A (MCQ) June 2023	1	6
3. Q26	A-level Paper 3, Section A (MCQ) June 2023	1	7
4. Q10	A-level Paper 3, Section A (MCQ) June 2024	1	8
5. Q22	A-level Paper 3, Section A (MCQ) June 2024	1	9
6. Q20	A-level Paper 3, Section A (MCQ) November 2020	1	10
7. Q05	A-level Paper 1, Context 2 November 2020	2	11
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4.1.6.2 INFLUENCES UPON THE SUPPLY OF LABOUR		4 Qs · 42 marks	40
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4.1.6.3 WAGES IN PERFECTLY COMPETITIVE LABOUR MARKETS		2 Qs · 2 marks	53
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QUESTION	SOURCE	MARKS	PAGE
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QUESTIONS

40 questions · 291 marks · 7 sub-topics



SUB-TOPIC 4.1.6.1

THE DEMAND FOR LABOUR

Sub-topic 4.1.6.1 · 16 questions · 96 marks · lowest tariff first

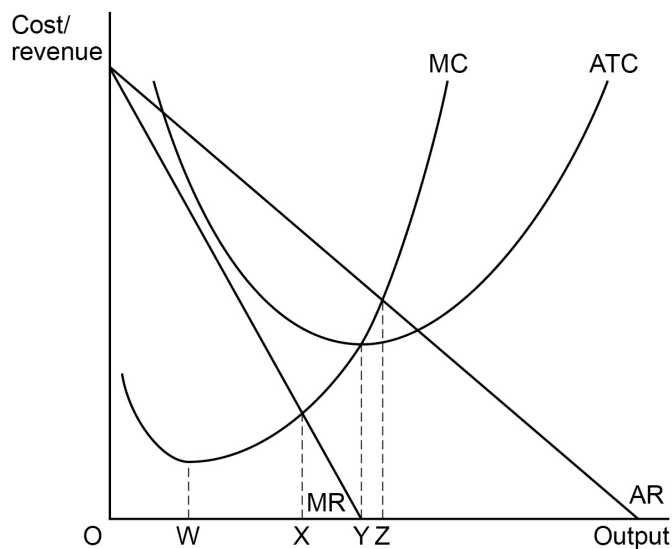


7

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0 8

The diagram below shows the cost and revenue curves for a monopoly.



At which one of the following levels of output would the firm be productively efficient?

- A OW ☐
- B OX ☐
- C OY ☐
- D OZ ☐

[1 mark]

0 9

The marginal revenue product of labour is the

- A addition to total revenue when the firm produces and sells an extra unit of output. ☐
- B amount produced per worker per time period. ☐
- C change in total output that is produced when one extra worker is employed. ☐
- D revenue gained by selling the extra output produced by employing one more worker. ☐

[1 mark]



0 7

Turn over ►

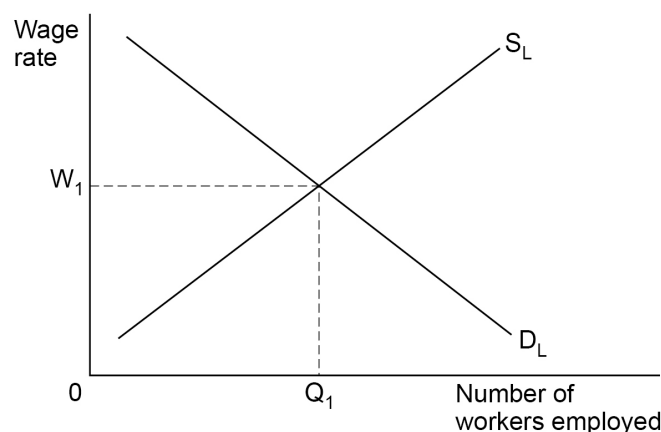
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15

2 | 5

Figure 6 shows the supply of labour (S_L) and demand for labour (D_L) in a perfectly competitive labour market.

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Figure 6

All other things being equal, which one of the following combinations would mean that wages in this labour market are likely to increase from W_1 ?

[1 mark]

- A** A fall in the demand for the final product and a rise in the number of workers training to enter this labour market ☐
- B** A fall in wages in a labour market with similar skill requirements and a fall in the price of a substitute for the output produced ☐
- C** An increase in the minimum qualifications required for workers in the industry and a fall in the price of a complement for the output produced ☐
- D** An increase in the unemployment rate across the economy and firms substituting capital for labour in the production process ☐

2 | 6

Which one of the following is most likely to affect the elasticity of demand for labour in a particular occupation?

[1 mark]

- A** The proportion of employers' total costs which are made up by wages ☐
- B** The quantity demanded of the final output that the workers produce ☐
- C** The size of the pool of skilled labour available in the local area ☐
- D** The time taken to achieve the qualifications needed for the role ☐

Turn over ►

1 5

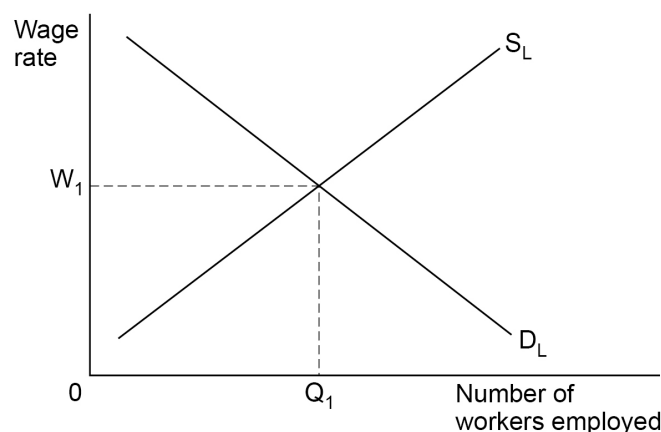
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15

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- D** The time taken to achieve the qualifications needed for the role ☐

Turn over ►

1 5

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7

09

A government introduces a number of supply-side policies that increase the size of the country's working population and labour productivity. All other things being equal, which one of the following statements identifies the most likely effects of the policies on the country's economy?

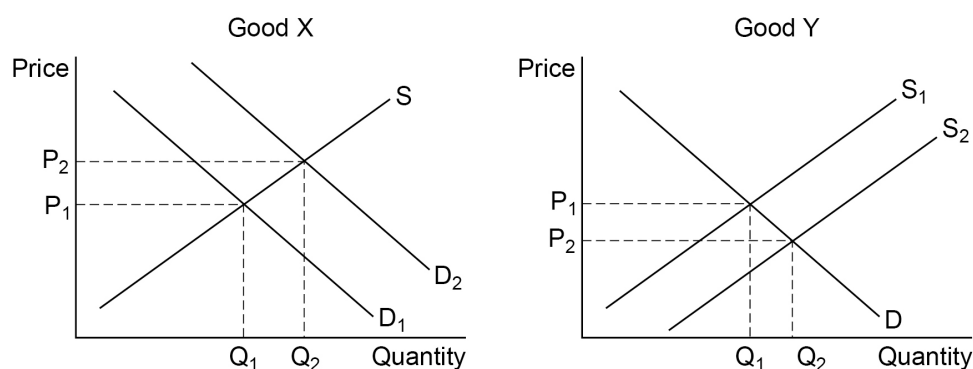
[1 mark]

- A** An increase in real national income and a reduction in the balance of payments deficit ☐
- B** An increase in short-run economic growth and inflation ☐
- C** An increase in the trend rate of economic growth and a growing balance of payments deficit ☐
- D** A reduction in unemployment and an increase in inflation ☐

10

Figure 3 shows how the markets for Good X and Good Y are affected by an increase in the demand for Good X.

Figure 3



It can be concluded that Good X and Good Y are in

[1 mark]

- A** competitive demand. ☐
- B** composite demand. ☐
- C** derived demand. ☐
- D** joint supply. ☐

Turn over ►



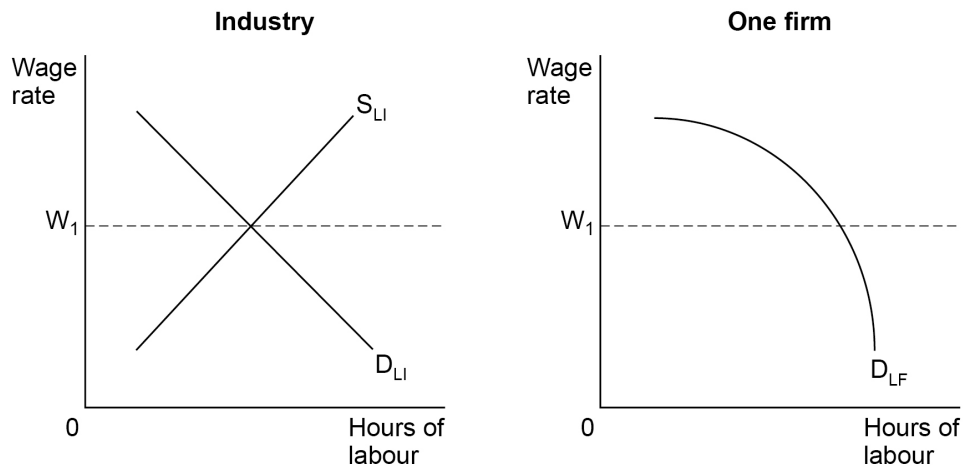
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16

2 2

Figure 6 shows a perfectly competitive labour market. The left-hand diagram shows the supply of labour (S_{LI}) and demand for labour (D_{LI}) for the industry. The right-hand diagram shows the demand for labour (D_{LF}) for one firm in the industry.

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box

Figure 6

All other things being equal, which one of the following is most likely to cause an increase in the wage rate paid by the firm?

[1 mark]

- A** A decrease in the price of a substitute for the industry's product
- B** A price increase for a good jointly demanded with the industry's product
- C** An increase in the number of workers qualified to work in the industry
- D** An increase in the price of the industry's product caused by changing tastes

☐☐☐☐

1 6

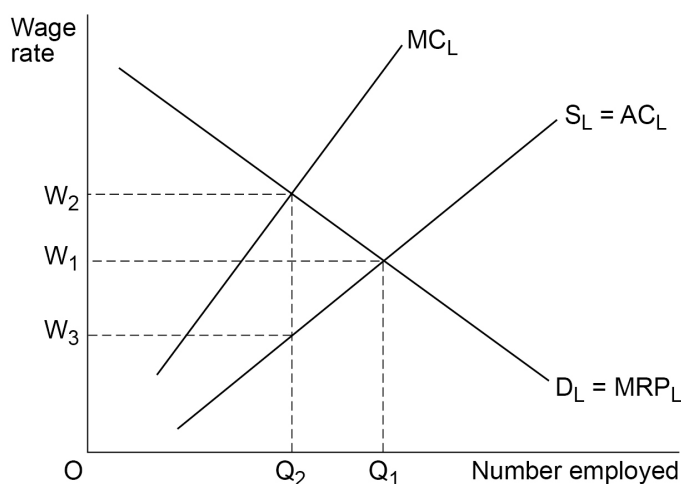
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11

2 0

Figure 5 shows the market demand for labour ($D_L = MRPL$), the market supply of labour ($S_L = AC_L$), and the marginal cost of labour (MC_L), in a particular industry. The employer in this industry is a monopsonist.

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Figure 5

From **Figure 5**, it can be concluded that, in the absence of a trade union or a minimum wage, the firm will employ

- A** OQ_1 workers at a wage of OW_1 .
- B** OQ_2 workers at a wage of OW_1 .
- C** OQ_2 workers at a wage of OW_2 .
- D** OQ_2 workers at a wage of OW_3 .

☐☐☐☐**[1 mark]****2 1**

All other things being equal, which one of the following is most likely to increase the national debt?

- A** Foreign companies increasing their direct investment into the economy
- B** The central bank using its reserves of foreign currency to fund a trade deficit
- C** The government reducing its budget surplus by increasing its expenditure on infrastructure
- D** The government running a budget deficit, financed by selling bonds to foreign investors

☐☐☐☐**[1 mark]****Turn over ►**

1 1

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Do **NOT** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 40 marks

The adult social care market

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D

Figure 3: Pay for care workers, compared with pay for workers in the whole economy, £s per hour, 2017

Percentile	Care worker	Whole economy
10 th	7.20	7.31
25 th	7.20	8.69
50 th	7.50	12.23
75 th	8.02	18.57
90 th	8.73	27.06

Source: National Audit Office, 2018

Figure 4: UK population by age (000s)

Age group	Year 2016	Year 2041 (forecast)
0–18	14 652	15 132
19–64	39 182	39 980
65–84	10 250	14 545
85–94	1 436	2 887
95+	128	360
Total	65 648	72 905

Source: ONS, 2018

Note: The figures may not sum to the total due to rounding

Extract E: Problems in the social care market

Social care in England involves the provision of personal care to adults with needs arising from illness, disability, old age or poverty. Social care is provided to people in their own homes or in care homes. Many people in need of care are on low incomes and cannot afford to pay for it themselves. High quality care provides private benefits and also external benefits, including lower burdens on the NHS and on working relatives. Until the 1990s, almost all workers in the care sector were employed by the government, which acted as a monopsonist by keeping wages low. Over the last 30 years the sector has been largely privatised, with 75% of England's 15 000 care homes now run for profit. Privatisation was intended to create more choice, improve efficiency and ensure high quality, whilst enabling a quicker response to changing demand. 10

Since privatisation, the sector has seen further downward pressure on wages. Social care providers, bidding competitively for contracts from local authorities starved of cash, have minimised labour costs. Privatisation does not seem to have improved the quality of care either. Some elderly clients are cared for, in their own homes, by unqualified staff in 15-minute slots, with budgets too small to provide nutritious meals or basic care. Despite the actions of the industry regulator, the Care Quality Commission, there have been many scandals involving care homes in recent years. As a result, some have argued that there are moral and economic arguments for social care to be brought back into public ownership. 15

Source: News reports, 2019

Extract F: Social care work is undervalued

There are aspects of market failure in the social care sector, though some argue that inappropriate government intervention and a lack of funding are the main reasons why the system is failing to deliver high quality care. This is a vitally important sector, yet care jobs have some of the economy's worst salaries and around a quarter of these workers are employed on zero-hour contracts. Consequently, the sector has high levels of staff turnover (28% per year) and vacancies (6.6% of all roles). At present, many care workers are recruited from overseas and so government immigration policy affects the sector. Some suggest that the skill level of care workers is relatively low and does not justify a higher wage while others have argued for high quality training programmes. Less than half of care workers hold a relevant qualification, and some parts of the workforce feel undervalued, are demotivated and have few opportunities for promotion.

Research from the Royal College of Nurses found that 38% of care homes were understaffed. Private social care companies have argued that the introduction of the National Living Wage, while raising average pay, has left them at risk of bankruptcy because of higher wage bills. More than 100 care firms went bust in 2018, worsening the under-provision of care. One day, the government will have to accept the need for more generous funding. However, public finances remain under pressure. Measures such as subsidies to private providers are likely to worsen the government's budget deficit but public support for an increase in taxation to fund social care is high.

Source: News reports, 2018

0 5 Using the data in **Extract D** (Figure 3), calculate how much the median care worker earns for every pound earned by the median worker in the whole economy. Give your answer to the nearest penny.

[2 marks]

0 6 Explain how the data in **Extract D** (Figure 4) show that there is likely to be substantial upward pressure on the wages of care workers by 2041.

[4 marks]

0 7 **Extract E** (lines 5–7) states: 'Until the 1990s, almost all workers in the care sector were employed by the government, which acted as a monopsonist by keeping wages low.'

With the help of a diagram, explain how a monopsonistic public sector can lead to low pay for social care work.

[9 marks]

0 8 **Extract F** (lines 1–3) states: 'There are aspects of market failure in the social care sector, though some argue that inappropriate government intervention and a lack of funding are the main reasons why the system is failing to deliver high quality care.'

Using the extracts and your knowledge of economics, assess policies that might be used to improve the provision of social care in the UK.

[25 marks]**Turn over ►**

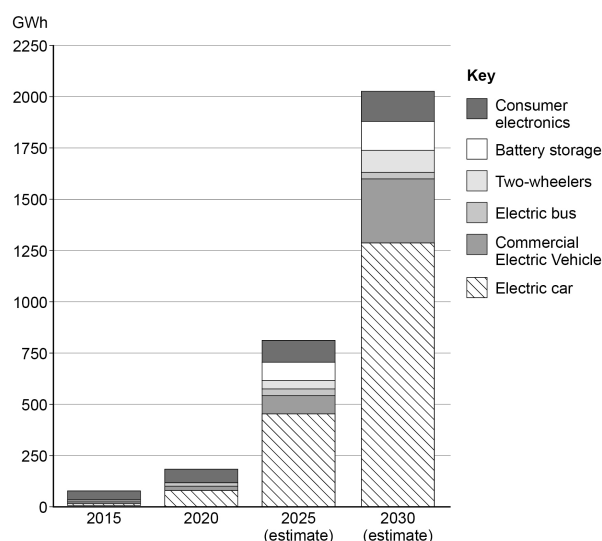
2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****Electric cars and battery production**Study **Extracts A, B and C** and then answer **all** parts of Context 1 which follow.**Extract A****Table 1: Sales of cars by fuel type in the UK, 2020 and 2021**

	2020	2021
Diesel	261 772	135 773
Petrol	903 961	762 103
Battery Electric	108 205	190 727
Hybrid Electric*	357 126	558 578
Total	1 631 064	1 647 181

*Hybrid Electric cars use lithium-ion batteries and diesel/petrol

Figure 1: UK demand for lithium-ion batteries, Gigawatt hours (GWh), 2015 to 2030**Extract B: The electric vehicle revolution**

Sales of electric vehicles (EVs) in Europe have jumped from 198 000 in 2018 to an expected 1.17 million in 2021. They are an alternative to petrol and diesel vehicles, which create damaging emissions through air pollution and contribute to climate change. EVs still only make up about 1% of all cars on the road, but global sales of EVs are forecast to reach 10.7 million by 2025 and then 28.2 million by 2030. Carmakers have announced a total of \$330 billion of investment into electric and battery technology over the next five years. In fact, several manufacturers have begun to phase out petrol and diesel cars altogether.

5

Why is this happening now? Regulations are becoming tighter. Ambitious plans to expand the use of electric vehicles are one of the most obvious ways to meet emissions targets set by national governments. The UK has already announced plans to ban the sale of petrol and diesel cars by 2035. Meeting this target will require government spending to install the charging points needed to convince consumers to switch to electric vehicles.

