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EDEXCEL A ECONOMICS: QUESTIONS BY TOPIC

The Labour Market (3.5)

A Level Economics Theme 3

20 questions · 264 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
3.5.1 DEMAND FOR LABOUR		1 Q · 8 marks	2
1. Q6(b)	A Level Paper 1 June 2025	8	5
3.5.2 SUPPLY OF LABOUR		9 Qs · 124 marks	7
2. Q1(a)	A Level Paper 1 November 2021	1	8
3. Q1	A Level Paper 1 November 2021	5	9
4. Q2(b)	A Level Paper 3 October 2020	8	11
5. Q6(b)	A Level Paper 1 June 2024	8	15
6. Q1(c)	A Level Paper 3 November 2021	12	19
7. Q6(e)	A Level Paper 1 June 2018	15	24
8. Q2(e)	A Level Paper 3 October 2020	25	30
9. Q8	A Level Paper 1 June 2022	25	36
10. Q2(e)	A Level Paper 3 June 2023	25	40
3.5.3 WAGE DETERMINATION		10 Qs · 132 marks	47
11. Q5(a)	A Level Paper 1 June 2023	1	48
12. Q5(b)	A Level Paper 1 June 2025	1	49
13. Q5	A Level Paper 1 June 2023	5	50
14. Q5	A Level Paper 1 June 2025	5	52
15. Q1(b)	A Level Paper 3 June 2025	8	56
16. Q2(c)	A Level Paper 3 June 2017	12	58
17. Q7	A Level Paper 1 June 2019	25	64
18. Q7	A Level Paper 1 November 2021	25	68
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20. Q1(d)	A Level Paper 3 June 2024	25	79



QUESTIONS

20 questions · 264 marks · 3 sub-topics

SUB-TOPIC 3.5.1

DEMAND FOR LABOUR

Sub-topic 3.5.1 · 1 question · 8 marks · lowest tariff first



Sources for use with SECTION B

Read the following figure (1) and extracts (A to C) before answering Question 6.

Question 6**Digital markets****Figure 1: UK sales of selected best-selling video games, 2022**

Name of game	Game publisher	Sales (quantity)	Game price
FIFA 23	Electronic Arts (EA)	2 530 510	£59.99
COD: MW II	Activision	1 675 323	£59.99
Mario Kart 8	Nintendo	426 748	£39.99
Gran Turismo 7	Sony	356 630	£69.99
Minecraft	Microsoft	219 679	£14.99

(Source: adapted from <https://www.statista.com/statistics/274072/most-popular-games-in-the-united-kingdom-uk-by-unit-sales>)

Extract A**Digital markets**

Digital markets refer to firms producing and buying information technology services. Examples include digital banking, online retailing, computer games and mobile applications (apps). The emergence of digital markets has brought about increased competition across a wide range of products and services. They have also been beneficial for consumers who now have greater choice and access to higher-quality products at lower prices, for example, fashion clothing and language tuition. But while the digital revolution has enabled greater competition, it also presents some challenges for competition law enforcement.

(Source: adapted from <https://pearsonblog.campaignserver.co.uk/digital-markets-reform-of-competition-laws/>)



Extract B**Addictive video games**

When consumers want to play a new video game, there are three payment options to access the full gaming experience. There is the price for the game (see Figure 1), the subscription fee to play online with friends (e.g. £13.99 a month) and there are many in-game purchases. For example, a Spiderman 'skin' which costs £9.99 enhances the appearance of the player. The high prices do not seem to deter many new buyers, especially in markets such as sports and multi-player action games. 40% of the world's population are online gamers. Young players spend up to 10–16 hours a day on their games due to the addictive nature of the games. 5

The video games can take up to five years to develop and cost over £150 million to produce with 200 full time employees working on the software. Starting salaries for software developers can be £100 000. However, some simple video games and apps cost as little as £23 000 to develop and take about six months. 10

All the major firms – EA, Microsoft, Nintendo and Sony – offer subscriptions that give access to new game releases. The US technology company, Microsoft, is one of the dominant firms in the market for subscription services. In October 2023, it merged with the game designer, Activision, which already owns one of the world's most popular video games (see Figure 1). The £65 billion merger is the largest in the history of the video games industry. However, Sony is concerned that the Microsoft-Activision merger may restrict access to popular video games owned by Microsoft and therefore reduce competition. 15 20

(Source: adapted from <https://www.theguardian.com/technology/2023/apr/26/what-does-uks-ban-on-microsofts-activision-blizzard-takeover-mean-for-gaming?>)

Extract C**The growth of automation**

Automation is the use of technology to perform tasks previously carried out by humans. Automation has the potential to bring great economic benefits to both consumers and firms, contributing up to £12 trillion to global GDP by 2030. This extra income will also create demand for many new jobs. However, there are also concerns that it could displace many existing workers. 5

Financial services jobs are most at risk from automation in the shorter term and transport jobs, such as train drivers, in the longer run. For example, the growth of online banking has already led to the closure of many high street bank branches. By the mid-2030s, up to 30% of all jobs could be automated, with slightly more impact on men. 10

Another form of revenue for Microsoft is the artificial intelligence (AI) program ChatGPT. The growth of AI will require highly skilled workers such as trainers and engineers. Microsoft's annual gross profit for 2023 was £146 billion, a 7.69% increase on 2022.