10

Another reason for the EV revolution is the improved choice of such vehicles. There are around 330 EV models on sale today, compared with just 86 five years ago. While many are still more expensive than petrol vehicles, they boast substantially lower running costs, even more so as global petrol prices rise. Also, many governments still offer generous financial incentives to encourage people to purchase EVs.

15

3

Driving cars of all fuel types creates environmental problems, traffic congestion and road traffic accidents. Critics have suggested that, instead of governments offering subsidies and tax exemptions for electric vehicles, all vehicle owners should be forced to pay the full costs of their driving. This would incentivise people to consider using public transport, cycling or walking. 20

Source: News reports, 2021

Extract C: Are electric vehicles as green as claimed?

Redwood Materials, a US firm, recycles discarded batteries into a fresh supply of metals needed for new cars. Its goal is to solve the most glaring problem for electric vehicles. While they are 'zero emission' when being driven, the mining, manufacturing and disposal process for batteries could soon become an environmental disaster. Cobalt, one of the metals used in batteries, typically originates in the Democratic Republic of Congo, where it is extracted in large energy-intensive industrial mines and also dug by hand using basic tools. Then it might be shipped to Finland, home to Europe's largest cobalt refinery, before heading to China where the majority of the world's battery production occurs. From there it can be shipped to the US or Europe for packing, then shipped again to car factories. In all, the cobalt can travel more than 20 000 miles before becoming part of a 'zero emission' car. 5 10

Every day, about 60 tonnes of old smartphones, power tools and scooter batteries are delivered to Redwood's warehouse. The firm then separates out the nickel, cobalt and lithium, so that they can re-enter the supply chain as the building blocks for new lithium-ion batteries. Reclaiming these metals at scale is a massive task: roughly 10 000 smartphones need to be recycled to produce one EV battery. 15

Redwood hope to play a role in the emergence of 'the circular economy' – a grand hope born in the 1960s that society can re-engineer the way goods are designed, manufactured and recycled so as to avoid waste. It has been estimated that recycling batteries could account for 30% of the emissions cuts needed to meet the targets set in the Paris climate change agreement and 'create 10 million safe and sustainable jobs around the world' by 2030. 20

Source: News reports, 2021

0 1

Using the data in **Extract A (Table 1)**, calculate the index of total car sales in 2021 if, in the base year, total car sales were 1.25 million.

Give your answer to **two** decimal places.

[2 marks]**0 2**

Explain how the data in **Extract A (Table 1 and Figure 1)** show that developments in the car market are the main reason for the changing demand for lithium-ion batteries in the UK.

[4 marks]**0 3**

Extract C (lines 3–4) states that 'the mining, manufacturing and disposal process for batteries could soon become an environmental disaster.'

With the help of a diagram, explain why the production and sale of lithium-ion batteries might lead to market failure.

[9 marks]**0 4**

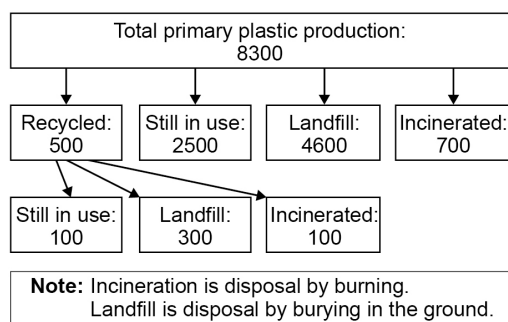
Extract B (lines 20–21) states that 'all vehicle owners should be forced to pay the full costs of their driving. This would incentivise people to consider using public transport, cycling or walking.'

Evaluate policies that could be used to reduce the environmental impact of all types of car.

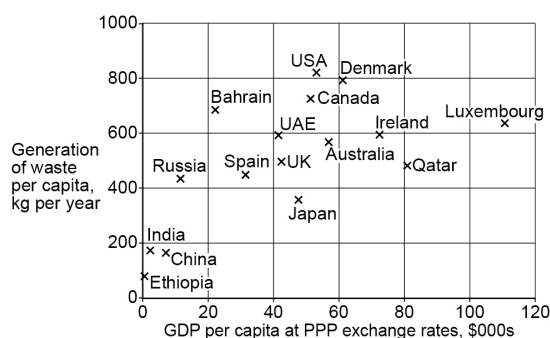
[25 marks]**Turn over ►**

2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****The circular economy**Study **Extracts A, B and C**, and then answer **all** parts of Context 1 which follow.**Extract A****Figure 1: Global plastic production and disposal, 1950–2015, million tonnes**

Source: Data from ourworldindata.org, 2018

Figure 2: Generation of waste and GDP per capita, 2016, selected countries

Source: World Bank, 2018

Extract B: The global economy needs to become more circular

Of the 84 billion tonnes of materials produced each year by the global economy, barely 9% are reused. The United Nations (UN) suggests that better use of resources could add \$2 trillion to the global economy by 2050.

1

Environmental groups argue for a 'circular' economy, an economic system aimed at minimising waste, making the most of scarce resources and reusing precious raw materials. However, if products last longer, it may seriously damage demand in sectors such as fossil fuels, minerals and agriculture. Manufacturers' sales would fall, as would the need for shipping and other transport. Currently, many companies intentionally make it difficult to repair their products in order to increase sales. This is both economically inefficient and environmentally foolish; it imposes costs on the environment even though it may make sense for individual companies.

5

10

Would a circular economy result in workers losing their jobs? Manufacturing jobs are likely to come under pressure, but new jobs would be created. According to one study, waste disposal generates just 0.1 jobs per 1000 tonnes, compared with two jobs from recycling the same amount. The environment would benefit, with fewer mines, more trees and less need for landfill and incineration. Recycling aluminium saves 95% of energy compared with creating new metal. The comparable savings are 88% for plastic, 60% for steel and paper, and 38% for glass. By 2035, all European Union (EU) states will be required by law to recycle 65% of their waste, compared to an average of 40% today. But populations grow. By 2050, the world will have 2 billion more consumers, increasing the pressure on the environment.

15

Source: News reports, 2018

Extract C: China bans imports of waste

While rich countries are cleaning up at home, they are exporting their 'disposable' lifestyle around the world, by sending their waste to developing countries. Many developing countries are now beginning to resist this. In 2018, a huge shock hit the global recycling industry. China, the world's biggest waste importer, stopped accepting recycled plastic and paper from abroad, and limited imports of cardboard. Previously, over 50% of such waste was transported to China each year. China plans to introduce bans on most other waste imports. 1 5

The Chinese ban removed the third part of the 'collect, sort, export' system on which developed economies rely. Alternatives are scarce. Incinerators and landfill will take some of the surplus waste, but the capacity of both is limited. Landfill is gradually being regulated out of existence in many places, including the EU. High labour costs make hiring enough human sorters to deal with waste volumes very expensive. 10

Automation could, in time, sort some of the surplus waste, but innovation has been slow. Although China has disrupted the whole global waste trade, many experts see some benefits in forcing rich countries to rethink. The ban has given a boost to some entrepreneurs. Online marketplaces for recycled plastics, metal and paper have grown rapidly. Recycled materials now flow to the highest bidder and hence to the highest-value use. However, such operations cannot compensate quickly for the Chinese ban. Many environmental economists suggest that making firms pay for the costs of landfill associated with their products, or taxing raw material inputs, will be necessary to ensure a sustainable future for all. 15

Source: The Economist, 2018

0 1 Using the data in **Extract A** (Figure 1) calculate the percentage of all plastics produced in the period 1950–2015 which have either been sent to landfill or incinerated. Give your answer to **one** decimal place.

[2 marks]

0 2 Explain how the data in **Extract A** (Figure 2) show that higher living standards lead to greater volumes of waste per capita being produced.

[4 marks]

0 3 **Extract B** (lines 8–10) states: 'many companies intentionally make it difficult to repair their products in order to increase sales. This is both economically inefficient and environmentally foolish; it imposes costs on the environment even though it may make sense for individual companies.'

With the help of a diagram, explain how the production of goods which are designed not to last long may result in market failure.

[9 marks]

0 4 **Extract C** (lines 17–19) states: 'Many environmental economists suggest that making firms pay for the costs of landfill associated with their products, or taxing raw material inputs, will be necessary to ensure a sustainable future for all.'

Using the extracts and your knowledge of economics, evaluate policies, if any, that governments in developed countries should pursue to reduce waste and encourage the recycling of waste products.

[25 marks]**Turn over ►**

Do **NOT** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 40 marks

The adult social care market

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D

Figure 3: Pay for care workers, compared with pay for workers in the whole economy, £s per hour, 2017

Percentile	Care worker	Whole economy
10 th	7.20	7.31
25 th	7.20	8.69
50 th	7.50	12.23
75 th	8.02	18.57
90 th	8.73	27.06

Source: National Audit Office, 2018

Figure 4: UK population by age (000s)

Age group	Year 2016	Year 2041 (forecast)
0–18	14 652	15 132
19–64	39 182	39 980
65–84	10 250	14 545
85–94	1 436	2 887
95+	128	360
Total	65 648	72 905

Source: ONS, 2018

Note: The figures may not sum to the total due to rounding

Extract E: Problems in the social care market

Social care in England involves the provision of personal care to adults with needs arising from illness, disability, old age or poverty. Social care is provided to people in their own homes or in care homes. Many people in need of care are on low incomes and cannot afford to pay for it themselves. High quality care provides private benefits and also external benefits, including lower burdens on the NHS and on working relatives. Until the 1990s, almost all workers in the care sector were employed by the government, which acted as a monopsonist by keeping wages low. Over the last 30 years the sector has been largely privatised, with 75% of England's 15 000 care homes now run for profit. Privatisation was intended to create more choice, improve efficiency and ensure high quality, whilst enabling a quicker response to changing demand. 10

Since privatisation, the sector has seen further downward pressure on wages. Social care providers, bidding competitively for contracts from local authorities starved of cash, have minimised labour costs. Privatisation does not seem to have improved the quality of care either. Some elderly clients are cared for, in their own homes, by unqualified staff in 15-minute slots, with budgets too small to provide nutritious meals or basic care. Despite the actions of the industry regulator, the Care Quality Commission, there have been many scandals involving care homes in recent years. As a result, some have argued that there are moral and economic arguments for social care to be brought back into public ownership. 15

Source: News reports, 2019

Extract F: Social care work is undervalued

There are aspects of market failure in the social care sector, though some argue that inappropriate government intervention and a lack of funding are the main reasons why the system is failing to deliver high quality care. This is a vitally important sector, yet care jobs have some of the economy's worst salaries and around a quarter of these workers are employed on zero-hour contracts. Consequently, the sector has high levels of staff turnover (28% per year) and vacancies (6.6% of all roles). At present, many care workers are recruited from overseas and so government immigration policy affects the sector. Some suggest that the skill level of care workers is relatively low and does not justify a higher wage while others have argued for high quality training programmes. Less than half of care workers hold a relevant qualification, and some parts of the workforce feel undervalued, are demotivated and have few opportunities for promotion.

Research from the Royal College of Nurses found that 38% of care homes were understaffed. Private social care companies have argued that the introduction of the National Living Wage, while raising average pay, has left them at risk of bankruptcy because of higher wage bills. More than 100 care firms went bust in 2018, worsening the under-provision of care. One day, the government will have to accept the need for more generous funding. However, public finances remain under pressure. Measures such as subsidies to private providers are likely to worsen the government's budget deficit but public support for an increase in taxation to fund social care is high.

Source: News reports, 2018

0 5 Using the data in **Extract D** (Figure 3), calculate how much the median care worker earns for every pound earned by the median worker in the whole economy. Give your answer to the nearest penny.

[2 marks]

0 6 Explain how the data in **Extract D** (Figure 4) show that there is likely to be substantial upward pressure on the wages of care workers by 2041.

[4 marks]

0 7 **Extract E** (lines 5–7) states: 'Until the 1990s, almost all workers in the care sector were employed by the government, which acted as a monopsonist by keeping wages low.'

With the help of a diagram, explain how a monopsonistic public sector can lead to low pay for social care work.

[9 marks]

0 8 **Extract F** (lines 1–3) states: 'There are aspects of market failure in the social care sector, though some argue that inappropriate government intervention and a lack of funding are the main reasons why the system is failing to deliver high quality care.'

Using the extracts and your knowledge of economics, assess policies that might be used to improve the provision of social care in the UK.

[25 marks]**Turn over ►**

4

Do **NOT** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 40 marks

The gender pay gap

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

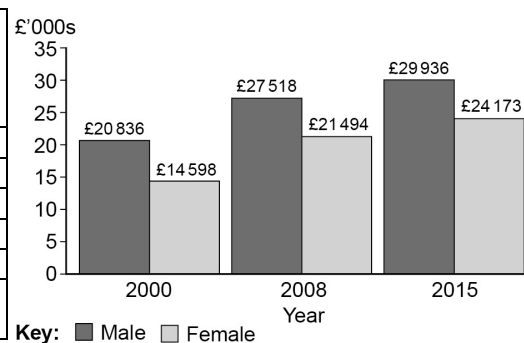
Extract D

Figure 3: Differences between male and female wages and employment in selected countries

Selected countries	Wage gap (%)	Female labour force participation rate (%)	Male labour force participation rate (%)
Japan	27	66	85
Norway	15	76	80
Slovenia	3	67	74
UK	18	72	83
USA	17	67	78
OECD* average	17	68	80

Source: Official statistics, 2016

Figure 4: Full-time annual earnings before tax, UK, 2000 to 2015



Source: Official statistics, 2016

*The OECD is the Organisation for Economic Co-operation and Development.

Extract E: Causes of the gender pay gap

Since the Equal Pay Act 1970, it has been illegal to pay men and women differently for the same work. Despite this, the overall pay gap is 19.2%, according to the Office of National Statistics. The pay gap for full-time workers is lower, at 9.4%, and the gap for part-time workers is actually negative, at -6.5%. In the UK, 41% of female workers are part-time, compared to only 11% of males. 1
5

Prior to the Equal Pay Act, it was common to find firms paying women less than men for comparable work, but since then discriminatory attitudes have lessened to the extent that some economists deny that the wage gap is a problem at all. A recent report found that women working in the same job, and at the same level, are paid just 0.8% less than their male equivalents. Certainly, the pay gap has been shrinking, partly due to demographic and social changes. In earlier times, most senior, highly paid jobs were held by men, while women of the same generation stayed at home. The Government claims that 2.2 million women who are not working want to work. They believe that increasing the female labour force participation rate could add 10% to the size of our economy by 2030, as well as benefiting women directly. 10

Interestingly, women in their twenties currently out-earn men and it is only when they reach their thirties, and perhaps start a family, that the pay gap starts to emerge. Is this due to employers undervaluing female staff once they have had a baby, or to outdated social conventions that women should be the main childcarers? Most of the highest paid jobs in 15

5

finance, engineering, science and technology are predominantly populated by men, while most of the lowest paid jobs, like caring and hospitality, are largely done by women. 80% of those working in the low paid care and leisure sector are women, compared to only 10% in the better paid skilled trades. The tendency for women to participate in low-productivity sectors is now a bigger factor in their low pay than discrimination. 20

Source: News reports, April 2016

Extract F: Tackling the gender pay gap

In 2016, the UK Government unveiled plans for a league table ranking firms by their gender pay gap. Companies with more than 250 employees will have to disclose how the salaries of their male and female staff differ. The Government hopes that this league table, of around 8 000 firms, will draw attention to the worst culprits. The Chartered Management Institute commented that shining a light on what men and women are paid at every level...is proven to speed up progress and would boost business productivity. But the Confederation of British Industry have warned that rankings unfairly name and shame firms as data will only be able to present a partial picture, given factors such as the mix of part-time and full-time working. 1 5

Trade unions have also questioned whether information alone is sufficient to bring about change. Unions have a role in supporting women to achieve promotions, negotiate better pay and obtain flexible working practices, such as part-time work, homeworking, paternity leave and on-site crèches. Should the government policy be to encourage women to join trade unions? Some economists suggest that the gender pay gap is halved for women who are union members compared to those who are not. Other suggestions include raising National Minimum Wage rates to increase the incomes of low-paid women and to encourage firms to appoint women to company boards. Women hold only 23.2% of posts on the boards of directors of large British firms, whereas Norway requires that large companies fill 40% of board positions with women. The UK Government recognises the need to raise aspirations and attainment for girls. The last decade has seen successful initiatives promoting traditionally male academic courses and careers to girls and young women. 10 15 20

Source: News reports, February 2016

0 5 Using the data in **Extract D (Figure 3)**, calculate the mean female labour force participation rate for the five countries listed. Give your answer to **one** decimal place. [2 marks]

0 6 Explain how the data in **Extract D (Figure 4)** show that the degree of inequality between the pay of male and female workers is falling. [4 marks]

0 7 **Extract E** (lines 22–23) states that ‘The tendency for women to participate in low-productivity sectors is now a bigger factor in their low pay than discrimination’. With the help of a diagram, explain how the difference between the marginal revenue product of male and female workers might account for the lower average earnings of women. [9 marks]

0 8 **Extract F** (lines 19–20) notes that ‘The UK Government recognises the need to raise aspirations and attainment for girls’. Use the extracts and your knowledge of economics to evaluate the policies that government might use to reduce the gender pay gap. [25 marks]

Turn over ►

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4

Do **NOT** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 40 marks

Automation and the Labour Market

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D: The threat of automation to selected UK industries

Table of figures showing automation in UK industries cannot be reproduced here due to third-party copyright restrictions.

Extract E: The rise of the robots

Workers have always been concerned about their livelihoods being replaced by new technology, but many economists maintain that technology has always ended up creating more jobs than it destroys. Automating tasks increases the demand for workers elsewhere. When weaving was automated in the 18th century workers shifted into operating and maintaining the new machines. Gradually, wages rose in line with productivity. The same 5

But could this time be different? This time around automation is broader-based as every industry uses computers. During previous waves of automation, workers could switch from one kind of routine work to another; but this time many workers must switch from routine, unskilled jobs to non-routine, skilled jobs to stay ahead of automation. A recent report found 10 that in the US between 1990 and 2007, the addition of each robot into manufacturing industries resulted in the loss, on average, of 6.2 jobs and depressed wages. The report argues that even if overall employment and wages recover, there will be losers in the process, and it will take a very long time for these communities to recover. The market economy is not going to create the jobs by itself for those workers who are most affected by 15 the change.

Others argue that producers need a profitable market to sell to, and such markets only exist if consumers earn enough to purchase their goods and services. If robots replaced all workers, thereby creating mass unemployment, where would demand come from?