(Source: adapted from <https://www.economist.com/business/2023/03/26/big-tech-and-the-pursuit-of-ai-dominance>)



(8)





SUB-TOPIC 3.5.2

SUPPLY OF LABOUR

Sub-topic 3.5.2 · 9 questions · 124 marks · lowest tariff first



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 Statement 1: Since Poland joined the European Union (EU) in 2004, over one million of its workforce have migrated to other countries in the EU.

Statement 2: Many engineers have left Poland for higher paid jobs in other countries in the EU.

(Source: <https://www.forbes.com/sites/freylindsay/2019/08/09/polands-emigration-rate-is-falling-but-people-are-still-worried-about-the-brain-drain-bogeyman/#9550525792e6>)

- (a) Which **one** of the following best describes the two statements above?

(1)

	Statement 1	Statement 2
☐ A	Normative	Normative
☐ B	Normative	Positive
☐ C	Positive	Normative
☐ D	Positive	Positive

(Total for Question 1(a) = 1 mark)



SECTION A

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- (a) Which **one** of the following best describes the two statements above?

(1)

	Statement 1	Statement 2
☐ A	Normative	Normative
☐ B	Normative	Positive
☐ C	Positive	Normative
☐ D	Positive	Positive



(4)



SECTION B

Read Figures 3 to 5 and the following extract (D) before answering Question 2.

Answer ALL Questions 2(a) to 2(c), and EITHER Question 2(d) OR 2(e).

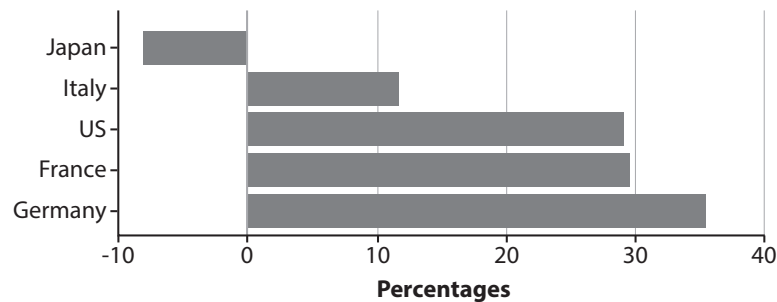
Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 2

The UK economy

Figure 3: GDP per hour worked, nominal values at PPPs, percentage above or below UK level, 2018



(Source adapted from: ONS.gov.uk)

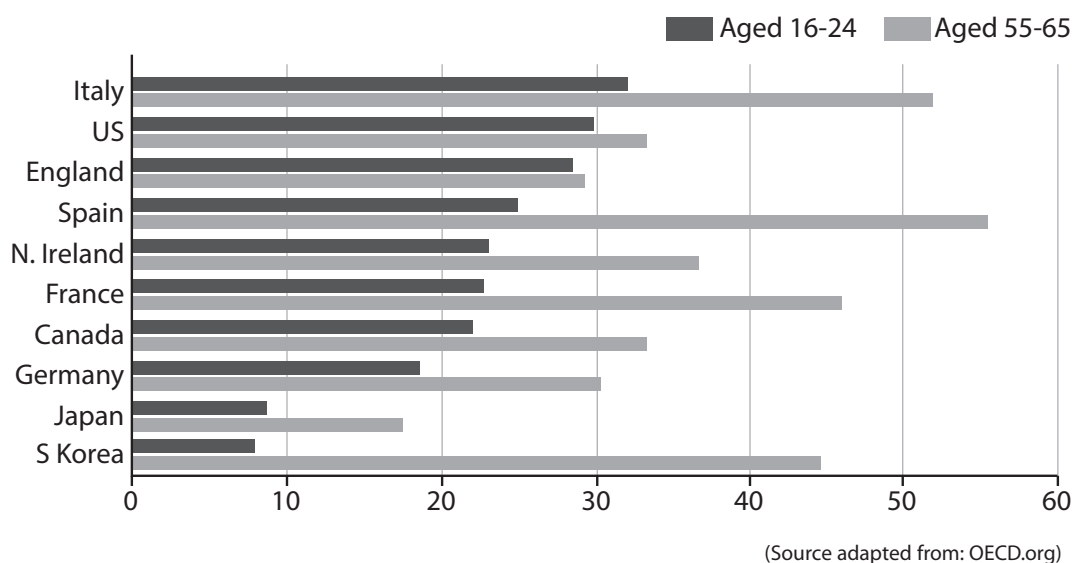
Figure 4: UK index of output per hour worked, base year 2016 = 100



(Source adapted from: ONS.gov.uk)



Figure 5: Proportion of adults with low literacy and/or numeracy skills, by age, selected countries



(Figures 3, 4 and 5 Source: FT.com 2016 data published <https://www.ft.com/content/6ada0002-9a57-11e8-9702-5946bae86e6d> 2018)

Extract D

The end of the High Street?