Source: News reports, 2017

Extract F: Policy responses

Robots are no different from earlier technologies in that they are capital goods which can enrich those who own them. Bill Gates, the founder of Microsoft, has suggested a robot tax, which has since become widely debated. Larry Summers, former US Treasury Secretary, thinks taxing productivity-enhancing tools like robots or machines makes no economic sense: "Staving off progress is a poor strategy for helping less fortunate workers." 5

The prospect of large rises in unemployment and inequality has led to the suggestion of a Universal Basic Income (UBI). A UBI is a fixed payment to all members of society, regardless of income, which could replace costly welfare and unemployment benefits. It can

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also create incentives for individuals to take risks, start businesses, change jobs, return to education or try a new career. Critics point out that getting a cheque from the government may help, but it doesn't provide the fulfilment that comes from employment. 10

A recent report suggested that the government should provide lower-skilled workers with more training to help them manage the changing demand for labour. Another way to deal with sudden unexpected layoffs is for the government to create jobs, primarily in sectors not adequately served by the private sector such as care for the elderly and children, health, education and the arts. 15

Source: News reports, 2017

0 5 Using **Extract D**, calculate the number of transportation and storage jobs at high risk of automation, as a percentage of those who are at high risk across all industries. Give your answer to **two** decimal places. [2 marks]

0 6 Explain how the data in **Extract D** show that workers employed in routine, repetitive work are at greater risk from automation. [4 marks]

0 7 **Extract E** (lines 4–5) claims that workers in the 18th century saw wages rise in line with productivity. With the help of a diagram, explain how advances in modern technology are likely to lead to rising wages in some industries. [9 marks]

0 8 **Extract E** (lines 14–16) states that 'The market economy is not going to create the jobs by itself for those workers who are most affected by the change.'
Extract F (lines 4–5) states that 'taxing productivity-enhancing tools like robots or machines makes no economic sense.'
Use the extracts and your own knowledge of economics to evaluate whether governments should allow markets to respond freely to the opportunities and challenges presented by technological progress, without any state intervention. [25 marks]

Turn over ►

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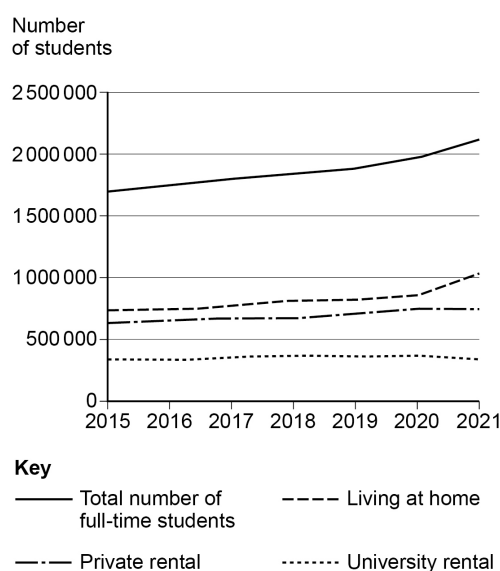
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Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****The market for university accommodation**Study **Extracts A, B and C** and then answer **all** parts of Context 1 which follow.**Extract A****Table 1: Average weekly university rent, selected UK cities, 2015 and 2021**

Selected UK cities	Average weekly university rent, 2015	Average weekly university rent, 2021
Birmingham	£113.88	£157.94
Brighton	£143.00	£235.93
Bristol	£141.58	£184.38
Liverpool	£112.97	£136.61
Manchester	£120.87	£180.60
UK average	£121.16	£169.35

Source: Cushman Wakefield Student Accommodation Report, 2022

Figure 1: Number of full-time students at UK universities, and type of accommodation, 2015 to 2021**Extract B: A serious shortage of student accommodation**

The number of 18-year-olds in the UK applying to university is rising. In addition, there was a record number of 277 000 foreign students in 2022.

Universities have expanded the number of places on offer to students, but the supply of student accommodation is highly inelastic. Providers of rental accommodation have been deterred by stricter rules on shared houses, higher taxes and greater rights for renters. Rising construction costs, interest rates and inflation have resulted in an insufficient number of new developments in many university cities. Supply shortages have been particularly acute in some cities, and certain universities have asked students to live at home.

5

Shortages of accommodation could mean that some students are discouraged from applying to university. The average private sector rent outside London consumes almost three-quarters of the maximum student loan, and most students are ineligible for this maximum. Some of the top universities may become out of reach to poorer students who do not live locally.

10

Source: News reports, 2023

Extract C: Policies to solve the shortage of student accommodation

The causes of the shortage of student accommodation are varied and some, but not all, result from market failure. Rising rents ought to incentivise more supply, but that has not worked recently. Planning restrictions have limited the number of new building projects. Relaxing such rules might help, but local residents complain that high numbers of students can alter the nature of their communities. Subsidies to the builders of student accommodation could increase supply, but with a likely delay of many years. 5

Some students have been offered financial incentives to defer their entry by a year or to live at home. To reduce further the demand for student accommodation, some people have urged the government to restrict foreign student numbers. However, the 22% of students who are foreign pay 44% of all tuition fees and so subsidise costs for UK students. 10

Policies to tackle high rents could include rent subsidies from the government or an increase in the grants and loans available to students. In Scotland, university students have benefited from controls which limit rent increases to a fixed percentage each year. The National Union of Students is calling for nationwide rent controls. A maximum rent can help keep the cost of student accommodation lower than it would otherwise be, but risks some landlords withdrawing from the market. Some argue that high-quality student accommodation is a merit good and ought to be provided by the government at a fair rent. 15

Source: News reports, 2023

0 1

Inflation resulted in a basket of goods and services that cost £100 in 2015 costing £112 in 2021. Using this information and the data in **Extract A (Table 1)**, calculate the percentage increase in average university rent, in real terms, between 2015 and 2021.

Give your answer to **one** decimal place.

[2 marks]

0 2

Explain how the data in **Extract A (Figure 1 and Table 1)** show that the supply of university and private rental accommodation has failed to match the increase in student numbers between 2015 and 2021.

[4 marks]

0 3

Extract B (lines 3–4) states that ‘Universities have expanded the number of places on offer to students, but the supply of student accommodation is highly inelastic’.

With the help of a diagram, explain the impact of the increase in the number of students attending university on the market for student accommodation.

[9 marks]

0 4

Extract C (lines 14–16) states that ‘A maximum rent can help keep the cost of student accommodation lower than it would otherwise be, but risks some landlords withdrawing from the market’.

Using the data in the extracts and your knowledge of economics, discuss the advantages and disadvantages of policies the government might introduce to improve the market for student accommodation.

[25 marks]

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Do **NOT** answer Context 2 if you have answered Context 1.

OR

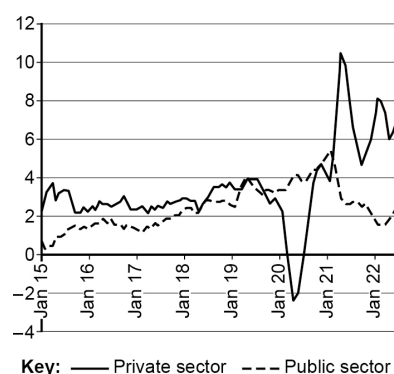
Context 2

Total for this context: 40 marks

Trade union membership and industrial disputesStudy **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.**Extract D****Table 2: Trade union membership, % of workforce, 2001 to 2021**

Year	All employees	Private sector	Public sector
2001	29.3	18.4	59.7
2006	28.3	16.6	58.7
2011	26.0	14.2	56.6
2016	23.5	13.4	52.8
2021	23.1	12.8	50.1

Source: Department for Business, Energy and Industrial Strategy, 2022

Figure 2: Growth in average annual nominal earnings, %, January 2015 to September 2022

Source: Office for National Statistics, 2023

Extract E: UK public sector workers hit hardest by cost of living crisis

In November 2022, members of nursing trade unions voted to strike. Many more public sector unions have joined the nurses on strike, in attempts to gain pay rises that keep up with inflation. It is notable that many of the employers facing strike action, such as the NHS, are monopsonistic employers, who have considerable labour market power.

UK public sector workers have been particularly hard hit by the cost of living crisis, according to official figures that show the gap between public and private sector pay growth is at its widest on record. Annual growth in pay was 6.6% in the private sector in September 2022, compared with just 2.2% for the public sector. Overall, pay growth accelerated to 5.7% as employers struggled to hire workers due to low unemployment. In November 2022, 13.3% of businesses reported experiencing a shortage of workers leading to upward pressure on wages. The construction and hospitality sectors were worst affected.

However, wage growth has not kept pace with inflation, which reached 10.1% in September 2022, leading to growing industrial unrest. Until recently, strikes largely affected local authorities, transport services and some private sector employers. But the latest figures show the pay squeeze has been far worse for teachers, NHS staff and other public sector workers who have started to take industrial action, including strikes. Louise Murphy, economist at the Resolution Foundation, said there was now a “huge wedge” between private and public sector pay, creating severe difficulties for public sector recruitment and retention. Staff shortages in the public sector are likely to worsen unless public sector pay and working conditions improve.

Source: News reports, 2023

5

Extract F: The role of trade unions

Over the past century, British unions have successfully campaigned for a minimum wage, holiday and sickness pay, equal opportunity rights, maternity and paternity rights and a two-day weekend for workers. Unions support individual workers in workplace disagreements, and engage in collective bargaining on behalf of their members by negotiating with employers on pay and working conditions. But unions can do much more for employees and even for employers. Research shows that their benefits can include reducing staff turnover, providing or promoting training and encouraging innovation. 5

UK trade union membership peaked at 13.2 million members in 1979 but fell consistently during the 1980s and 1990s. There has been a recent reversal of this trend with membership increasing in each of the last four years, primarily amongst public sector workers. Unions suggest that new members have been joining due to wages falling in real terms, and the hope that a trade union might protect their interests. Collective pay bargaining, reinforced by the threat of strikes, has achieved some notable successes for workers, such as the 18% pay rise for London bus drivers in February 2023. However, 205 000 working days were lost to strike action in September 2022, almost as many as in the whole of 2019. Critics argue that strikes by transport workers, teachers, nurses and others create enormous disruption for everybody else and make labour markets less efficient. 10 15

Source: News reports, 2023

0 5

Using the data in **Extract D (Table 2)**, calculate the difference between the mean percentage trade union membership in the private sector and the mean percentage trade union membership in the public sector over the period 2001–2021.

Give your answer to **one** decimal place.

[2 marks]**0 6**

Explain how the data in **Extract D (Figure 2)**, show that, since 2015, living standards of people working in the private sector are likely to have increased compared to those working in the public sector.

[4 marks]**0 7**

Extract E (lines 9–10) states that ‘In November 2022, 13.3% of businesses reported experiencing a shortage of workers leading to upward pressure on wages’.

With the help of a diagram, explain how **and** to what extent a shortage of labour is likely to affect the wage in a competitive labour market.

[9 marks]**0 8**

Extract F (lines 12–13) states that ‘Collective pay bargaining, reinforced by the threat of strikes, has achieved some notable successes for workers’.

Using the data in the extracts and your knowledge of economics, evaluate the view that trade unions improve the operation of labour markets by protecting the interests of workers.

[25 marks]**Turn over ►**

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OR**Essay 3**

The UK government announced that the National Living Wage (NLW) would rise to £11.44 in April 2024 (for those aged 21 and over). This is around 66% of median hourly income, a big rise compared with its introduction in 1999, when it was only 45% of median hourly income. Some firms have warned that this increase in the NLW will lead to a fall in the number of workers they employ.

1 3

Explain the factors that determine a firm's demand for labour.

[15 marks]**1 4**

Assess the view that a national minimum wage, such as the UK's National Living Wage, contributes to an improvement in economic welfare.

[25 marks]**END OF QUESTIONS**

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4

Do **NOT** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 40 marks

Automation and the Labour Market

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D: The threat of automation to selected UK industries

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Extract E: The rise of the robots

Workers have always been concerned about their livelihoods being replaced by new technology, but many economists maintain that technology has always ended up creating more jobs than it destroys. Automating tasks increases the demand for workers elsewhere. When weaving was automated in the 18th century workers shifted into operating and maintaining the new machines. Gradually, wages rose in line with productivity. The same 5

But could this time be different? This time around automation is broader-based as every industry uses computers. During previous waves of automation, workers could switch from one kind of routine work to another; but this time many workers must switch from routine, unskilled jobs to non-routine, skilled jobs to stay ahead of automation. A recent report found 10 that in the US between 1990 and 2007, the addition of each robot into manufacturing industries resulted in the loss, on average, of 6.2 jobs and depressed wages. The report argues that even if overall employment and wages recover, there will be losers in the process, and it will take a very long time for these communities to recover. The market economy is not going to create the jobs by itself for those workers who are most affected by 15 the change.

Others argue that producers need a profitable market to sell to, and such markets only exist if consumers earn enough to purchase their goods and services. If robots replaced all workers, thereby creating mass unemployment, where would demand come from?

Source: News reports, 2017

Extract F: Policy responses

Robots are no different from earlier technologies in that they are capital goods which can enrich those who own them. Bill Gates, the founder of Microsoft, has suggested a robot tax, which has since become widely debated. Larry Summers, former US Treasury Secretary, thinks taxing productivity-enhancing tools like robots or machines makes no economic sense: "Staving off progress is a poor strategy for helping less fortunate workers." 5

The prospect of large rises in unemployment and inequality has led to the suggestion of a Universal Basic Income (UBI). A UBI is a fixed payment to all members of society, regardless of income, which could replace costly welfare and unemployment benefits. It can

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also create incentives for individuals to take risks, start businesses, change jobs, return to education or try a new career. Critics point out that getting a cheque from the government may help, but it doesn't provide the fulfilment that comes from employment. 10

A recent report suggested that the government should provide lower-skilled workers with more training to help them manage the changing demand for labour. Another way to deal with sudden unexpected layoffs is for the government to create jobs, primarily in sectors not adequately served by the private sector such as care for the elderly and children, health, education and the arts. 15

Source: News reports, 2017

0 5 Using **Extract D**, calculate the number of transportation and storage jobs at high risk of automation, as a percentage of those who are at high risk across all industries. Give your answer to **two** decimal places. [2 marks]

0 6 Explain how the data in **Extract D** show that workers employed in routine, repetitive work are at greater risk from automation. [4 marks]

0 7 **Extract E** (lines 4–5) claims that workers in the 18th century saw wages rise in line with productivity. With the help of a diagram, explain how advances in modern technology are likely to lead to rising wages in some industries. [9 marks]

0 8 **Extract E** (lines 14–16) states that 'The market economy is not going to create the jobs by itself for those workers who are most affected by the change.' **Extract F** (lines 4–5) states that 'taxing productivity-enhancing tools like robots or machines makes no economic sense.' Use the extracts and your own knowledge of economics to evaluate whether governments should allow markets to respond freely to the opportunities and challenges presented by technological progress, without any state intervention. [25 marks]

Turn over ►

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SUB-TOPIC 4.1.6.2

INFLUENCES UPON THE SUPPLY OF LABOUR

Sub-topic 4.1.6.2 · 4 questions · 42 marks · lowest tariff first



2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS

If you want to change your answer you must cross out your original answer as shown. If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

- 0 1** Which one of the following is a consequence of the basic economic problem of limited resources and unlimited wants? [1 mark]

- A** All goods and services will have a market price ☐
- B** Employment of factors of production has an opportunity cost ☐
- C** Markets are unable to allocate resources efficiently ☐
- D** There will not be an excess supply in markets ☐

- 0 2** A profit-maximising firm, in the service sector, needs to recruit a new employee. Which one of the following explains why asymmetric information could mean that the most suitable person is not chosen? [1 mark]

- A** It is difficult to calculate the marginal revenue productivity of workers in the service sector ☐
- B** Occupational immobility of labour means that there is a limited supply of workers with the right skill set ☐
- C** The firm may have to recruit the worker from the local area because labour is often geographically immobile ☐
- D** The firm is unlikely to know everything about job applicant's skills, abilities and motivation ☐



0 2

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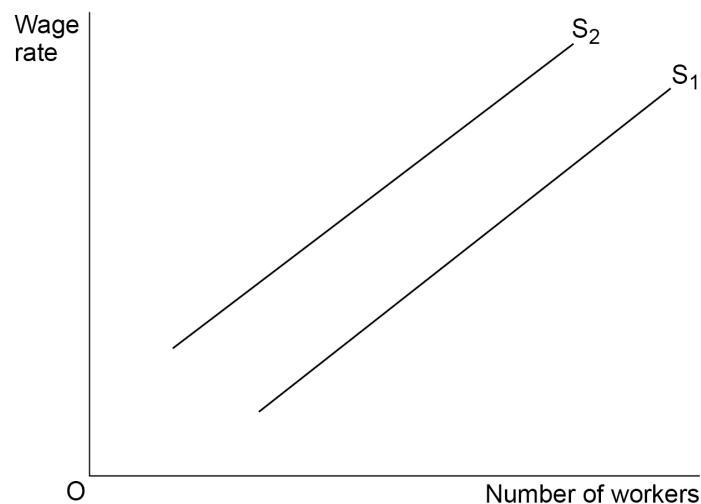
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2 6 The money market is the financial market in which

- A** companies issue new shares to the public and financial institutions. ☐
- B** dealers are able to trade foreign currencies. ☐
- C** long-term company securities and government bonds are traded. ☐
- D** short-term finance is provided for companies and governments. ☐

[1 mark]

2 7 **Figure 9** shows two labour supply (S_1 and S_2) curves for workers qualified to the level necessary to be employed in a particular industry.

Figure 9

All other things being equal, the shift of the supply of labour curve from S_1 to S_2 is most likely to be explained by a reduction in

- A** job security for qualified workers in the industry. ☐
- B** the average wage rate in the industry. ☐
- C** the productivity of workers in the industry. ☐
- D** the qualifications required by the industry. ☐

[1 mark]



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6

Section BAnswer **one** essay from this section.Each essay carries 40 marks.

EITHER**Essay 1**

Some believe that government intervention in markets is undesirable because market forces promote creativity, innovation and efficiency. Others believe that competition policy is needed to prevent firms abusing their market power.

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Explain why, in long-run equilibrium, monopolistically competitive markets are neither productively nor allocatively efficient.

[15 marks]

1	0
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Assess the view that competition policy is likely to lead to markets becoming less efficient in the long run.

[25 marks]**OR****Essay 2**

Since the 1980s, politicians have been freeing up one side of the labour market by reducing the power of trade unions and their influence over the supply of labour. Meanwhile, they have been doing very little about the monopsony power of employers.