Homebase, the UK's second-largest do-it-yourself (DIY) retailer, made £20–40 million a year profit up to 2016. The Australian conglomerate Wesfarmers bought Homebase for £340 million in 2016, and began to rebrand 24 stores under its own name. It scaled back on curtain, cushion and other homeware sales in favour of power tools and building materials. In 2018 Wesfarmers sold the DIY chain for £1, in the face of "extremely challenging" market conditions and excess store space. The chain was bought by restructuring specialist Hilco, which had also rescued the music chain HMV in 2013, and the stores have gone back to using the Homebase name. Over 70% of Homebase stores are currently losing money and the new owner wants to exit loss-making stores and agree to rent reductions, as sales fell 10% in 2018. Homebase has gone back to popular products and brands dropped by its previous owner Wesfarmers. 5

The closures will add to the mounting job losses on Britain's high streets. About 25 000 jobs have gone in the first seven months of 2018, according to analysis by an economics thinktank. A further 8 300 jobs are under threat at suppliers, with the multiplier effect meaning that GDP is £1.5 billion less than projected. 10

Several Marks & Spencer clothing stores closed their doors for the last time as the high-street chain pushes ahead with a transformation plan. It plans to close 100 stores by 2022. Toys R Us, Poundworld and Maplin have shut down completely, while New Look, Mothercare and Carpetright have plans to close hundreds of stores as losses rise sharply. Increasing rents and higher business rates have occurred at the same time as falling consumer confidence. Meanwhile, House of Fraser employees and pensioners are nervously awaiting more details about their future. The £90 million rescue deal by Sports Direct, the sportswear chain controlled by Mike Ashley, will protect 16 000 jobs for the time being. 20

(Source adapted from: <https://www.ft.com/content/00d0bb9e-a6ee-11e8-8ecf-a7ae1beff35b> 24 August 2018 and <https://www.theguardian.com/business/2018/aug/13/homebase-close-80-stores-high-street-job-losses-mount> Patrick Collinson 13 Aug 2018)



(8)



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SECTION B

Read the following extracts (A to D) before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 6**The electronics industry****Extract A****Rising prices of electronics devices**

Computer chips act as the “brain” in all electronic devices. Makers of electronic devices face significant increases in the price of computer chips as they try to source enough components, including games consoles, computers and smartphones. The price of some computer chips has jumped from \$0.20 each to more than \$1. The prices of electronic devices have risen for a range of reasons, including higher material costs and the growing popularity of home entertainment. 5

(Source: adapted from <https://www.ft.com/content/8c718a74-cd95-4b2d-ac0e-de0682e4e3cd>)

Extract B**Labour shortages in the electronics industry**

Every year, highly skilled and experienced employees in the electronics industry retire. The current tight labour market has made an already difficult problem of hiring suitable engineering and computing graduates worse, especially since the nature of the industry is becoming increasingly technical. As production becomes more automated, electronics jobs are more likely to require problem solving and analysis than just assembling skills. However, artificial intelligence and other new technologies can help fill some of the skills gap. In addition, by giving hazardous, repetitive, grimy work to robots, human beings can focus on more creative, analytic tasks. 5
10

(Source: adapted from <https://www.ericsson.com/en/blog/2021/12/manufacturing-problems-that-keep-ceos-awake-at-night>)

Extract C**Serious concerns over merger**

The Competition and Markets Authority (CMA) has said the takeover of the Cambridge-based computer chip designer Arm by its US rival Nvidia raises serious competition concerns. It has launched an in-depth investigation into the £29.5 billion deal. The CMA said the merger could reduce choice for firms reliant on computer chips, pushing up prices of products including cars, games consoles and mobile phones. In addition, severe global shortages of computer chips has disrupted the manufacture of a range of electronic goods pushing up costs for firms. 5

Despite this, large electronics firms benefit from economies of scale and are able to finance high-risk innovation and global advertising. 10

(Source adapted from: <https://www.theguardian.com/business/2021/aug/20/watchdog-expresses-concerns-over-nvidias-takeover-of-uk-chip-designer-arm>)

Extract D**The growing problem of electronic waste**

Electronic waste is the fastest growing element of the world's household waste problem. The problem in the UK is particularly bad. The country produces 24.9 kg a person a year – nearly 10 kg more than the EU average. In 2018, 1.2 million tonnes of electrical devices were sold in the UK, and 500 000 tonnes made it to recycling centres. Some appliances are more likely to be recycled than others. The recycling rate for big appliances, such as fridges and cookers, is about 80%. Of small appliances, barely one in five makes it to the recycling centre. As items such as toasters, hairdryers and headphones fit into household bins, they are not often taken to a recycling centre. This causes many problems, such as hazardous substances contaminating soil, water pollution and other external costs. 5 10

Policy makers have a long list of options to combat this problem including stricter regulation, environmental education, taxation and financial incentives. In some countries, for example, household rubbish is weighed and recycling initiatives are subsidised.

(Source adapted from: <https://www.ft.com/content/26e1aa74-2261-11ea-92da-f0c92e957a96>)

(8)





SECTION A

Read extracts A and B before answering Question 1.