1	1
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Explain the determinants of the supply of labour to an industry.

[15 marks]

1	2
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Evaluate the view that labour markets work best when strong monopsony power is balanced by trade union power.

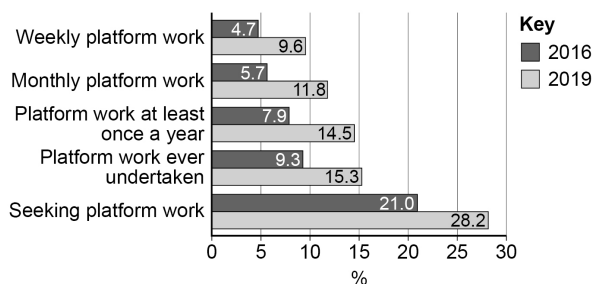
[25 marks]

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2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****Flexible labour markets and trade unions**Study **Extracts A, B and C** and then answer **all** parts of Context 1 which follow.**Extract A****Figure 1: Participation in platform work*, % of UK workers, 2016 and 2019**

Source: TUC, 2020

Figure 2: Median after-tax real earnings of working-age employees and the self-employed, 2009/10 to 2018/19

Year	Employed, £	Self-employed, £
2009/10	21 900	15 800
2010/11	21 300	15 100
2011/12	20 300	15 800
2012/13	20 800	14 200
2013/14	20 500	14 000
2014/15	20 900	15 800
2015/16	21 300	16 100
2016/17	21 400	16 300
2017/18	21 400	17 600
2018/19	21 600	16 500

Source: Department for Work & Pensions, 2020

Note: *Platform work is defined as paid tasks that are found via a website or 'app'.**Note:** Base year is 2018/19**Extract B: The gig economy**

The gig economy can be defined as that part of the labour market characterised by short-term contracts or occasional work, as opposed to permanent jobs. The rise of gig economy work has been driven by new technology, enabling people to work from anywhere, any time. Many self-employed people work in the gig economy through online platforms such as Uber, Deliveroo and Airbnb. These roles often replace employee roles in sectors including cleaning, taxi driving, pizza delivery, project managers and personal training. 5

Gig economy workers face higher risks and more uncertainty about the stability of their incomes than standard workers. They tend to earn less than employees doing similar work and they also tend to work longer hours. However, they do have greater flexibility and control over their work-life balance. People who have other responsibilities beyond work (for example childcare) may choose to work in the gig economy because it allows them to allocate their time as they choose. 10

The government has pledged to combat unfair working practices associated with zero-hours contracts and the gig economy. They are seeking to bring gig employers into line with the standards and regulations by which other employers must abide. However, providers of meal delivery, ride-sharing and other gig economy services warn that tighter regulations will damage economic efficiency and employees will lose out. Gig economy defenders claim that today's flexible labour markets offer modern workers the opportunity to move freely between jobs and this gives them more choice over their working hours. 15

Source: News reports, 2020

Extract C: New unions representing gig economy workers

The cleaners at St Mary's Hospital in London are members of United Voices of the World (UVW), a new trade union of mostly migrant workers whose employment is not secure. Their October 2019 strike and demonstration were typical of UVW action: joyful, noisy, confrontational and uncompromising. It was also very successful. The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75, and decided to employ them directly, rather than via an agency for temporary workers. 5

As insecure and gig economy work becomes more common, especially among migrant and young workers, new trade unions are developing to meet demand from workers in workplaces with few protections. Since it was founded in 2014, UVW has organised at more than 20 workplaces and won improved contracts, wage rises or sick pay from employers including the Daily Mail Group, the Royal Borough of Kensington and Chelsea and the London School of Economics. It now has more than 3000 members and says it is attracting 200 more every month. 10

Some gig economy firms are starting to recognise workers as employees. Just Eat, which delivers takeaway food, has announced plans to offer workers benefits, including hourly wages above the minimum living wage, sick pay and pension contributions. This sets a precedent in the UK gig economy. The new drivers will be on a mix of full-time, part-time and zero-hours contracts, the company said, allowing some to retain more flexible working hours. The firm said that operating costs would rise as a result of the new scheme but Just Eat felt it was the 'right thing to do'. 15 20

Source: News reports, 2020

0 1 Using the data in **Extract A (Figure 1)**, calculate the number of workers doing weekly platform work in 2019 for each worker doing monthly platform work in 2019. 20

Give your answer to **two** decimal places. [2 marks]

0 2 Explain how the data in **Extract A (Figure 2)** show that the incentive for workers to become self-employed increased between 2009/10 and 2018/19. [4 marks]

0 3 **Extract C** (lines 4–5) states that, as a result of trade union action, 'The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75.' [9 marks]

With the help of a diagram, analyse how a trade union might achieve higher pay for its members.

0 4 **Extract B** (lines 16–18) states that, 'Gig economy defenders claim that today's flexible labour markets offer modern workers the opportunity to move freely between jobs and this gives them more choice over their working hours.' [25 marks]

Assess the view that government intervention in the UK labour market is necessary to protect the interests of people who are working in the gig economy.

Turn over ►

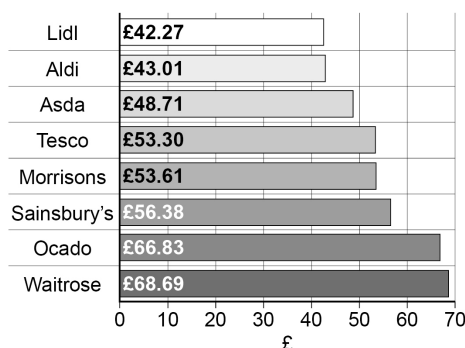
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Do **NOT** answer Context 2 if you have answered Context 1.

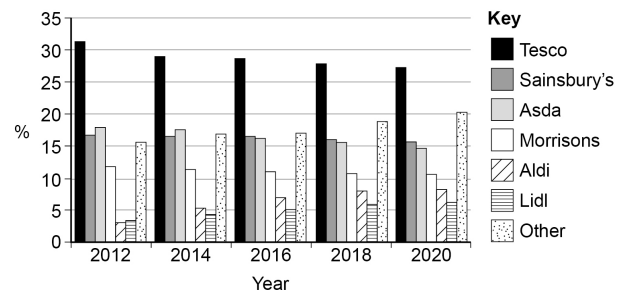
OR

Context 2

Total for this context: 40 marks

The UK supermarket sectorStudy **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.**Extract D****Figure 3: Cost of a basket of 100 popular groceries, April 2020**

Source: Which?, 2020

Figure 4: Market shares in the UK supermarket sector, 2012–2020

Source: Statista, 2020

Extract E: Have Aldi and Lidl reached their peak?

Aldi and Lidl, the German discount grocers which primarily sell through physical stores, have missed out as more sales have moved online. They are now trying some small scale 'click and collect' and other online options, and are hoping to win back business as the economic downturn prompted shoppers to seek out lower prices. However, industry experts say their recent rapid growth and competition from traditional supermarkets would make it harder for the discounters to take more business from rivals. The 'big four' UK supermarkets – Tesco, Sainsbury's, Asda and Morrison's – have well-established home delivery infrastructure and were able to expand online delivery dramatically during the pandemic. This led to a doubling of the online share of the overall grocery market to 13% in just a few months. 5

Aldi and Lidl grew rapidly after 2008 as traditional supermarkets defended profit margins rather than sales. The discounters' combined market share in the UK grew from 4% to 14% in a decade. However, this time the traditional supermarkets are expected to put up a tougher fight. Andrew Porteous, analyst at HSBC, said the big four were "all very conscious of the mess they made of the last recession. They have done well through lockdown." "They will want to make sure they don't give people any reason to go back to split shops" he added, referring to the practice of shopping for basics at a discounter and topping up elsewhere. Supermarkets set prices interdependently, and price wars look very likely. Analysts estimate the price gap between discounters and conventional supermarkets is now about 10–12%, against more than 20% a few years ago. Tesco has pledged to match Aldi prices on key items, while Morrisons recently cut prices on 400 basics, and Asda has indicated it will not be holding back from price reductions. Competition and investment in more stores have reduced the discounters' profitability. Aldi's profit margin fell from above 5% in 2013 to just 1.75% in 2018. 10 15 20

Source: News reports, 2020

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SUB-TOPIC 4.1.6.3

WAGES IN PERFECTLY COMPETITIVE LABOUR MARKETS

Sub-topic 4.1.6.3 · 2 questions · 2 marks · lowest tariff first



17

2 | 6 Which one of the following is most likely to measure the degree of competition in an oligopolistic industry?

A The price elasticity of supply in the industry

☐

B The profitability of the 10 largest firms in the industry

☐

C The three firm concentration ratio

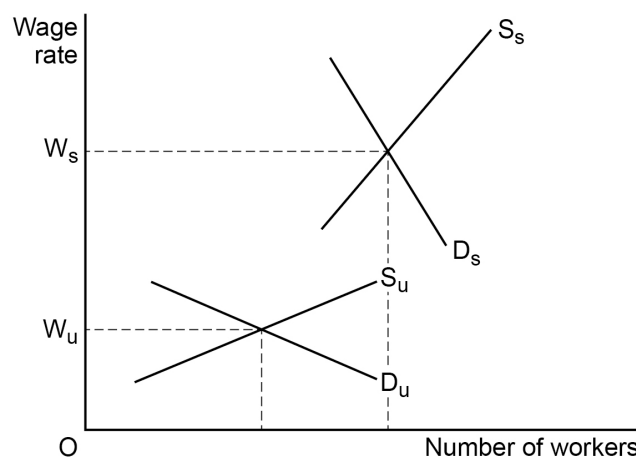
☐

D The value of the Gini coefficient

☐

[1 mark]

2 | 7 The diagram below shows the demand and supply curves for skilled labour (D_s and S_s) and unskilled labour (D_u and S_u) and the wage differential ($W_s - W_u$) between the two types of labour.



All other things being equal, which one of the following is most likely to cause a decrease in the wage differential?

A A fall in the demand for unskilled workers

☐

B A fall in the size of the labour force

☐

C An increase in the demand for skilled workers

☐

D An increase in the proportion of the labour force with a degree

☐

[1 mark]



1 7

Turn over ►

IB/G/Jun18/7136/3

2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



- 0 1** The average university graduate can expect to earn more over their working life than the average school leaver.

This is most likely to be explained by

- A** discrimination in the labour markets for non-graduates.
- B** the higher marginal revenue productivity of graduates.
- C** the higher price elasticity of demand for graduates.
- D** the relatively low elasticity of supply of non-graduates.

☐☐☐☐

[1 mark]

- 0 2** Which one of the following statements regarding supply-side policies is correct?

Supply-side policies

- A** can have microeconomic as well as macroeconomic effects on the economy.
- B** can increase the potential output of an economy but not its trend rate of growth.
- C** cannot be used to correct market failures and improve the operation of markets.
- D** do not affect competitiveness or the current account of the balance of payments.

☐☐☐☐

[1 mark]



0 2

IB/M/Jun21/7136/3

SUB-TOPIC 4.1.6.4

WAGES IN IMPERFECTLY COMPETITIVE LABOUR MARKETS

Sub-topic 4.1.6.4 · 3 questions · 27 marks · lowest tariff first



18

2 | 8

In a labour market dominated by a monopsonist, wages and employment are usually lower than in a competitive labour market. This is because a monopsonist

A employs workers up to the point where the marginal revenue product of labour is equal to the wage rate.

☐

B is a monopoly supplier of labour.

☐

C equates the marginal revenue product of labour with its marginal cost not the wage rate.

☐

D restricts output to raise the price of the product sold.

☐**[1 mark]****2 | 9**

Which one of the following is most likely to cause an increase in the structural budget deficit?

A A fall in income tax receipts in the downturn of the economic cycle

☐

B A rise in government spending on unemployment-related benefits during a recession

☐

C A rise in healthcare expenditure and state pension provision due to an ageing population

☐

D A rise in spending on imports during an economic recovery

☐**[1 mark]**

*Do not write
outside the
box*



1 8

IB/G/Jun18/7136/3

18

2 7

Changing patterns of consumption have meant that summer holidays at UK seaside towns have become less popular. As a result, UK seaside holiday towns are affected by seasonal unemployment and increasing structural unemployment.

Which one of the following is the most likely consequence of this change in the pattern of consumption?

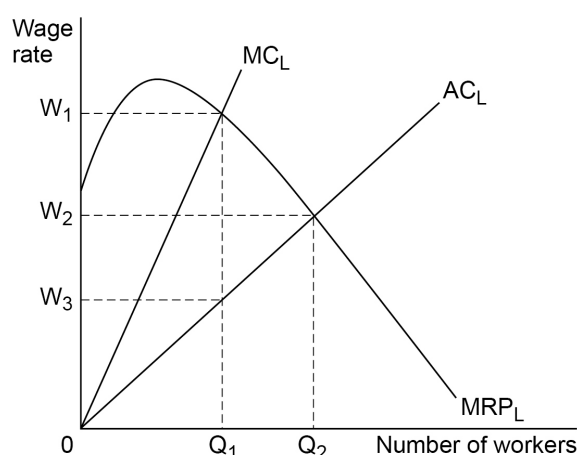
[1 mark]

- A Occupational immobility of labour will help to reduce structural unemployment. ☐
- B The cost of living for people who live in UK seaside towns will fall. ☐
- C Unemployment is likely to be higher in the summer than the winter. ☐
- D Wages in UK seaside towns will rise because firms want to retain workers. ☐

2 8

Figure 8 shows the marginal cost (MC_L), average cost (AC_L) and marginal revenue product (MRP_L) curves for labour in a specialised computer programming industry.

Figure 8



Following a series of mergers between firms in this industry, a single large firm remains as a monopsony employer.

Which one of the following is the most likely to result from a competitive labour market being replaced by a monopsony employer?

[1 mark]

- A The total amount paid in wages will fall from $(W_2 \times Q_2)$ to $(W_3 \times Q_1)$. ☐
- B The total amount paid in wages will increase from $(W_3 \times Q_1)$ to $(W_1 \times Q_1)$. ☐
- C The wage rate will fall from W_1 to W_2 . ☐
- D The wage rate will increase from W_3 to W_2 . ☐



1 8

IB/M/Jun22/7136/3

6

Section BAnswer **one** essay from this section.Each essay carries 40 marks.

EITHER**Essay 1**

Some believe that government intervention in markets is undesirable because market forces promote creativity, innovation and efficiency. Others believe that competition policy is needed to prevent firms abusing their market power.

0	9
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Explain why, in long-run equilibrium, monopolistically competitive markets are neither productively nor allocatively efficient.

[15 marks]

1	0
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Assess the view that competition policy is likely to lead to markets becoming less efficient in the long run.

[25 marks]**OR****Essay 2**

Since the 1980s, politicians have been freeing up one side of the labour market by reducing the power of trade unions and their influence over the supply of labour. Meanwhile, they have been doing very little about the monopsony power of employers.

1	1
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Explain the determinants of the supply of labour to an industry.

[15 marks]

1	2
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Evaluate the view that labour markets work best when strong monopsony power is balanced by trade union power.

[25 marks]

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SUB-TOPIC 4.1.6.5

THE INFLUENCE OF TRADE UNIONS

Sub-topic 4.1.6.5 · 6 questions · 34 marks · lowest tariff first

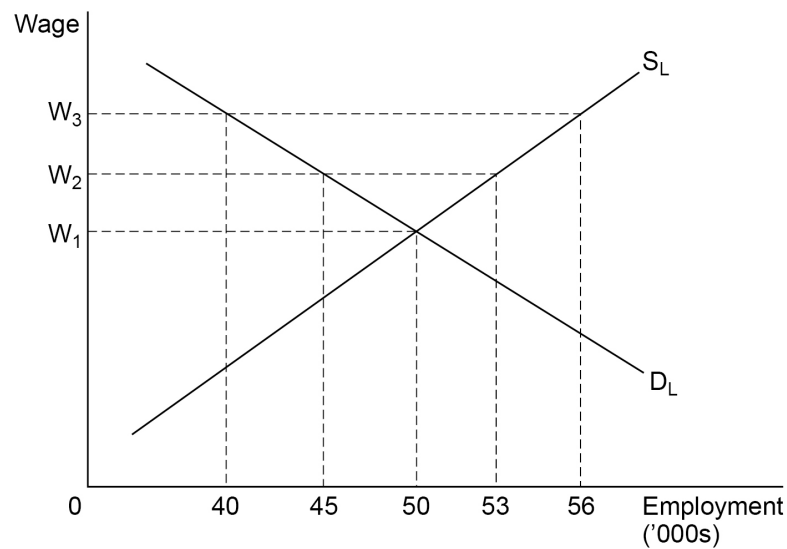


21

3 0

Figure 8 shows the market demand (D_L) and supply (S_L) of labour in a labour market with a trade union. The initial trade union negotiated wage is W_2 .

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Figure 8

The trade union negotiates an increase in the wage from W_2 to W_3 . All other things being equal, unemployment in this labour market will increase by

[1 mark]

- A** 3 000
B 5 000
C 8 000
D 16 000

☐
☐
☐
☐

30

Turn over for Section B**Turn over ►**

2 1

IB/G/Jun24/7136/3

19

2 1

Table 6 shows the size of the UK labour force and the percentage of the labour force belonging to a trade union in 2012 and 2022.

Table 6

	Size of the labour force (millions)	Proportion of the labour force belonging to a trade union
2012	29.6	26.1%
2022	32.8	22.3%

According to the data in **Table 6**, what is the percentage fall, to one decimal place, in the number of workers belonging to a trade union between 2012 and 2022?

[1 mark]

- A** 3.8% ☐
- B** 5.3% ☐
- C** 5.6% ☐
- D** 9.8% ☐

Turn over for the next question

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1 9

IB/M/Jun25/7136/3

20

2 2

Table 7 shows four situations in which one group of workers earns less than another and states the reason given by employers.

Which one is the best example of wage discrimination?

[1 mark]**Table 7**

	Situation	Reason given by employer	
A	A firm pays supermarket shelf-stackers from one ethnic group less per hour than shelf-stackers from a different ethnic group.	The firm negotiates pay rates with trade unions and the two groups of workers are represented by different trade unions.	☐
B	Full-time female workers for a firm earn less on average than male colleagues performing similar roles.	Earnings include a bonus for each year of service and males have longer service on average.	☐
C	The average female teacher in a school earns less in a year than the average male teacher.	A larger percentage of the male teachers work full-time compared to the female teachers.	☐
D	Workers in a factory aged under 20 are paid less per hour than workers aged over 20 who are performing similar roles.	All workers in the factory are paid the national minimum wage.	☐

2 3

Which one of the following is most likely to lead to individuals who are currently in relative poverty remaining in relative poverty?