Answer ALL Questions 1(a) to 1(c), and EITHER Question 1(d) OR 1(e).

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 1

Hand car wash (HCW) firms in the UK

Extract A

What is the true human cost of your £5 hand car wash (HCW)?

The UK's hand car washes (HCWs) are extremely price competitive, but they have also been linked to modern slavery. Are they ever fair for workers?

There is little agreement about how many HCWs there are in the UK. Estimates range from 10 000 to 20 000. This lack of accurate information about the industry makes government regulation very difficult. Automated car washes, with their fierce rotating bristles, used to be the first option for drivers in a hurry. Now there is more choice. While the economy slows and incomes fail to keep up with inflation, demand for HCWs has grown. Many people see paying £5 for a car washed by someone else, rather than cleaning it at home, as a small expense which yields a high utility. But what is the true cost of a £5 car wash – and what should we be paying?

The growth of HCWs is partly the result of changes in the structure of industry in the UK. Many petrol stations have closed as drivers fill up at supermarkets. Garages and their forecourts have closed as cars become more reliable and locked into service agreements. The available sites for HCWs have therefore increased significantly and rents have fallen.

HCW entrepreneurs have identified available land and have benefitted from changes in the labour market, partly as a result of EU migration. UK drivers are now able to obtain cheap and effective hand car washing. For many migrants, car washes are a first job. "They accept car washing for a short period while they improve their language skills and move into other industries," says Ian Clark, a professor of work and employment at Nottingham Business School. "But there are also car-wash workers without networks who are in a dead end, working there for long periods."

Many drivers are only interested in getting the cheapest wash. If the price is very low, it probably means that workers are receiving less than the minimum wage and working in poor conditions. Crude calculations illustrate the problem. A £5 HCW employing five workers for 10 hours a day would need to wash 79 cars a day to just cover the wage costs. This assumes the workers are paid the minimum wage. This is one car every seven and a half minutes. Even if the profit can be higher on valet services, the price of which can be as little as £12 for a full inside-and-out clean, it's hard to see how a car wash price as low as £5 pays a living wage. This ignores all other costs which HCWs incur such as business rates and rent.

Evidence from car-wash workers is limited but Clark and others have been able to build a picture of some of the tougher conditions on drenched forecourts. "Like nail bars and small garment manufacturers, car washes are what we call 'hard-to-reach places,'" Clark

explains. As part of the research, Clark and his team spoke to workers from 45 HCWs in the Midlands.

Clark and his team met and observed workers who lacked waterproof boots or trousers, or hi-vis jackets and gloves. "They're spraying around hydrochloric acid solution for alloy wheels, breathing in the vapour and fumes," Clark says. Some workers were paid a little over half the minimum wage.

(Source adapted from: <https://www.theguardian.com/world/2018/jul/16/true-human-cost-5-pound-hand-car-wash-modern-slavery>)



Extract B**Government intervention in the HCW industry**

There are three main areas of government intervention that might impact on labour intensive firms such as HCWs:

First, there is the planning issue which focuses on the impact on the environment, for example, the disposal and recycling of waste water and chemicals. There could be planning regulations to prevent the use of tarmac rather than concrete on forecourts. Tarmac allows waste water and chemicals to seep into the sub soil. It could also be a requirement to have a sludge trap to stop the waste entering waterways. 5

Second, there is the health and safety issue for workers. Prolonged exposure to chemicals and lack of protective clothing puts the health of workers at risk. Performance targets could involve minimum levels of protective clothing and rest breaks for the workers. 10

Third, there is the issue of tax. The informal nature of the business type makes tax evasion easier.

Not all UK HCWs violate regulations. There are legitimate, regulated HCW firms as well as examples of good practice by independent outlets. One national supermarket, Tesco, has banned all independent hand car washes from its car parks. It is now in a partnership agreement with national car wash operator Waves. It uses a WashMark certificate of quality and compliance which was introduced by the industry to improve working conditions. Other major supermarkets are considering similar changes. One adviser believes £9 is a reasonable minimum price for a basic wash. Some pressure groups have developed a mobile phone app where evidence of unreasonable conditions can be reported by drivers. 15 20

Involving drivers in the issue, and making them demand fairer car washes, creates an incentive for good businesses to improve practices and come forward to get a WashMark certificate. 25

(Source adapted from: <https://www.parliament.uk/documents/commons-committees/environmental-audit/Hand-Car-Wash-evidence.pdf> research into HCWs by Professor Ian Clark, Nottingham Business School May 2018)



(12)



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SECTION B

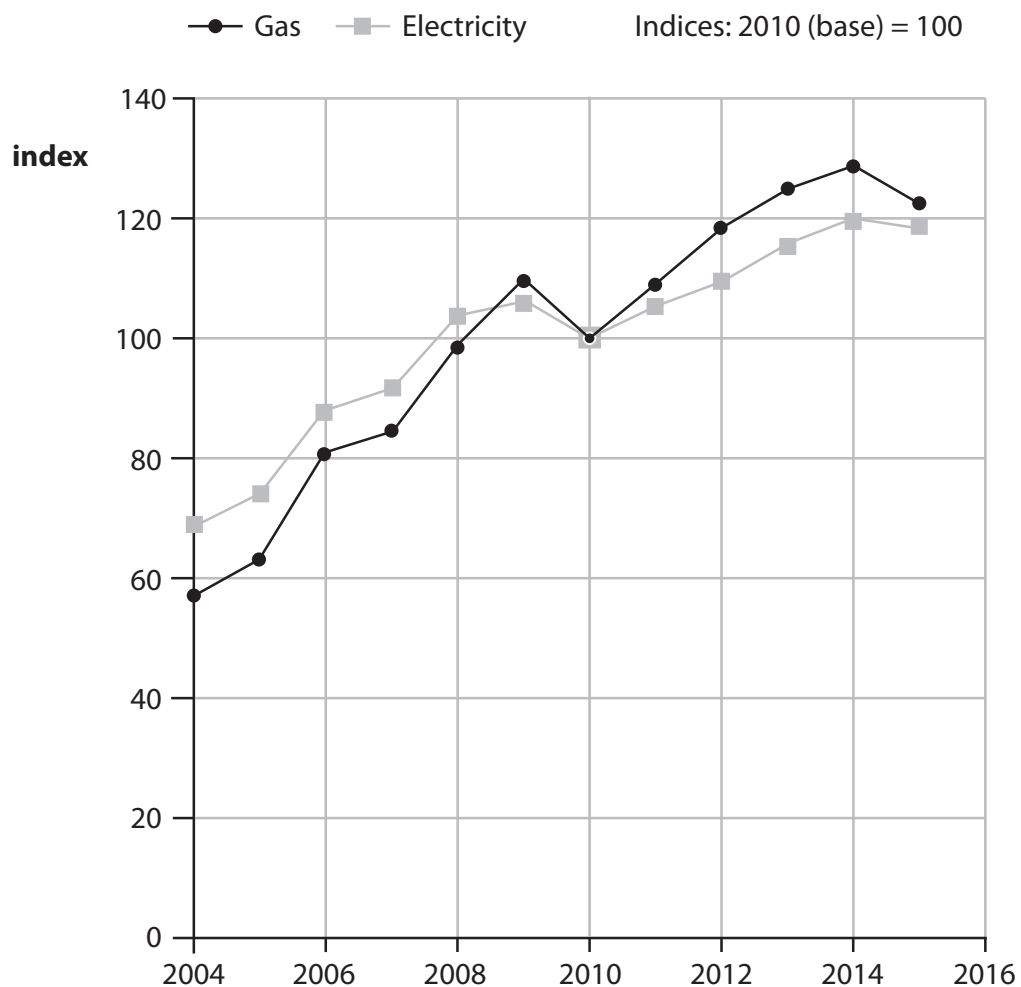
Read Figures 1 and 2 and the following extracts (A to C) before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 6**The UK energy market**

Figure 1: UK retail electricity and gas real price indices, 2004–2015



(Source: <https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>)

Figure 2: UK retail electricity and gas supply: market share by company, 2016

Company	Electricity %	Gas %
British Gas	23	36
EON	16	13
SSE	16	13
EDF	12	8
Scottish Power	11	9
RWE (nPower)	10	9
Other companies	12	12
Total	100	100

(Sources: <https://www.ofgem.gov.uk/chart/electricity-supply-market-shares-company-domestic-gb> and <https://www.ofgem.gov.uk/data-portal/retail-market-indicators>)

Extract A**Competition and Markets Authority (CMA) report into the UK energy market**

An investigation into the UK energy market by the CMA concluded that customers have been paying £1.4 billion a year more than they would in a fully competitive market. It found that 70% of domestic customers of the six largest energy firms were on an expensive standard rate. These customers could each save over £300 a year by switching to a cheaper deal but appear reluctant to do so.

5

However, the CMA investigation found no evidence of anti-competitive practices by firms. There has even been an increase in new entrant energy suppliers over recent years and their combined market share has reached 12% in both gas and electricity supply.

To protect consumers, the CMA has introduced various measures to open up and increase competition in the UK energy market. These include:

10

- the creation of a database designed to help consumers switch energy suppliers – rival suppliers can directly contact these customers
- the conversion of all homes to smart energy meters making it easier for customers to measure energy consumption and switch supplier
- new rules to protect the four million vulnerable customers using prepaid meters – this includes a temporary price cap until smart meters have been installed.

15

(Source: adapted from 'Competition and Markets Authority Final report into Energy Market Investigation' <https://www.gov.uk/government/news/cma-publishes-final-energy-report-in-full>)



Extract B**Proposals to regulate profits in the UK energy market**

Currently energy retail companies make an average profit of 7% of total revenue. The Chairman of the Competition and Markets Authority (CMA) suggested that these profits are as much as five times higher than they should be, given the companies' limited role in marketing, metering and billing customers. He recommended a profit cap of 1.25% of total revenue. 5

However, Scottish Power criticised proposals for regulating profits saying that it would reduce investment in the energy industry and undermine long-term energy provision. The firm claimed that such a low rate of return is below the profit margin made by supermarkets. 10

All six large energy firms are vertically integrated – producing as well as distributing gas and electricity. This can provide efficiency benefits but also harm competition.