[1 mark]

- A** A major housebuilding programme helps to reduce the number of workers who are geographically immobile ☐
- B** Average earnings in an economy rise more slowly than the increase in the national minimum wage ☐
- C** The government changes the income tax system in a country to make it more progressive ☐
- D** The rate of increase in the price of necessities, such as energy, is higher than for all goods and services ☐



IB/M/Jun25/7136/3

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4

Do **NOT** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 40 marks

Trade union membership and industrial disputes

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

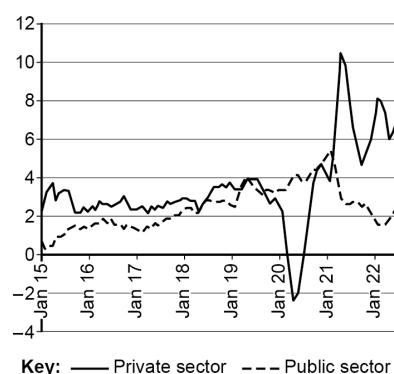
Extract D

Table 2: Trade union membership, % of workforce, 2001 to 2021

Year	All employees	Private sector	Public sector
2001	29.3	18.4	59.7
2006	28.3	16.6	58.7
2011	26.0	14.2	56.6
2016	23.5	13.4	52.8
2021	23.1	12.8	50.1

Source: Department for Business, Energy and Industrial Strategy, 2022

Figure 2: Growth in average annual nominal earnings, %, January 2015 to September 2022



Source: Office for National Statistics, 2023

Extract E: UK public sector workers hit hardest by cost of living crisis

In November 2022, members of nursing trade unions voted to strike. Many more public sector unions have joined the nurses on strike, in attempts to gain pay rises that keep up with inflation. It is notable that many of the employers facing strike action, such as the NHS, are monopsonistic employers, who have considerable labour market power.

UK public sector workers have been particularly hard hit by the cost of living crisis, according to official figures that show the gap between public and private sector pay growth is at its widest on record. Annual growth in pay was 6.6% in the private sector in September 2022, compared with just 2.2% for the public sector. Overall, pay growth accelerated to 5.7% as employers struggled to hire workers due to low unemployment. In November 2022, 13.3% of businesses reported experiencing a shortage of workers leading to upward pressure on wages. The construction and hospitality sectors were worst affected.

However, wage growth has not kept pace with inflation, which reached 10.1% in September 2022, leading to growing industrial unrest. Until recently, strikes largely affected local authorities, transport services and some private sector employers. But the latest figures show the pay squeeze has been far worse for teachers, NHS staff and other public sector workers who have started to take industrial action, including strikes. Louise Murphy, economist at the Resolution Foundation, said there was now a “huge wedge” between private and public sector pay, creating severe difficulties for public sector recruitment and retention. Staff shortages in the public sector are likely to worsen unless public sector pay and working conditions improve.

Source: News reports, 2023

5

Extract F: The role of trade unions

Over the past century, British unions have successfully campaigned for a minimum wage, holiday and sickness pay, equal opportunity rights, maternity and paternity rights and a two-day weekend for workers. Unions support individual workers in workplace disagreements, and engage in collective bargaining on behalf of their members by negotiating with employers on pay and working conditions. But unions can do much more for employees and even for employers. Research shows that their benefits can include reducing staff turnover, providing or promoting training and encouraging innovation. 5

UK trade union membership peaked at 13.2 million members in 1979 but fell consistently during the 1980s and 1990s. There has been a recent reversal of this trend with membership increasing in each of the last four years, primarily amongst public sector workers. Unions suggest that new members have been joining due to wages falling in real terms, and the hope that a trade union might protect their interests. Collective pay bargaining, reinforced by the threat of strikes, has achieved some notable successes for workers, such as the 18% pay rise for London bus drivers in February 2023. However, 205 000 working days were lost to strike action in September 2022, almost as many as in the whole of 2019. Critics argue that strikes by transport workers, teachers, nurses and others create enormous disruption for everybody else and make labour markets less efficient. 10 15

Source: News reports, 2023

0 5

Using the data in **Extract D (Table 2)**, calculate the difference between the mean percentage trade union membership in the private sector and the mean percentage trade union membership in the public sector over the period 2001–2021.

Give your answer to **one** decimal place.

[2 marks]**0 6**

Explain how the data in **Extract D (Figure 2)**, show that, since 2015, living standards of people working in the private sector are likely to have increased compared to those working in the public sector.

[4 marks]**0 7**

Extract E (lines 9–10) states that ‘In November 2022, 13.3% of businesses reported experiencing a shortage of workers leading to upward pressure on wages’.

With the help of a diagram, explain how **and** to what extent a shortage of labour is likely to affect the wage in a competitive labour market.

[9 marks]**0 8**

Extract F (lines 12–13) states that ‘Collective pay bargaining, reinforced by the threat of strikes, has achieved some notable successes for workers’.

Using the data in the extracts and your knowledge of economics, evaluate the view that trade unions improve the operation of labour markets by protecting the interests of workers.

[25 marks]**Turn over ►**

4

Do **NOT** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 40 marks

Trade union membership and industrial disputes

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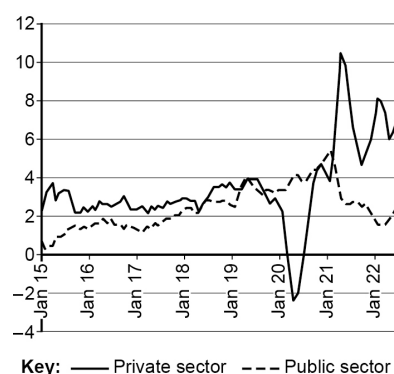
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Source: News reports, 2023

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Extract F: The role of trade unions

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[25 marks]**Turn over ►**

5

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[25 marks]**Turn over ►**

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SUB-TOPIC 4.1.6.6

THE NATIONAL MINIMUM WAGE

Sub-topic 4.1.6.6 · 6 questions · 38 marks · lowest tariff first



12

1 8

Which one of the following is a supply-side policy aimed at reducing the natural rate of unemployment?

[1 mark]

A Government retraining schemes for structurally unemployed workers

☐

B Increasing legal protection against unfair dismissal for employees

☐

C Increasing the real value of the national minimum wage

☐

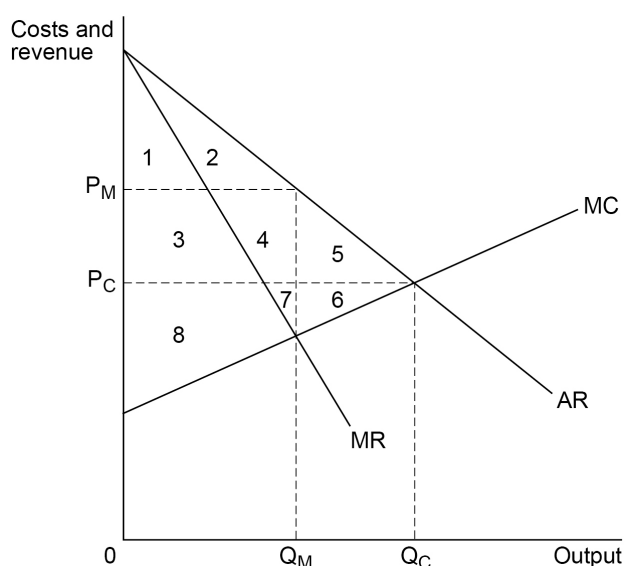
D New government subsidies for developers of artificial intelligence

☐

1 9

Figure 5 shows the average revenue (AR), marginal revenue (MR) and marginal cost (MC) curves for an industry which was perfectly competitive but is now a monopoly. The cost and revenue curves remain unchanged.

Figure 5



Which of the following areas shows the total deadweight loss of consumer and producer surplus resulting from the structure of the industry changing from perfect competition to monopoly?

[1 mark]

A 1 + 2

☐

B 3 + 4

☐

C 5 + 6

☐

D 7 + 8

☐

1 2

IB/M/Jun22/7136/3

6

0 5

Which one of the following is most likely to lead to an increase in the number of people who are frictionally unemployed in the UK?

[1 mark]

- A** A fall in the number of Jobcentres provided by the government
- B** A persistent fall in reported levels of consumer confidence
- C** A reduction in the rate at which Jobseeker's Allowance is paid
- D** A significant real terms increase in the National Living Wage

☐☐☐☐**0 6**

Which one of the following is most likely to indicate that a government is trying to cause a significant change in the pattern of economic activity?

[1 mark]

- A** A reduction in the rate of tax on income from retirement pensions
- B** A reduction in the tax on a good with positive consumption externalities
- C** An increase in the rate of an inheritance tax
- D** An increase in the tax on a good with very inelastic demand

☐☐☐☐

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0 6

IB/M/Jun25/7136/3

20

2 2

Table 7 shows four situations in which one group of workers earns less than another and states the reason given by employers.

Which one is the best example of wage discrimination?

[1 mark]**Table 7**

	Situation	Reason given by employer	
A	A firm pays supermarket shelf-stackers from one ethnic group less per hour than shelf-stackers from a different ethnic group.	The firm negotiates pay rates with trade unions and the two groups of workers are represented by different trade unions.	☐
B	Full-time female workers for a firm earn less on average than male colleagues performing similar roles.	Earnings include a bonus for each year of service and males have longer service on average.	☐
C	The average female teacher in a school earns less in a year than the average male teacher.	A larger percentage of the male teachers work full-time compared to the female teachers.	☐
D	Workers in a factory aged under 20 are paid less per hour than workers aged over 20 who are performing similar roles.	All workers in the factory are paid the national minimum wage.	☐

2 3

Which one of the following is most likely to lead to individuals who are currently in relative poverty remaining in relative poverty?

[1 mark]

- A** A major housebuilding programme helps to reduce the number of workers who are geographically immobile ☐
- B** Average earnings in an economy rise more slowly than the increase in the national minimum wage ☐
- C** The government changes the income tax system in a country to make it more progressive ☐
- D** The rate of increase in the price of necessities, such as energy, is higher than for all goods and services ☐



2 0

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box

10

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1 3

A feature of the UK government's workplace pension scheme is that employers are required to enrol their employees in the scheme unless the employees make a conscious decision to opt out and join another scheme.

An individual choosing to remain in their workplace pension scheme is an example of a person

A accepting the default choice.

☐

B acting irrationally by ignoring an economic incentive.

☐

C being anchored by a previous financial decision.

☐

D using a rule of thumb to make the choice.

☐

[1 mark]

1 4

The Bank of England's Monetary Policy Committee increases Bank Rate to reduce the risk of an increase in inflationary pressure in the economy. All other things being equal, which one of the following is most likely to result from the policy change?

A Consumption will increase since house prices will rise and increase wealth.

☐

B Investment will increase as the return on investment projects rises.

☐

C Savings will increase as interest rates rise in real terms.

☐

D The exchange rate will fall as a result of increased capital inflows.

☐

[1 mark]

1 5

An increase in the national minimum wage may be used to make the distribution of income more equal. Such a policy is most likely to be effective when the elasticity of demand for labour in low-paid work is

A elastic.

☐

B inelastic.

☐

C perfectly elastic.

☐

D unitary elastic.

☐

[1 mark]



1 0

IB/M/Jun21/7136/3

Extract C: New unions representing gig economy workers

The cleaners at St Mary's Hospital in London are members of United Voices of the World (UVW), a new trade union of mostly migrant workers whose employment is not secure. Their October 2019 strike and demonstration were typical of UVW action: joyful, noisy, confrontational and uncompromising. It was also very successful. The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75, and decided to employ them directly, rather than via an agency for temporary workers. 5

As insecure and gig economy work becomes more common, especially among migrant and young workers, new trade unions are developing to meet demand from workers in workplaces with few protections. Since it was founded in 2014, UVW has organised at more than 20 workplaces and won improved contracts, wage rises or sick pay from employers including the Daily Mail Group, the Royal Borough of Kensington and Chelsea and the London School of Economics. It now has more than 3000 members and says it is attracting 200 more every month. 10

Some gig economy firms are starting to recognise workers as employees. Just Eat, which delivers takeaway food, has announced plans to offer workers benefits, including hourly wages above the minimum living wage, sick pay and pension contributions. This sets a precedent in the UK gig economy. The new drivers will be on a mix of full-time, part-time and zero-hours contracts, the company said, allowing some to retain more flexible working hours. The firm said that operating costs would rise as a result of the new scheme but Just Eat felt it was the 'right thing to do'. 15 20

Source: News reports, 2020

0 1 Using the data in **Extract A (Figure 1)**, calculate the number of workers doing weekly platform work in 2019 for each worker doing monthly platform work in 2019. 20

Give your answer to **two** decimal places. [2 marks]

0 2 Explain how the data in **Extract A (Figure 2)** show that the incentive for workers to become self-employed increased between 2009/10 and 2018/19. [4 marks]

0 3 **Extract C** (lines 4–5) states that, as a result of trade union action, 'The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75.' [9 marks]

With the help of a diagram, analyse how a trade union might achieve higher pay for its members.

0 4 **Extract B** (lines 16–18) states that, 'Gig economy defenders claim that today's flexible labour markets offer modern workers the opportunity to move freely between jobs and this gives them more choice over their working hours.' [25 marks]

Assess the view that government intervention in the UK labour market is necessary to protect the interests of people who are working in the gig economy.

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7

OR**Essay 3**

The UK government announced that the National Living Wage (NLW) would rise to £11.44 in April 2024 (for those aged 21 and over). This is around 66% of median hourly income, a big rise compared with its introduction in 1999, when it was only 45% of median hourly income. Some firms have warned that this increase in the NLW will lead to a fall in the number of workers they employ.

1 3

Explain the factors that determine a firm's demand for labour.

[15 marks]**1 4**

Assess the view that a national minimum wage, such as the UK's National Living Wage, contributes to an improvement in economic welfare.

[25 marks]**END OF QUESTIONS**

There are no questions printed on this page

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SUB-TOPIC 4.1.6.7

DISCRIMINATION IN THE LABOUR MARKET

Sub-topic 4.1.6.7 · 3 questions · 52 marks · lowest tariff first



4

Do **NOT** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 40 marks

The gender pay gap

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

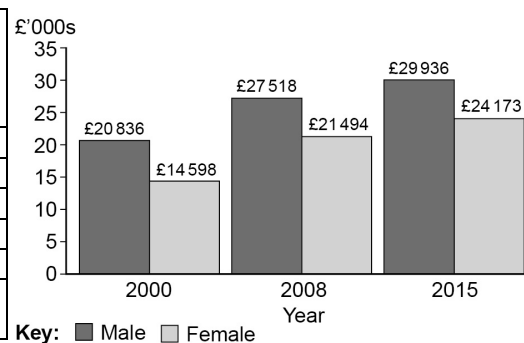
Extract D

Figure 3: Differences between male and female wages and employment in selected countries

Selected countries	Wage gap (%)	Female labour force participation rate (%)	Male labour force participation rate (%)
Japan	27	66	85
Norway	15	76	80
Slovenia	3	67	74
UK	18	72	83
USA	17	67	78
OECD* average	17	68	80

Source: Official statistics, 2016

Figure 4: Full-time annual earnings before tax, UK, 2000 to 2015



Source: Official statistics, 2016

*The OECD is the Organisation for Economic Co-operation and Development.

Extract E: Causes of the gender pay gap

Since the Equal Pay Act 1970, it has been illegal to pay men and women differently for the same work. Despite this, the overall pay gap is 19.2%, according to the Office of National Statistics. The pay gap for full-time workers is lower, at 9.4%, and the gap for part-time workers is actually negative, at -6.5%. In the UK, 41% of female workers are part-time, compared to only 11% of males. 1
5

Prior to the Equal Pay Act, it was common to find firms paying women less than men for comparable work, but since then discriminatory attitudes have lessened to the extent that some economists deny that the wage gap is a problem at all. A recent report found that women working in the same job, and at the same level, are paid just 0.8% less than their male equivalents. Certainly, the pay gap has been shrinking, partly due to demographic and social changes. In earlier times, most senior, highly paid jobs were held by men, while women of the same generation stayed at home. The Government claims that 2.2 million women who are not working want to work. They believe that increasing the female labour force participation rate could add 10% to the size of our economy by 2030, as well as benefiting women directly. 10

Interestingly, women in their twenties currently out-earn men and it is only when they reach their thirties, and perhaps start a family, that the pay gap starts to emerge. Is this due to employers undervaluing female staff once they have had a baby, or to outdated social conventions that women should be the main childcarers? Most of the highest paid jobs in 15

5

finance, engineering, science and technology are predominantly populated by men, while most of the lowest paid jobs, like caring and hospitality, are largely done by women. 80% of those working in the low paid care and leisure sector are women, compared to only 10% in the better paid skilled trades. The tendency for women to participate in low-productivity sectors is now a bigger factor in their low pay than discrimination. 20

Source: News reports, April 2016

Extract F: Tackling the gender pay gap

In 2016, the UK Government unveiled plans for a league table ranking firms by their gender pay gap. Companies with more than 250 employees will have to disclose how the salaries of their male and female staff differ. The Government hopes that this league table, of around 8 000 firms, will draw attention to the worst culprits. The Chartered Management Institute commented that shining a light on what men and women are paid at every level...is proven to speed up progress and would boost business productivity. But the Confederation of British Industry have warned that rankings unfairly name and shame firms as data will only be able to present a partial picture, given factors such as the mix of part-time and full-time working. 1 5

Trade unions have also questioned whether information alone is sufficient to bring about change. Unions have a role in supporting women to achieve promotions, negotiate better pay and obtain flexible working practices, such as part-time work, homeworking, paternity leave and on-site crèches. Should the government policy be to encourage women to join trade unions? Some economists suggest that the gender pay gap is halved for women who are union members compared to those who are not. Other suggestions include raising National Minimum Wage rates to increase the incomes of low-paid women and to encourage firms to appoint women to company boards. Women hold only 23.2% of posts on the boards of directors of large British firms, whereas Norway requires that large companies fill 40% of board positions with women. The UK Government recognises the need to raise aspirations and attainment for girls. The last decade has seen successful initiatives promoting traditionally male academic courses and careers to girls and young women. 10 15 20

Source: News reports, February 2016

0 5 Using the data in **Extract D (Figure 3)**, calculate the mean female labour force participation rate for the five countries listed. Give your answer to **one** decimal place. [2 marks]