(Source: adapted from 'Profit cap doesn't fit with new investment, energy boss warns', by Robin Pagnamenta, *The Times*, 19th September 2016)

Extract C**Skills shortages in the UK energy sector**

The energy sector is facing a skills shortage of engineers and technicians. Some 29% of employers in the gas and electricity industries report unfilled job vacancies compared with an average of 18% across all industries.

A lack of information and advice on career prospects for young people is partly to blame - many graduates have a negative image of the work involved. There is also a lack of students taking science, technology, engineering and maths-based subjects at school and university. Less than one-fifth of the energy sector's workforce are women. 5

The energy sector is characterised by an ageing workforce - data from the UK Labour Force Survey reveal that around two-thirds of workers are aged over 50. These cannot easily be replaced as a long time period is required for training and developing workers' skills in a highly regulated industry. 10

Urgent action is required by businesses and the government to reduce labour immobility to benefit the energy sector. This action could include policies to increase investment in training programmes, recruit skilled workers from overseas, change the industry image and deal with its ageing workforce. 15

(Source: adapted from 'Sector insights: skills and performance challenges in the energy sector', by the UK Commission for Employment and Skills, March 2015; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/416998/15.03.25_Energy_SLMl_-_evidence_report.pdf)

(15)



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(Total for Question 6 = 50 marks)



SECTION B

Read Figures 3 to 5 and the following extract (D) before answering Question 2.

Answer ALL Questions 2(a) to 2(c), and EITHER Question 2(d) OR 2(e).

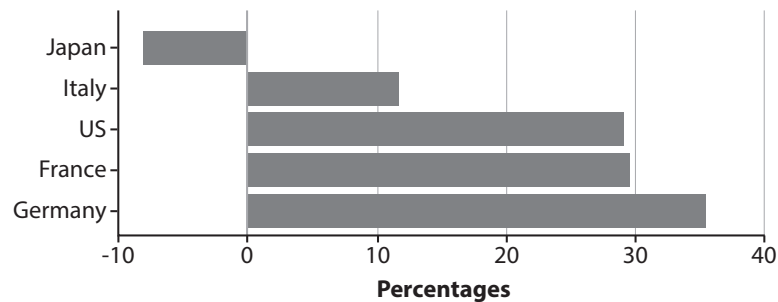
Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 2

The UK economy

Figure 3: GDP per hour worked, nominal values at PPPs, percentage above or below UK level, 2018



(Source adapted from: ONS.gov.uk)

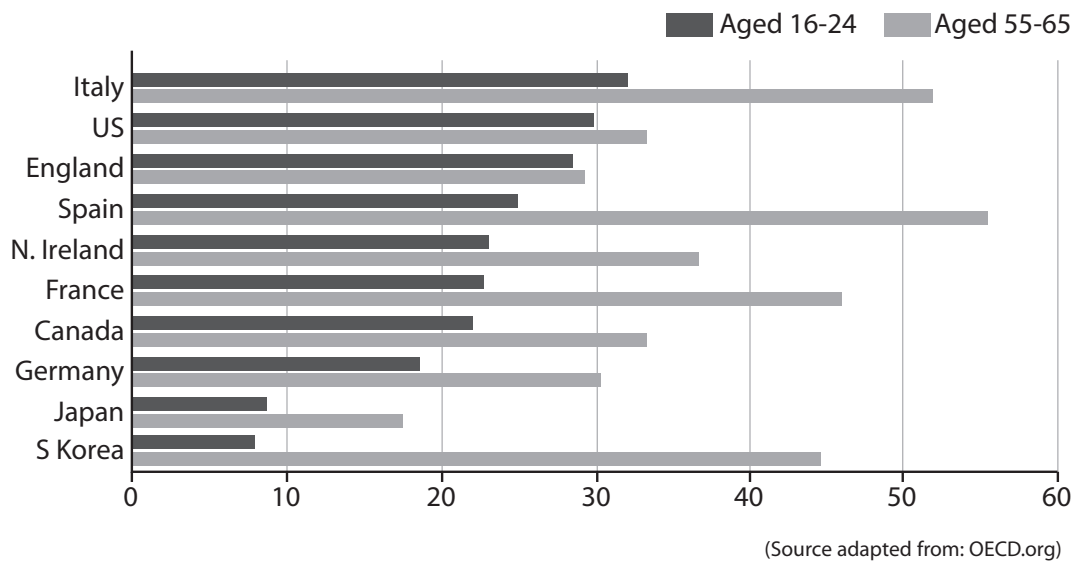
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(Source adapted from: ONS.gov.uk)



Figure 5: Proportion of adults with low literacy and/or numeracy skills, by age, selected countries



(Figures 3, 4 and 5 Source: FT.com 2016 data published <https://www.ft.com/content/6ada0002-9a57-11e8-9702-5946bae86e6d> 2018)

Extract D

The end of the High Street?

Homebase, the UK's second-largest do-it-yourself (DIY) retailer, made £20–40 million a year profit up to 2016. The Australian conglomerate Wesfarmers bought Homebase for £340 million in 2016, and began to rebrand 24 stores under its own name. It scaled back on curtain, cushion and other homeware sales in favour of power tools and building materials. In 2018 Wesfarmers sold the DIY chain for £1, in the face of "extremely challenging" market conditions and excess store space. The chain was bought by restructuring specialist Hilco, which had also rescued the music chain HMV in 2013, and the stores have gone back to using the Homebase name. Over 70% of Homebase stores are currently losing money and the new owner wants to exit loss-making stores and agree to rent reductions, as sales fell 10% in 2018. Homebase has gone back to popular products and brands dropped by its previous owner Wesfarmers. 5

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(Source adapted from: <https://www.ft.com/content/00d0bb9e-a6ee-11e8-8ecf-a7ae1beff35b> 24 August 2018 and <https://www.theguardian.com/business/2018/aug/13/homebase-close-80-stores-high-street-job-losses-mount> Patrick Collinson 13 Aug 2018)



(25)



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[illegible]

[illegible]

Continue on separate paper if required.



- 8** Some occupations in the UK are facing large labour shortages. Hard-to-fill vacancies include qualified chefs, software engineers, construction workers and qualified nurses.

(Source: adapted from <https://www.ft.com/content/36baacce-ddd0-11e8-9f04-38d397e6661c>)

- Q)** Evaluate the factors that might influence the supply of labour in an occupation of your choice.

(25)

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Continue on separate paper if required.



SECTION B

Read Figures 3 and 4 and the extracts (C to E) before answering Question 2.

Answer ALL Questions 2(a) to 2(c), and EITHER Question 2(d) OR 2(e).

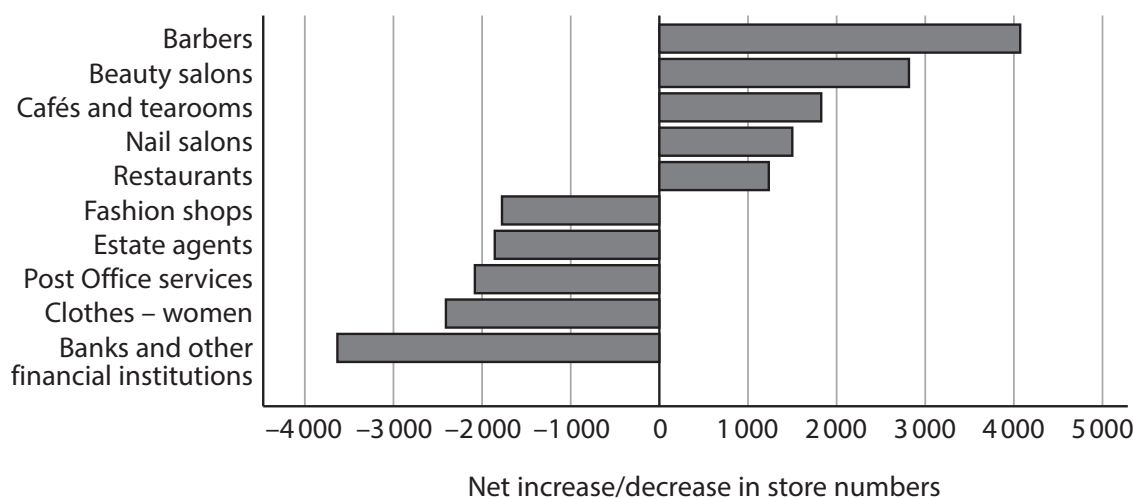
Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 2

Changes in the nature of UK towns and cities

Figure 3: Growing and declining high street firms – net change in store numbers, 2013–2022



(Source: adapted from <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/what-next-for-the-high-street.html>)

Figure 4: House price changes in the UK (%), 2005 to 2022



(Source: adapted from <https://www.theguardian.com/money/2022/sep/28/uk-house-prices-may-fall-20-amid-mortgage-carnage-warn-experts>)



Extract C**What next for the high street?**

A high street is typically found in all UK towns and cities. Shops normally encountered in a typical UK high street can include successful small firms such as independent food retailers, cafés, nail and beauty salons, restaurants and charity shops. They differ from out-of-town shopping centres by being more diverse, family-run and offering local or personalised services. Customers are often very loyal. However, the high street may often have limited access by car or expensive parking facilities. 5

The rise of online retailers such as Amazon and eBay have placed huge pressures on UK high streets, with many well-known shops – and even successful retail chains – forced to close due to lost business. Many high street firms cannot compete on price with online retailers who – because they frequently have very low fixed costs – can significantly undercut the high street shops on price. 10

Even before online shopping, competition was eroding high street activity, with out-of-town retail parks that were not necessarily cheaper but provide a larger range of shops and offer plentiful parking. They offer a shopping experience that other retailing cannot match – pleasant, safe pedestrian shopping, a clean environment, fun activities for children and spend-the-day-there potential. 15

While the list of retail and leisure failures might suggest that the high street does not have a future, some analysts argue the opposite. Many believe that the high street is ideally placed to reinvent itself in response to the structural shift in working and shopping patterns that has resulted from the global health crisis 2020–22. The perceived weaknesses of the high street model – its fragmented ownership, lack of centralised coordination and high vacancy rates – become strengths as they lower the barriers to entry for new concepts and operators. They also enable risk taking and innovation that will ultimately lead to a more flourishing and diverse environment on our local high streets. 20 25

It should be possible for small firms to flourish even when staff shortages are pushing up wages in the high street, and house price falls damage consumer confidence and spending on perceived luxuries.