0 6 Explain how the data in **Extract D (Figure 4)** show that the degree of inequality between the pay of male and female workers is falling. [4 marks]

0 7 **Extract E** (lines 22–23) states that ‘The tendency for women to participate in low-productivity sectors is now a bigger factor in their low pay than discrimination’. With the help of a diagram, explain how the difference between the marginal revenue product of male and female workers might account for the lower average earnings of women. [9 marks]

0 8 **Extract F** (lines 19–20) notes that ‘The UK Government recognises the need to raise aspirations and attainment for girls’. Use the extracts and your knowledge of economics to evaluate the policies that government might use to reduce the gender pay gap. [25 marks]

Turn over ►

5

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Turn over ►

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4

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OR

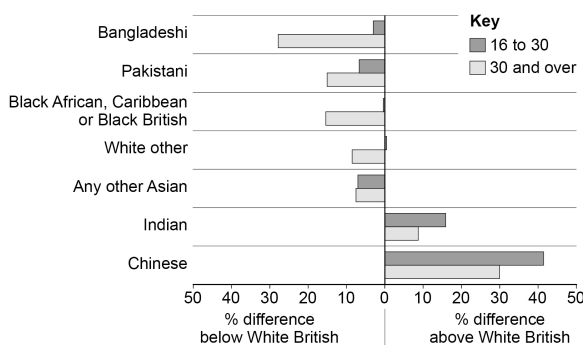
Context 2

Total for this context: 40 marks

The ethnic pay gapStudy **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.**Extract D****Figure 3: Pay gap between ethnic groups and White British employees in the UK, 2018**

Ethnic group	% pay gap compared with White British employees
Bangladeshi	−20.2
Pakistani	−16.9
Black African, Caribbean or Black British	−9.2
White other	−5.8
Any other Asian	−4.0
Indian	+12.0
Chinese	+30.9

Source: ONS, 2019

Figure 4: Pay gap between ethnic minority groups, by age, UK, 2018

Source: ONS, 2019

Extract E: The Ethnic Pay Gap

UK workers of Bangladeshi heritage have the lowest pay of any ethnic group, earning 20.2% less than White British workers. Analysis by the Office for National Statistics (ONS) shows significant pay gaps remain, even when education and occupation are taken into account, particularly for those born outside the UK. The median pay of White British workers last year was £12.03 an hour, compared with £9.60 for people of Bangladeshi ethnicity and £10.00 for those of Pakistani ethnicity. These groups also had the lowest employment rate. British-born employees of Chinese ethnicity earned the most of all groups, earning 30.9% more than White British workers. 1

Evidence suggests that the ethnic pay gap is reducing as the UK labour market evolves over time. People aged 16 to 30 from ethnic minority groups tended to have narrower pay gaps than older ethnic minority groups. For instance, the difference for the Bangladeshi ethnic group compared with White British workers was 3.1% among 16 to 30-year-olds but 27.9% for those over 30. Women in some ethnic groups were significantly less likely to be in the labour force than women in other ethnic groups. The ONS suggested that this could be a result of cultural differences as 38.1% of women from a Bangladeshi ethnic group and 32.1% of women from a Pakistani ethnic group were found to be economically inactive. This may be because they were looking after their family or home. 10 15

Source: News reports, 2019

Extract F: Tackling the ethnic pay gap

It is illegal to pay someone less for doing the same job based on their ethnicity. Andy Haldane, the Bank of England's Chief Economist, said that "the ethnicity pay gap problem in the UK is every bit as acute as the gender pay gap problem". A report by the management consultants, McKinsey, found that businesses with employees from the most diverse backgrounds were 15% more profitable than those firms with the least diverse workforce. A government report in 2017 suggested equal participation and progression across ethnicities could boost the UK's economy by an additional £24bn a year. BAME (Black, Asian or Minority Ethnic) workers are more likely to be in low-paid sectors such as catering, hairdressing and retail. These occupations have limited opportunities for workers to progress to more responsible, higher-paid roles. This may represent a misallocation of workers across the economy.

Only a handful of firms currently publish ethnic pay data. One of these, ITN, found that its BAME workforce were paid 21% less than White workers. The Conservative Government has indicated that it may introduce compulsory reporting of the ethnic pay gap for large firms. The Runnymede Trust said: "as well as getting companies to publish the ethnicity pay gap, you have to legally ask them to publish plans as to how they are going to close that gap. Otherwise, to be honest, nothing is going to happen". The government can ensure that public services such as the police and NHS provide such plans, but it is not intending to require all firms to do so. It could also take steps to recognise foreign qualifications, thus removing obstacles for well-qualified foreign-born workers. Others think the government should go further and consider ethnicity quotas on the management boards of major companies. In the absence of other reliable solutions, quotas could provide an urgent intervention to address the fact that currently only 4 of the biggest 100 listed companies are led by BAME executives, despite BAME groups accounting for 14% of the population. However, such quotas are rejected by some as discriminatory, patronising and inefficient, leading to the risk of government failure.

Source: News reports, 2019

0 5

Using the data in **Extract D** (Figure 3), calculate how much a worker of Bangladeshi ethnicity earned on average in 2018, given that a White British worker earned £28 677. Give your answer **to the nearest pound**.

[2 marks]

0 6

Explain how the data in **Extract D** (Figure 4) show that the ethnic pay gap is more significant for older ethnic minority employees.

[4 marks]

0 7

Extract F (lines 18–19) states: the Government 'could also take steps to recognise foreign qualifications, thus removing obstacles for well-qualified foreign-born workers.'

With the help of a diagram, explain how UK firms not recognising foreign qualifications may lead to some ethnic groups receiving lower pay.

[9 marks]

0 8

Extract E (lines 3–4) states: 'significant pay gaps remain, even when education and occupation are taken into account, particularly for those born outside the UK.'

Using the extracts and your knowledge of economics, evaluate possible government policies to reduce the ethnic pay gap.

[25 marks]

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MARK SCHEMES

official mark schemes



MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2017

SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1	D	16	B
2	B	17	C
3	A	18	B
4	A	19	C
5	C	20	A
6	C	21	D
7	C	22	B
8	C	23	A
9	D	24	D
10	A	25	B
11	D	26	D
12	A	27	A
13	A	28	D
14	C	29	C
15	D	30	D

	<u>Total</u>
A	8
B	5
C	8
D	9
	<u>30</u>

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2023

SECTION A

KEY LIST

1	D (favourable weather leading to a record harvest.)	11	A (A)	21	B (Emergency aid provided to another country following a natural disaster)
2	C (the environment has an opportunity cost.)	12	D (V and Q)	22	B (Country X has a comparative advantage in the production of coffee and an absolute advantage in the production of tea)
3	D (+12.5)	13	B (5th worker is employed.)	23	A (strengthened against the pound sterling and strengthened against the euro.)
4	C (the rate of inflation.)	14	D (zero)	24	D (industry regulators grow too close to the firms they are regulating.)
5	A (A)	15	C (The adoption of satisficing behaviour)	25	C (An increase in the minimum qualifications required for workers in the industry and a fall in the price of a complement for the output produced)
6	B (Bringing down the rate of inflation)	16	B (Economic agents have higher inflation expectations due to the intervention)	26	A (The proportion of employers' total costs which are made up by wages)
7	B (Availability bias and social norms)	17	C (Evaluating the government's performance against its own fiscal targets)	27	C (more equal and the Gini coefficient has decreased.)
8	B (Some firms will leave the market and the price will rise)	18	A (Increase its purchases of government securities)	28	B (An improvement in the balance of payments on current account)
9	B (Creative destruction)	19	D (The supply curve for potatoes shifts due to the incentive function of prices)	29	B (Banks may engage in more risky lending if they believe the central bank will support them in a crisis)
10	B (0.6)	20	C (4 units)	30	A (£50bn)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2023

SECTION A

KEY LIST

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8	B (Some firms will leave the market and the price will rise)	18	A (Increase its purchases of government securities)	28	B (An improvement in the balance of payments on current account)
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MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2024

SECTION A

KEY LIST

1	B (Employment of factors of production has an opportunity cost)	11	A (shift left and become flatter.)	21	C (4)
2	D (The firm is unlikely to know everything about job applicants' skills, abilities and motivation)	12	A (A firm's revenue would fall with any change in price)	22	D (An increase in the price of the industry's product caused by changing tastes)
3	C (Productive efficiency in the car industry is unchanged)	13	B (£0)	23	B (A reduction in the geographical mobility of labour)
4	C (Spending on Good X will fall by 2% and spending on Good Y will increase by 4%)	14	B (government failure due to unintended consequences.)	24	D (Liquidity worsens and profitability improves)
5	C (Indirect taxes made the distribution of income more unequal)	15	C (Store of value)	25	D (Imports from other member countries will increase)
6	C (-£8.5bn)	16	C (2022)	26	C (A surplus will lead to excess demand for the country's currency and an appreciating exchange rate)
7	C (Investment)	17	C (Tax F is a regressive tax and Tax G is a proportional tax)	27	D (The rate of growth in the country's exports of copper was higher in 2021 than in 2022)
8	D (Marginal utility from consuming the 3rd banana is less than the 2nd)	18	B (Increasing marginal returns to labour)	28	C (2022)
9	A (An increase in real national income and a reduction in the balance of payments deficit)	19	D (Sustained rises in nominal national income in future years)	29	C (Privatising key industries)
10	D (joint supply)	20	C (marginal cost equals average total cost.)	30	C (8 000)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2024

SECTION A

KEY LIST

1	B (Employment of factors of production has an opportunity cost)	11	A (shift left and become flatter.)	21	C (4)
2	D (The firm is unlikely to know everything about job applicants' skills, abilities and motivation)	12	A (A firm's revenue would fall with any change in price)	22	D (An increase in the price of the industry's product caused by changing tastes)
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10	D (joint supply)	20	C (marginal cost equals average total cost.)	30	C (8 000)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2020

SECTION A

KEY LIST

1	C	11	B	21	D
2	C	12	C	22	C
3	D	13	A	23	D
4	A	14	B	24	D
5	A	15	C	25	B
6	A	16	D	26	D
7	B	17	C	27	A
8	B	18	B	28	C
9	A	19	C	29	A
10	A	20	D	30	C

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2020

Context 2

Total for this context: 40 marks

0 5 Using the data in **Extract D** (Figure 3), calculate how much the median care worker earns for every pound earned by the median worker in the whole economy. Give your answer **to the nearest penny**.

[2 marks]

Calculation: $7.50/12.23 = 0.613246\dots$

Correct answer is 61p

Response	Max 2 marks
For the correct answer, to the nearest penny, with units	2 marks
For the correct answer but not rounded to the nearest penny, and/or without units OR For the correct method, but the wrong answer, to the nearest penny, with units	1 mark

MAXIMUM FOR QUESTION 05: 2 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2023

0 2

*Explain how the data in **Extract A (Table 1 and Figure 1)** show that developments in the car market are the main reason for the changing demand for lithium-ion batteries in the UK.*

[4 marks]

Response	Max 4 marks
- Includes evidence that shows that developments in the car market are the main reason for the changing demand for lithium-ion batteries. - Clearly explains how this data is evidence that developments in the car market are the main reason for the changing demand for lithium-ion batteries.	4 marks
- Includes evidence that shows that developments in the car market are the main reason for the changing demand for lithium-ion batteries. - Explanation of how this data is evidence that developments in the car market are the main reason for the changing demand for lithium-ion batteries.	3 marks
- Includes some evidence that shows that developments in the car market are the main reason for the changing demand for lithium-ion batteries. - Limited explanation of how this data is evidence that developments in the car market are the main reason for the changing demand for lithium-ion batteries.	2 marks
- Includes evidence that does not clearly show that developments in the car market are the main reason for the changing demand for lithium-ion batteries. - No explanation of how this data is evidence that developments in the car market are the main reason for the changing demand for lithium-ion batteries.	1 mark

Relevant issues include:

- explanation of derived demand as the relationship between the demand for electric cars and lithium-ion batteries
- demand for lithium-ion batteries for electric cars has risen from approximately zero in 2015 to around 80GWh in 2020 and is forecast to rise to 450GWh by 2025 and 1280GWh by 2030
- in comparison, total demand for lithium-ion batteries has risen from approximately 80GWh in 2015 to around 200GWh in 2020 and is forecast to rise to 800GWh in 2025 and 2030GWh by 2030
- the proportion of lithium-ion battery demand from electric cars has risen from approximately zero in 2015 to around 40% in 2020 and is forecast to rise to 56% in 2025 and 63% by 2030
- sales of battery electric cars rose from 108 205 in 2020 to 190 727 in 2021, and/or by 76.3% between 2020 and 2021
- sales of hybrid electric cars rose from 357 126 in 2020 to 558 578 in 2021, and/or by 56.4% between 2020 and 2021.

Students should get credit for showing that changes in other uses of lithium-ion batteries are not as significant as the projected change in the use of lithium-ion batteries for electric cars.

Note: allow a margin of +/- 50GWh for the data quoted from **Figure 1**.

MAXIMUM FOR QUESTION 02: 4 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2020

- 0 2** Explain how the data in **Extract A** (Figure 2) show that higher living standards lead to greater volumes of waste per capita being produced.

[4 marks]

Response:	Marks
- includes evidence that shows that higher living standards lead to greater volumes of waste being produced - clearly explains how this data is evidence that higher living standards lead to greater volumes of waste being produced	4 marks
- includes evidence that shows that higher living standards lead to greater volumes of waste being produced - explanation of how this data is evidence that higher living standards lead to greater volumes of waste being produced	3 marks
- includes some evidence that shows that higher living standards lead to greater volumes of waste being produced - limited explanation of how this data is evidence that higher living standards lead to greater volumes of waste being produced	2 marks
- includes evidence that does not clearly show that higher living standards lead to greater volumes of waste being produced - no explanation of how this data is evidence that higher living standards lead to greater volumes of waste being produced	1 mark

Relevant issues include:

- explanation of why GDP per capita might be used as a measure of living standards
- explanation of what is meant by waste generation and why it might be greater in countries with higher GDP per capita
- the data in Figure 2 show a positive correlation between GDP per capita/living standards and waste generation, for example, Luxembourg has the highest GDP per capita at \$111 000 and one of the highest amounts of waste generation at 620kg per year per capita
- a line of best fit through these data would be upward sloping, indicating that higher living standards generally result in more waste being produced
- the USA has a higher GDP per capita at \$52 000 than the UK at \$43 000, and generates more waste per capita, with 810kg per year per capita, compared to the UK's 500kg per year per capita
- Ethiopia has the lowest level of GDP per capita at \$1000, and the lowest level of waste generation at 80kg per year per capita.

MAXIMUM FOR QUESTION 02: 4 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2020

- 0 6** Explain how the data in **Extract D** (Figure 4) show that there is likely to be substantial upward pressure on the wages of care workers by 2041.

[4 marks]

Response	Max 4 marks
- includes evidence that there is likely to be substantial upward pressure on the wages of care workers by 2041 - clearly explains how this data is evidence that there is likely to be substantial upward pressure on the wages of care workers by 2041	4 marks
- includes evidence that there is likely to be substantial upward pressure on the wages of care workers by 2041 - explanation of how this data is evidence that there is likely to be substantial upward pressure on the wages of care workers by 2041	3 marks
- includes some evidence that there is likely to be substantial upward pressure on the wages of care workers by 2041 - limited explanation of how this data is evidence that there is likely to be substantial upward pressure on the wages of care workers by 2041	2 marks
- includes evidence that does not clearly show that there is likely to be substantial upward pressure on the wages of care workers by 2041 - no explanation of how this data is evidence that there is likely to be substantial upward pressure on the wages of care workers by 2041.	1 mark

Relevant issues include:

- the data show that the UK population is expected to grow by 2041 from 65 648 000 to 72 905 000, by 11%, but the growth in the population is very uneven
- the size of the elderly population is set to grow from 10 250 000 to 14 545 000, by 41.9% (65–84 year-olds), from 1 436 000 to 2 887 000, 101% (85–94) and from 128 000 to 360 000, 181% (95+), but the size of the population of working age is only forecast to grow from 39 182 000 to 39 930 000, by 2.0% in the same period.
- the very elderly, 85+ and 95+, have more complex, acute and numerous care needs so require more care than the recently retired
- given the rapid growth in the elderly population, one would expect demand for care to rise rapidly, and thus the derived demand for care workers to also rise rapidly
- at the same time, the negligible growth in the working age population suggests that the supply of labour into the care sector is likely to grow slower than the demand for labour, so wages are likely to rise
- these two factors suggest excess demand for care workers at existing wage rates, and thus upward pressure on wages.

MAXIMUM FOR QUESTION 06: 4 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2017

0 7 **Extract E** (lines 22–23) states that ‘The tendency for women to participate in low-productivity sectors is now a bigger factor in their low pay than discrimination’.

With the help of a diagram, explain how the difference between the marginal revenue product of male and female workers might account for the lower average earnings of women.

[9 marks]

Level of response	Response	Max 9 marks
3	- is well organised and develops one or more of the key issues that are relevant to the question - shows sound knowledge and understanding of relevant economic terminology, concepts and principles - includes good application of relevant economic principles and/or good use of data to support the response - includes well-focused analysis with a clear, logical chain of reasoning - includes a relevant diagram that will, at the top of this level, be accurate and used appropriately	7–9 marks
2	- includes one or more issues that are relevant to the question - shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present - includes reasonable application of relevant economic principles and/or data to the question - includes some reasonable analysis but it might not be adequately developed and may be confused in places - may include a relevant diagram	4–6 marks
1	- is very brief and/or lacks coherence - shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely - demonstrates very limited ability to apply relevant economic principles and/or data to the question - may include some very limited analysis but the analysis lacks focus and/or becomes confused - may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects	1–3 marks

A labour market diagram is expected, showing two different demands for labour/MRP curves representing productivity differentials between men and women.

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2018

0 7 **Extract E** (lines 4–5) claims that workers in the 18th century saw wages rise in line with productivity.

With the help of a diagram, explain how advances in modern technology are likely to lead to rising wages in some industries.

[9 marks]

Level of response	Response	Max 9 marks
3	- is well organised and develops one or more of the key issues that are relevant to the question - shows sound knowledge and understanding of relevant economic terminology, concepts and principles - includes good application of relevant economic principles and/or good use of data to support the response - includes well-focused analysis with a clear, logical chain of reasoning - includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	7-9 marks
2	- includes one or more issues that are relevant to the question - shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. - includes reasonable application of relevant economic principles and/or data to the question. - includes some reasonable analysis but it might not be adequately developed and may be confused in places - may include a relevant diagram.	4-6 marks
1	- is very brief and/or lacks coherence - shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely - demonstrates very limited ability to apply relevant economic principles and/or data to the question - may include some very limited analysis but the analysis lacks focus and/or becomes confused - may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	1-3 marks

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2024

0 3 **Extract B** (lines 3–4) states that ‘Universities have expanded the number of places on offer to students, but the supply of student accommodation is highly inelastic’.

With the help of a diagram, explain the impact of the increase in the number of students attending university on the market for student accommodation.

[9 marks]

Level of response	Response	Max 9 marks
3	- Is well organised and develops one or more of the key issues that are relevant to the question. - Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. - Includes good application of relevant economic principles and/or good use of data to support the response. - Includes well-focused analysis with a clear, logical chain of reasoning. - Includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	7–9 marks
2	- Includes one or more issues that are relevant to the question. - Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. - Includes reasonable application of relevant economic principles and/or data to the question. - Includes some reasonable analysis but it might not be adequately developed and may be confused in places. - May include a relevant diagram.	4–6 marks
1	- Is very brief and/or lacks coherence. - Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. - Demonstrates very limited ability to apply relevant economic principles and/or data to the question. - May include some very limited analysis but the analysis lacks focus and/or becomes confused. - May include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	1–3 marks

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2024

0 7

Extract E (lines 9–10) states that ‘In November 2022, 13.3% of businesses reported experiencing a shortage of workers leading to upward pressure on wages’.

With the help of a diagram, explain how **and** to what extent a shortage of labour is likely to affect the wage in a competitive labour market.

[9 marks]

Level of response	Response	Max 9 marks
3	- Is well organised and develops one or more of the key issues that are relevant to the question. - Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. - Includes good application of relevant economic principles and/or good use of data to support the response. - Includes well-focused analysis with a clear, logical chain of reasoning. - Includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	7–9 marks
2	- Includes one or more issues that are relevant to the question. - Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. - Includes reasonable application of relevant economic principles and/or data to the question. - Includes some reasonable analysis but it might not be adequately developed and may be confused in places. - May include a relevant diagram.	4–6 marks
1	- Is very brief and/or lacks coherence. - Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. - Demonstrates very limited ability to apply relevant economic principles and/or data to the question. - May include some very limited analysis but the analysis lacks focus and/or becomes confused. - May include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	1–3 marks

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2025

Essay 3

Total for this essay: 40 marks

1	3
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 Explain the factors that determine a firm's demand for labour.**[15 marks]****Relevant issues include:**

- definition of 'demand for labour'
- explanation of why the demand for labour is derived from the demand for the good or service produced by the labour
- explanation of the marginal productivity theory of the demand for labour, including an explanation of the marginal physical product and the marginal revenue product of labour
- explanation of how the demand curve for labour shows the relationship between the wage rate and number of workers (or hours) demanded and how a change in the wage rate is likely to affect the demand for labour, how this affected by the PED of labour
- explanation of causes of shifts in the demand curve for labour, eg changes in the demand for the product produced, changes in labour productivity, changes in other factor prices, changes in government spending, eg on infrastructure projects, seasonal determinants
- explanation of how the market structure can have an impact on demand for labour, as monopsony employers are likely to employ fewer workers than those in more competitive labour markets
- use of examples.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 13: 15 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2018

0 8 **Extract E** (lines 14–16) states that ‘The market economy is not going to create the jobs by itself for those workers who are most affected by the change’.

Extract F (lines 4–5) states that ‘taxing productivity-enhancing tools like robots or machines makes no economic sense’.

Use the extracts and your own knowledge of economics to evaluate whether governments should allow markets to respond freely to the opportunities and challenges presented by technological progress, without any state intervention.

[25 marks]

Areas for discussion include:

- what is meant by technological progress
- the historical impact of technological progress and how it has affected labour markets
- current issues around technological unemployment (eg self-service supermarket checkouts, driverless trucks, self-service ticket machines)
- the likely impact on jobs and wages
- concerns about the impact of technological progress on inequality and poverty, linked to regional and sectoral differences (making use of Extract D)
- labour market imperfections which make it difficult for unemployed worker to transfer into other jobs or locations
- how automation is now threatening well-paid, high-status jobs such as surgeons and accountants, not only manufacturing or retail work, and that the determining factor for automation risk is whether the tasks are routine or varied
- the optimists’ argument that robots will only be used where profit can be made, and this requires a customer base who need to have a source of income (most likely to come from wages)
- the benefits of allowing the price mechanism to function
- analysis and assessment of the consequences of technological progress as a result of dynamic efficiency on costs, output, quality in product markets
- analysis and assessment of: the UBI proposal, a robot tax, retraining programmes, job creation programmes or any other appropriate form of intervention
- discussion of possible government failure when designing policies in such a fast-moving area
- the case against intervention, to allow market forces to redistribute labour and other factors of production to where they are demanded
- the view that the basic economic problem of scarcity is unlikely to be solved and hence new jobs will always be created to replace those that are lost
- evaluation of how much automation is actually a problem that needs to be addressed
- market failure arguments
- government failure arguments.

Use the levels mark scheme on page 5 to award candidates marks for this question.

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2024

SECTION A

KEY LIST

1	B (Employment of factors of production has an opportunity cost)	11	A (shift left and become flatter.)	21	C (4)
2	D (The firm is unlikely to know everything about job applicants' skills, abilities and motivation)	12	A (A firm's revenue would fall with any change in price)	22	D (An increase in the price of the industry's product caused by changing tastes)
3	C (Productive efficiency in the car industry is unchanged)	13	B (£0)	23	B (A reduction in the geographical mobility of labour)
4	C (Spending on Good X will fall by 2% and spending on Good Y will increase by 4%)	14	B (government failure due to unintended consequences.)	24	D (Liquidity worsens and profitability improves)
5	C (Indirect taxes made the distribution of income more unequal)	15	C (Store of value)	25	D (Imports from other member countries will increase)
6	C (-£8.5bn)	16	C (2022)	26	C (A surplus will lead to excess demand for the country's currency and an appreciating exchange rate)
7	C (Investment)	17	C (Tax F is a regressive tax and Tax G is a proportional tax)	27	D (The rate of growth in the country's exports of copper was higher in 2021 than in 2022)
8	D (Marginal utility from consuming the 3rd banana is less than the 2nd)	18	B (Increasing marginal returns to labour)	28	C (2022)
9	A (An increase in real national income and a reduction in the balance of payments deficit)	19	D (Sustained rises in nominal national income in future years)	29	C (Privatising key industries)
10	D (joint supply)	20	C (marginal cost equals average total cost.)	30	C (8 000)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2021

SECTION A

KEY LIST

1	B (the higher marginal revenue productivity of graduates.)	11	D (not buy the motorbike because they do not know as much about the motorbike as the dealer.)	21	C (firm is maximising its abnormal profit and has no incentive to expand its production.)
2	A (can have microeconomic as well as macroeconomic effects on the economy.)	12	A (A decline in the capital stock resulting from a significant decline in bank funding for business investment)	22	D (the marginal propensity to consume combined with a fall in the exchange rate.)
3	B (negative externalities in production and positive externalities in consumption.)	13	A (accepting the default choice.)	23	B (A reduction in firms' unit costs of production.)
4	D (The government's budget deficit increases as the rate of unemployment is reduced)	14	C (Savings will increase as interest rates rise in real terms)	24	D (The removal of a subsidy to tea producers and a fall in the price of coffee)
5	D (Country 4 has the highest life expectancy and literacy rates)	15	B (inelastic.)	25	B (a negative output gap equal to £6 billion.)
6	D ($H_1 - H_2$)	16	B (increase its average revenue by 20%.)	26	D (short-term finance is provided for companies and governments.)
7	D (most likely to be a commercial bank because its main liabilities are customer deposits.)	17	C (3.8%)	27	A (job security for qualified workers in the industry.)
8	D (public goods.)	18	B (20/400)	28	C (£525 billion)
9	C (OPHJ)	19	A (level of investment.)	29	D (tariffs to raise the price of imports.)
10	D (projected tax revenue by more than £100 billion)	20	A (A decrease in the cost of producing the good) OR C An increase in the price of the good	30	B (A fall in the prices of raw materials and an increase in investment.)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2023

Essay 2

Total for this essay: 40 marks

1	1
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 Explain the determinants of the supply of labour to an industry.**[15 marks]****Areas for discussion include:**

- the nature of an industry labour supply curve
- causes of movements along and shifts in an industry labour supply curve
- factors including
 - wage offered
 - difficulty in obtaining qualifications and skills and number of qualified people
 - non-wage benefits such as pensions, holidays, private health insurance
 - job satisfaction/dissatisfaction and working conditions
 - wages and benefits available in other similar industries
 - the tax and benefits system
 - demographic changes and immigration
 - trade unions
 - apprenticeships and training schemes
- use of examples.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 11: 15 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2022

0 4

Extract B (lines 16–18) states that ‘Gig economy defenders claim that today’s flexible labour markets offer modern workers the opportunity to move freely between jobs and this gives them more choice over their working hours.’

Assess the view that government intervention in the UK labour market is necessary to protect the interests of people who are working in the gig economy.

[25 marks]**Areas for discussion include:**

- explanation of the gig economy and the difference between terms of employment in the gig economy and standard employment
- discussion of the emerging trends that have contributed to the rise of the gig economy, such as technological progress and online commerce
- what is meant by the ‘interests of people who are working in the gig economy’
- discussion of the reasons why some roles/industries are more likely to arise in the gig economy than others
- the benefits of gig economy work to the individual, such as: flexibility over hours, ease of switching between jobs, autonomy from having no supervising manager
- the costs of gig economy work to the individual, such as lower pay and fewer non-wage benefits (for example pension, health insurance, maternity benefits)
- analysis of why wages may be lower and working conditions worse in the gig economy than in the formal sector
- benefits and costs of the gig economy to firms and the wider economy, such as greater labour mobility, lower costs of production, economic efficiency
- discussion of the impact of the pandemic on the gig economy
- discussion of possible policies, such as legislation, raising minimum wages, guaranteeing minimum hours for all roles, redefining gig economy workers as ‘employed’ rather than ‘self-employed’
- the argument that the need for government intervention is reduced by the existence and growth of trade unions representing gig economy workers
- the argument that the need for government intervention is reduced by the fact that some firms in the gig economy are improving conditions for their workers anyway
- use of examples
- market failure arguments
- government failure arguments.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student’s response to the question.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 04: 25 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2018

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

1	B	16	C
2	A	17	A
3	D	18	A
4	D	19	D
5	D	20	A
6	A	21	C
7	D	22	D
8	C	23	C
9	D	24	A
10	B	25	A
11	B	26	C
12	B	27	D
13	C	28	C
14	C	29	C
15	B	30	C

Total: 30

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2021

SECTION A

KEY LIST

1	B (the higher marginal revenue productivity of graduates.)	11	D (not buy the motorbike because they do not know as much about the motorbike as the dealer.)	21	C (firm is maximising its abnormal profit and has no incentive to expand its production.)
2	A (can have microeconomic as well as macroeconomic effects on the economy.)	12	A (A decline in the capital stock resulting from a significant decline in bank funding for business investment)	22	D (the marginal propensity to consume combined with a fall in the exchange rate.)
3	B (negative externalities in production and positive externalities in consumption.)	13	A (accepting the default choice.)	23	B (A reduction in firms' unit costs of production.)
4	D (The government's budget deficit increases as the rate of unemployment is reduced)	14	C (Savings will increase as interest rates rise in real terms)	24	D (The removal of a subsidy to tea producers and a fall in the price of coffee)
5	D (Country 4 has the highest life expectancy and literacy rates)	15	B (inelastic.)	25	B (a negative output gap equal to £6 billion.)
6	D ($H_1 - H_2$)	16	B (increase its average revenue by 20%.)	26	D (short-term finance is provided for companies and governments.)
7	D (most likely to be a commercial bank because its main liabilities are customer deposits.)	17	C (3.8%)	27	A (job security for qualified workers in the industry.)
8	D (public goods.)	18	B (20/400)	28	C (£525 billion)
9	C (OPHJ)	19	A (level of investment.)	29	D (tariffs to raise the price of imports.)
10	D (projected tax revenue by more than £100 billion)	20	A (A decrease in the cost of producing the good) OR C An increase in the price of the good	30	B (A fall in the prices of raw materials and an increase in investment.)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2018

SECTION A

The following list indicates the correct answers used in marking the students' responses.

KEY LIST

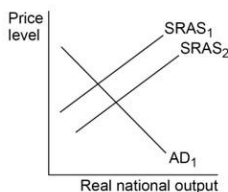
1	B	16	C
2	A	17	A
3	D	18	A
4	D	19	D
5	D	20	A
6	A	21	C
7	D	22	D
8	C	23	C
9	D	24	A
10	B	25	A
11	B	26	C
12	B	27	D
13	C	28	C
14	C	29	C
15	B	30	C

Total: 30

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2022

SECTION A

KEY LIST

1	D (may be true or false)	11	B (Most banks carry out both commercial and investment banking activities.)	21	D (Total utility is maximised.)
2	C (Moving products with a high sugar content away from supermarket checkouts)	12	C (A natural disaster, damaging productive capacity)	22	C (Increasing, Increasing, Increasing)
3	A (greater at X than Y)	13	A (Helping countries settle disputes over tariffs and quotas)	23	C (£264 billion)
4	C (3.3%)	14	D (There is considerable spare capacity in the car industry.)	24	A (make supernormal profits)
5	C (price levels)	15	B 	25	B $\left(\frac{1}{40}\right)$
6	C (Rates of income tax)	16	C (The income of some households is significantly less than the median household income.)	26	B (£100 bn)
7	B (Producers will be more likely to have to pay compensation for pollution.)	17	D (regressive tax)	27	B (The cost of living for people who live in UK seaside towns will fall.)
8	C (The firm's total revenue falls.)	18	A (Government retraining schemes for structurally unemployed workers)	28	A (The total amount paid in wages will fall from $(W_2 \times Q_2)$ to $(W_3 \times Q_1)$.)
9	C (price discrimination)	19	C (5 + 6)	29	C (Increasing life expectancy at birth)
10	A (5%)	20	A (Average revenue and marginal revenue will both fall.)	30	C (geographical immobility of labour)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2023

- 1 2** Evaluate the view that labour markets work best when strong monopsony power is balanced by trade union power.

[25 marks]

Areas for discussion include:

- explanation of labour market, monopsony power and trade union power
- explanation of the characteristics of a labour market that is working well, eg development of skills, ability of firms to recruit workers, impact on productivity
- discussion of how monopsony power can affect an otherwise competitive labour market in terms of wages and employment
- examples of such monopsony labour markets
- discussion of how trade unions can counteract the bargaining power of monopsony employers in order to maintain relatively high wages and employment
- benefits of trade unions, eg collective bargaining, training, productivity improvements
- examples of such labour markets with balanced buying and selling power
- discussion of the fact that having one buyer and one seller does not constitute a market, but merely a negotiation, and that the outcomes of negotiations are very uncertain
- alternative approaches to tackling monopsony power in labour markets, eg minimum wage
- consideration of other types of labour market which may work better, eg competitive labour markets
- consideration of government policies affecting the relative strength of trade unions
- consideration of the effect of industrial action on labour markets
- consideration of impact on different stakeholders, eg firms and consumers
- an overall assessment of whether labour markets work best when strong monopsony power is balanced by trade union power.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 12: 25 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2024

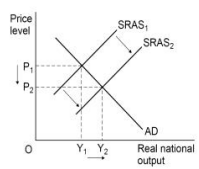
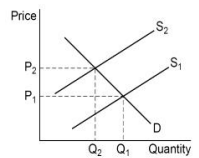
SECTION A

KEY LIST

1	B (Employment of factors of production has an opportunity cost)	11	A (shift left and become flatter.)	21	C (4)
2	D (The firm is unlikely to know everything about job applicants' skills, abilities and motivation)	12	A (A firm's revenue would fall with any change in price)	22	D (An increase in the price of the industry's product caused by changing tastes)
3	C (Productive efficiency in the car industry is unchanged)	13	B (£0)	23	B (A reduction in the geographical mobility of labour)
4	C (Spending on Good X will fall by 2% and spending on Good Y will increase by 4%)	14	B (government failure due to unintended consequences.)	24	D (Liquidity worsens and profitability improves)
5	C (Indirect taxes made the distribution of income more unequal)	15	C (Store of value)	25	D (Imports from other member countries will increase)
6	C (-£8.5bn)	16	C (2022)	26	C (A surplus will lead to excess demand for the country's currency and an appreciating exchange rate)
7	C (Investment)	17	C (Tax F is a regressive tax and Tax G is a proportional tax)	27	D (The rate of growth in the country's exports of copper was higher in 2021 than in 2022)
8	D (Marginal utility from consuming the 3rd banana is less than the 2nd)	18	B (Increasing marginal returns to labour)	28	C (2022)
9	A (An increase in real national income and a reduction in the balance of payments deficit)	19	D (Sustained rises in nominal national income in future years)	29	C (Privatising key industries)
10	D (joint supply)	20	C (marginal cost equals average total cost.)	30	C (8 000)

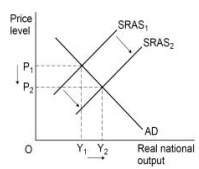
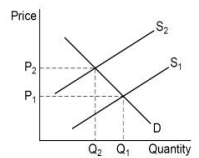
MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2025

SECTION A KEY LIST

1	B (Individuals are required by law to choose an option)	11	D (Point D)	21	B (5.3%)
2	C (ST)	12	C (Ireland's gross national income per capita was higher than Finland's.)	22	A (Situation A)
3	B (Create a hypothesis and test whether it can predict the behaviour of economic agents)	13	B (is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.)	23	D (The rate of increase in the price of necessities, such as energy, is higher than for all goods and services)
4	D 	14	D (Some potential tenants who would like to rent a house at R_1 cannot find a house to rent)	24	A (Country X has both an absolute advantage and a comparative advantage in producing canoes)
5	A (A fall in the number of Jobcentres provided by the government)	15	D (Profit maximisation is not the most important objective for all managers)	25	D (US\$5200 million)
6	B (A reduction in the tax on a good with positive consumption externalities)	16	B (the quarterly inflation rate fluctuated whilst the unemployment rate increased throughout the year.)	26	D (Tax breaks for manufacturing firms that invest in upgrading their machinery and other capital goods)
7	D (Increasing returns to scale)	17	C (Savings deposited with commercial banks that have more than a year to maturity)	27	D (High concentration ratios and consumer complaints are examples of indicators which may suggest anti-competitive behaviour and prompt further investigation by the Competition and Markets Authority.)
8	C (£75 000)	18	D (Bank Y is more profitable than Bank Z but is less secure.)	28	C (Over time, more firms will have an incentive to reduce their pollution)
9	D 	19	B (B)	29	A (The amounts outstanding on households' existing mortgages will fall in real terms)
10	D (The level of investment depends on the rate of change in national income)	20	C (Falls for peak-time passengers and rises for off-peak passengers)	30	C (£26 500)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2025

SECTION A KEY LIST

1	B (Individuals are required by law to choose an option)	11	D (Point D)	21	B (5.3%)
2	C (ST)	12	C (Ireland's gross national income per capita was higher than Finland's.)	22	A (Situation A)
3	B (Create a hypothesis and test whether it can predict the behaviour of economic agents)	13	B (is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.)	23	D (The rate of increase in the price of necessities, such as energy, is higher than for all goods and services)
4	D 	14	D (Some potential tenants who would like to rent a house at R ₁ cannot find a house to rent)	24	A (Country X has both an absolute advantage and a comparative advantage in producing canoes)
5	A (A fall in the number of Jobcentres provided by the government)	15	D (Profit maximisation is not the most important objective for all managers)	25	D (US\$5200 million)
6	B (A reduction in the tax on a good with positive consumption externalities)	16	B (the quarterly inflation rate fluctuated whilst the unemployment rate increased throughout the year.)	26	D (Tax breaks for manufacturing firms that invest in upgrading their machinery and other capital goods)
7	D (Increasing returns to scale)	17	C (Savings deposited with commercial banks that have more than a year to maturity)	27	D (High concentration ratios and consumer complaints are examples of indicators which may suggest anti-competitive behaviour and prompt further investigation by the Competition and Markets Authority.)
8	C (£75 000)	18	D (Bank Y is more profitable than Bank Z but is less secure.)	28	C (Over time, more firms will have an incentive to reduce their pollution)
9	D 	19	B (B)	29	A (The amounts outstanding on households' existing mortgages will fall in real terms)
10	D (The level of investment depends on the rate of change in national income)	20	C (Falls for peak-time passengers and rises for off-peak passengers)	30	C (£26 500)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2024

Context 2

Total for this context: 40 marks

05

Using the data in **Extract D (Table 2)**, calculate the difference between the mean percentage trade union membership in the private sector and the mean percentage trade union membership in the public sector over the period 2001–2021.

Give your answer to **one** decimal place.

[2 marks]

Mean of private sector trade union membership: $(18.4+16.6+14.2+13.4+12.8)/5= 15.08$
Mean of public sector trade union membership: $(59.7+58.7+56.6+52.8+50.1)/5= 55.58$
Difference = $55.58-15.08 = 40.5$ percentage points (accept 40.5%)

Response	Max 2 marks
For the correct answer, to one decimal place, with % sign: 40.5 percentage points or 40.5%	2 marks
For the correct answer but without the % sign and/or not to one decimal place: eg 40.5 or 40% or 41% OR For the correct method, but the wrong answer, to one decimal place, with the % sign	1 mark

MAXIMUM FOR QUESTION 05: 2 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2024

- 0 6** Explain how the data in **Extract D (Figure 2)** show that, since 2015, living standards of people working in the private sector are likely to have increased compared to those working in the public sector.

[4 marks]

Response	Max 4 marks
- Includes evidence that shows why living standards of people working in the private sector are likely to have increased compared to those working in the public sector since 2015. - Clearly explains how this data is evidence that the living standards of people working in the private sector are likely to have increased compared to those working in the public sector since 2015.	4 marks
- Includes evidence that shows why living standards of people working in the private sector are likely to have increased compared to those working in the public sector since 2015. - Explanation of how this data is evidence that the living standards of people working in the private sector are likely to have increased compared to those working in the public sector since 2015.	3 marks
- Includes some evidence that shows why living standards of people working in the private sector are likely to have increased compared to those working in the public sector since 2015. - Limited explanation of how this data is evidence that the living standards of people working in the private sector are likely to have increased compared to those working in the public sector since 2015.	2 marks
- Includes evidence that does not clearly show why living standards of people working in the private sector are likely to have increased compared to those working in the public sector since 2015. - No explanation of how this data is evidence that the living standards of people working in the private sector are likely to have increased compared to those working in the public sector since 2015.	1 mark

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2024

0 8

Extract F (lines 12–13) states that ‘Collective pay bargaining, reinforced by the threat of strikes, has achieved some notable successes for workers’.

Using the data in the extracts and your knowledge of economics, evaluate the view that trade unions improve the operation of labour markets by protecting the interests of workers.

[25 marks]**Areas for discussion include:**

- explanation of ‘improve the operation of labour markets’
- explanation of trade unions and their objectives
- explanation of the various factors that affect the ability of trade unions to influence wages and levels of employment in different labour markets
- explanation of how wages and the level of employment are determined in competitive labour markets
- discussion of how all labour markets are imperfectly competitive to some extent
- how various factors such as monopsony power, trade unions and imperfect information contribute to imperfections in a labour market
- how, in a monopsony labour market, the employer can use market power to reduce both the wage rate and the level of employment below those that would exist in a perfectly competitive labour market
- analysis and evaluation of how wages and employment are likely to be affected by the introduction of a trade union into a previously competitive labour market and into a monopsony labour market
- analysis and evaluation of how trade unions may have an impact in reducing discrimination within the labour market
- use of **Extract D** to show that pay growth in the more unionised public sector has fallen behind pay growth in the private sector, suggesting a degree of ineffectiveness in terms of pay
- use of the data in the extracts generally to support analysis and evaluation of whether trade unions improve the operation of labour markets
- analysis and evaluation of whether trade unions bring benefits to labour markets more generally, for example by providing a single negotiator for firms to deal with
- the extent to which the operation of labour markets is improved or damaged by worker interests being protected, possibly linked to the degree of monopsony power held by employers
- analysis and evaluation of the extent to which trade union actions such as strikes can have negative impact on wider labour markets by disrupting the working lives of others
- use of examples, eg beneficial effects on staff turnover, innovation and training
- market failure arguments
- government failure arguments
- an overall assessment of whether trade unions improve the operation of labour markets by protecting the interests of workers.

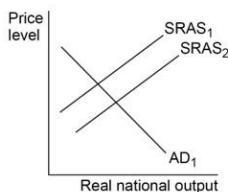
Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 08: 25 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2022

SECTION A

KEY LIST

1	D (may be true or false)	11	B (Most banks carry out both commercial and investment banking activities.)	21	D (Total utility is maximised.)
2	C (Moving products with a high sugar content away from supermarket checkouts)	12	C (A natural disaster, damaging productive capacity)	22	C (Increasing, Increasing, Increasing)
3	A (greater at X than Y)	13	A (Helping countries settle disputes over tariffs and quotas)	23	C (£264 billion)
4	C (3.3%)	14	D (There is considerable spare capacity in the car industry.)	24	A (make supernormal profits)
5	C (price levels)	15	B 	25	B $\left(\frac{1}{40}\right)$
6	C (Rates of income tax)	16	C (The income of some households is significantly less than the median household income.)	26	B (£100 bn)
7	B (Producers will be more likely to have to pay compensation for pollution.)	17	D (regressive tax)	27	B (The cost of living for people who live in UK seaside towns will fall.)
8	C (The firm's total revenue falls.)	18	A (Government retraining schemes for structurally unemployed workers)	28	A (The total amount paid in wages will fall from $(W_2 \times Q_2)$ to $(W_3 \times Q_1)$.)
9	C (price discrimination)	19	C (5 + 6)	29	C (Increasing life expectancy at birth)
10	A (5%)	20	A (Average revenue and marginal revenue will both fall.)	30	C (geographical immobility of labour)

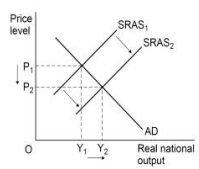
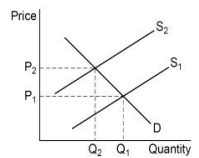
MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2025

SECTION A KEY LIST

1	B (Individuals are required by law to choose an option)	11	D (Point D)	21	B (5.3%)
2	C (ST)	12	C (Ireland's gross national income per capita was higher than Finland's.)	22	A (Situation A)
3	B (Create a hypothesis and test whether it can predict the behaviour of economic agents)	13	B (is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.)	23	D (The rate of increase in the price of necessities, such as energy, is higher than for all goods and services)
4	D 	14	D (Some potential tenants who would like to rent a house at R ₁ cannot find a house to rent)	24	A (Country X has both an absolute advantage and a comparative advantage in producing canoes)
5	A (A fall in the number of Jobcentres provided by the government)	15	D (Profit maximisation is not the most important objective for all managers)	25	D (US\$5200 million)
6	B (A reduction in the tax on a good with positive consumption externalities)	16	B (the quarterly inflation rate fluctuated whilst the unemployment rate increased throughout the year.)	26	D (Tax breaks for manufacturing firms that invest in upgrading their machinery and other capital goods)
7	D (Increasing returns to scale)	17	C (Savings deposited with commercial banks that have more than a year to maturity)	27	D (High concentration ratios and consumer complaints are examples of indicators which may suggest anti-competitive behaviour and prompt further investigation by the Competition and Markets Authority.)
8	C (£75 000)	18	D (Bank Y is more profitable than Bank Z but is less secure.)	28	C (Over time, more firms will have an incentive to reduce their pollution)
9	D 	19	B (B)	29	A (The amounts outstanding on households' existing mortgages will fall in real terms)
10	D (The level of investment depends on the rate of change in national income)	20	C (Falls for peak-time passengers and rises for off-peak passengers)	30	C (£26 500)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2025

SECTION A KEY LIST

1	B (Individuals are required by law to choose an option)	11	D (Point D)	21	B (5.3%)
2	C (ST)	12	C (Ireland's gross national income per capita was higher than Finland's.)	22	A (Situation A)
3	B (Create a hypothesis and test whether it can predict the behaviour of economic agents)	13	B (is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.)	23	D (The rate of increase in the price of necessities, such as energy, is higher than for all goods and services)
4	D 	14	D (Some potential tenants who would like to rent a house at R_1 cannot find a house to rent)	24	A (Country X has both an absolute advantage and a comparative advantage in producing canoes)
5	A (A fall in the number of Jobcentres provided by the government)	15	D (Profit maximisation is not the most important objective for all managers)	25	D (US\$5200 million)
6	B (A reduction in the tax on a good with positive consumption externalities)	16	B (the quarterly inflation rate fluctuated whilst the unemployment rate increased throughout the year.)	26	D (Tax breaks for manufacturing firms that invest in upgrading their machinery and other capital goods)
7	D (Increasing returns to scale)	17	C (Savings deposited with commercial banks that have more than a year to maturity)	27	D (High concentration ratios and consumer complaints are examples of indicators which may suggest anti-competitive behaviour and prompt further investigation by the Competition and Markets Authority.)
8	C (£75 000)	18	D (Bank Y is more profitable than Bank Z but is less secure.)	28	C (Over time, more firms will have an incentive to reduce their pollution)
9	D 	19	B (B)	29	A (The amounts outstanding on households' existing mortgages will fall in real terms)
10	D (The level of investment depends on the rate of change in national income)	20	C (Falls for peak-time passengers and rises for off-peak passengers)	30	C (£26 500)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2021

SECTION A

KEY LIST

1	B (the higher marginal revenue productivity of graduates.)	11	D (not buy the motorbike because they do not know as much about the motorbike as the dealer.)	21	C (firm is maximising its abnormal profit and has no incentive to expand its production.)
2	A (can have microeconomic as well as macroeconomic effects on the economy.)	12	A (A decline in the capital stock resulting from a significant decline in bank funding for business investment)	22	D (the marginal propensity to consume combined with a fall in the exchange rate.)
3	B (negative externalities in production and positive externalities in consumption.)	13	A (accepting the default choice.)	23	B (A reduction in firms' unit costs of production.)
4	D (The government's budget deficit increases as the rate of unemployment is reduced)	14	C (Savings will increase as interest rates rise in real terms)	24	D (The removal of a subsidy to tea producers and a fall in the price of coffee)
5	D (Country 4 has the highest life expectancy and literacy rates)	15	B (inelastic.)	25	B (a negative output gap equal to £6 billion.)
6	D ($H_1 - H_2$)	16	B (increase its average revenue by 20%.)	26	D (short-term finance is provided for companies and governments.)
7	D (most likely to be a commercial bank because its main liabilities are customer deposits.)	17	C (3.8%)	27	A (job security for qualified workers in the industry.)
8	D (public goods.)	18	B (20/400)	28	C (£525 billion)
9	C (OPHJ)	19	A (level of investment.)	29	D (tariffs to raise the price of imports.)
10	D (projected tax revenue by more than £100 billion)	20	A (A decrease in the cost of producing the good) OR C An increase in the price of the good	30	B (A fall in the prices of raw materials and an increase in investment.)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2022

0 3

Extract C (lines 4–5) states that, as a result of trade union action, ‘The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75.’

With the help of a diagram, analyse how a trade union might achieve higher pay for its members.

[9 marks]

Level of response	Response:	Max 9 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	7–9 marks
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram.	4–6 marks
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	1–3 marks

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2025

- 1 4** Assess the view that a national minimum wage, such as the UK's National Living Wage, contributes to an improvement in economic welfare.

[25 marks]

Areas for discussion include:

- explanation of what a national minimum wage (NMW) is
- explanation of what is meant by an improvement in economic welfare
- how the UK has a number of different minimum wages according to worker age and whether they are an apprentice or not
- diagrammatic analysis of the impact of a NMW on competitive labour markets resulting in higher labour supply but potentially lower labour demand
- analysis of why a NMW may reduce the demand for labour in some labour markets and the significance of the price elasticity of demand for labour
- reasons for labour demand falling in response to a NMW
- analysis and evaluation of reasons why a NMW may improve economic welfare, such as
 - may increase disposable incomes of lower-income/lower-skilled workers
 - may incentivise the economically inactive to join the labour force/the unemployed to search harder for jobs
 - may increase worker motivation and therefore labour productivity (efficiency wage theory)
 - may increase firms' incentive to invest in capital to raise labour productivity sufficiently to justify paying the higher wage
 - may prevent exploitation/discrimination of workers in weak bargaining positions
 - may reduce poverty
 - may reduce income inequality
 - market failure arguments
- analysis and evaluation of reasons why a NMW may reduce economic welfare, such as
 - may create unemployment
 - may lead to higher-paid workers receiving wage rises and thus lead to wider inflation without reducing inequality
 - may create a hidden/shadow labour market
 - may lead to jobs being lost to cheaper wage environments abroad
 - may be inflexible in dealing with regional pay differences
 - government failure arguments
- analysis and evaluation of the impact of a NMW in a monopsonistic labour market
- evaluation of the argument that NMWs are more necessary when trade union membership is low and bargaining power of workers is therefore weak
- evaluation of the actual impact of the NMW in the UK (or elsewhere)
- an overall assessment of the view that a national minimum wage, such as the UK's National Living Wage, contributes to an improvement in economic welfare.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 14: 25 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2017

Section A

Context 2

Total for this Context: 40 marks

0 5 Using the data in **Extract D (Figure 3)**, calculate the mean female labour force participation rate for the five countries listed. Give your answer to **one** decimal place. **[2 marks]**

Calculation: $348/5 = 69.6\%$

Response	Max 2 marks
For the correct answer with the % sign and to one decimal place	2 marks
For the correct answer but without the % sign and/or not to one decimal place	1 mark

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2017

0 8 **Extract F** (lines 19–20) notes that ‘The UK Government recognises the need to raise aspirations and attainment for girls’.

Use the extracts and your knowledge of economics to evaluate the policies that government might use to reduce the gender pay gap.

[25 marks]

Areas for discussion include:

- what is meant by the UK gender pay gap
- how the pay gap has evolved over time
- significance of UK gender pay gap compared with other countries
- how supporting trade unions can reduce the wage gap, noting female union membership is already higher than male, and yet the pay gap persists
- higher wages through collective bargaining
- the declining significance of unions in general
- discussion of how the government would actually encourage women to join unions and whether that is an appropriate policy for government to pursue
- supporting women in the workplace through, eg training, working conditions, encouraging women to be ambitious (see Extract F)
- analysis and assessment of increasing National Minimum Wage rates
- analysis and assessment of increasing female labour force participation
- legislating for boardroom quotas, as seen in Norway, as a way to promote aspiration and break the ‘glass ceiling’
- other policies to promote aspiration amongst females, and break down traditional social norms with respect to, eg school/degree subject choices
- UK policy of forcing firms to disclose pay gaps
- tougher penalties for firms discriminating against women
- impact of policy intervention on wage costs
- the case against further intervention, or even reducing existing interventions, to allow market forces in the labour market to reduce the pay gap
- evaluation of how much the pay gap is actually a problem that needs to be addressed

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate’s response to the question.

Use the levels mark scheme on page 4 to award candidates marks for this question.

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2021

0 8

Extract E (lines 3–4) states: ‘significant gaps remain, even when education and occupation are taken into account, particularly for those born outside the UK.’

Using the extracts and your knowledge of economics, evaluate possible government policies to reduce the ethnic pay gap.

[25 marks]**Areas for discussion include:**

- there is a significant negative ethnic pay gap between White British and most other workers, with particularly large gaps between Bangladeshi and Pakistani workers
- reasons why the pay gap exists
- reasons why the pay gap differs across different ethnic minorities
- reasons why the pay gap seems to be declining
- recognition that the pay gap exists even after controlling for education and occupation
- costs of the pay gap (eg inefficiency/misallocation of workers and resources, inequality, poverty, unfairness)
- macroeconomic impacts of the ethnic pay gap (eg reduced GDP)
- the fact that some ethnic groups earn more than White British workers, suggesting that this is not necessarily a problem of discrimination or unfairness, but more a reflection of cultural, educational and social differences and inequalities
- discussion of a range of policies to include:
 - anti-discrimination legislation (already in place)
 - requiring all/large firms to disclose data about ethnic pay gaps
 - requiring all/large firms to publish policies to close existing pay gaps
 - public sector organisations leading by example with transparency and plans to tackle the pay gap
 - accepting foreign qualifications such as school certificates, driving licences, etc
 - ethnic quotas on boards of companies/senior management roles
 - encouraging greater labour force participation by certain ethnic groups
- overall view of whether policies aimed at reducing the pay gap would be beneficial
- market failure arguments
- government failure arguments.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 08: 25 MARKS