(Source: adapted from <https://www.designingbuildings.co.uk/> and <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/what-next-for-the-high-street.html>)

Extract D**UK house prices may fall up to 20%**

Turmoil on the UK financial markets has prompted analysts to predict that house prices could fall dramatically, and many lenders in the mortgage sector are withdrawing deals. People coming to the end of their fixed-rate mortgages are seeing rises from 2% to over 5.5%, with increases in the cost of borrowing of over £5 200 a year by 2024 for the average mortgage in the UK. Many people think UK house prices will never fall, but analysts say the fall could be between 10% and 20%.

5

One mortgage lender said that a lack of housing supply will not keep house prices up when mortgage interest rates are somewhere between 5% and 7%. He claimed that 'the decade-long property bubble is about to burst [...] It's a buyer's market now'. The greatest impact will be seen in the southeast of England.

10

(Source: adapted from <https://www.theguardian.com/money/2022/sep/28/uk-house-prices-may-fall-20-amid-mortgage-carnage-warn-experts>)

Extract E**UK job vacancies hit record 1.1 million as labour shortages increase**

The ratio of jobless people to vacancies is 1.45 to 1, lower than at any point in the last 40 years. Social care for example has 300 000 current unfilled posts.

'Today's figures show that labour shortages are now affecting the whole economy,' said one analyst. 'There are almost a million people fewer in the labour market, largely due to younger people staying in education and older people dropping out of the workforce.' The inactivity rate is 21.1%, and many people are not returning to work after the global health crisis. 'People seeking work do not have the skills or availability that employers need,' said Kitty Ussher, chief economist at the Institute of Directors. Firms offering higher wages does not solve the issue.

5

10

(Source: adapted from <https://www.ft.com/content/463f4fbd-3a50-45b5-891c-5cb5ba623df8>)

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SUB-TOPIC 3.5.3

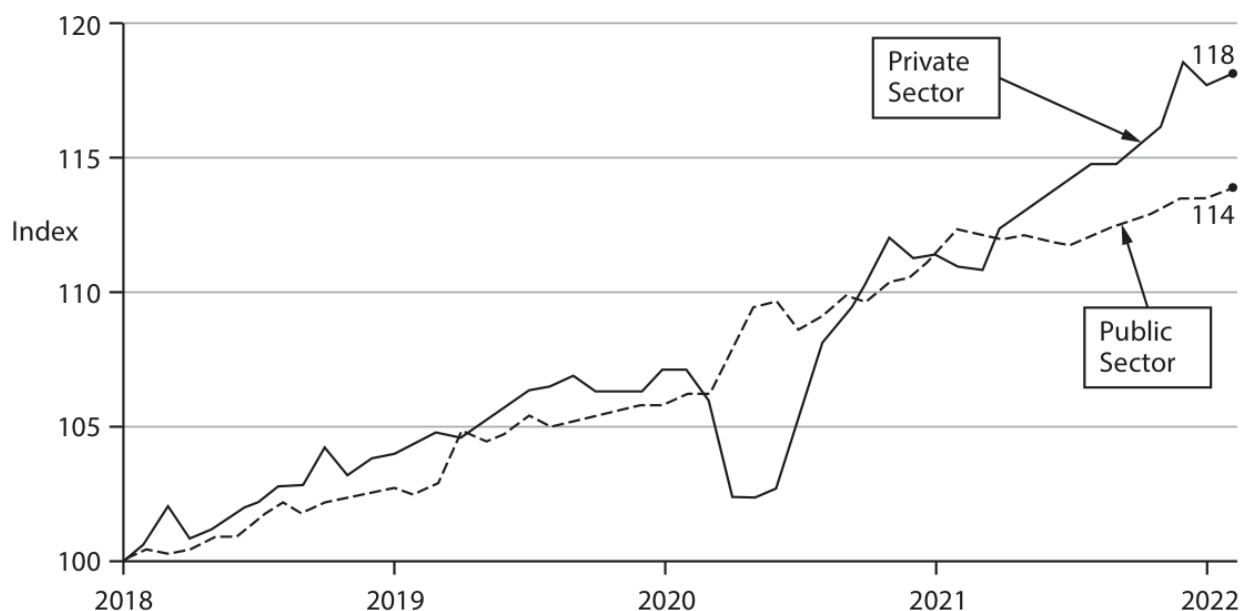
WAGE DETERMINATION

Sub-topic 3.5.3 · 10 questions · 132 marks · lowest tariff first



5 Index of pay in the public and private sector.

Nominal average weekly earnings (base year January 2018 = 100)

(Source adapted from: <https://www.ft.com/content/48dafbb9-371d-4683-9afb-26652add888c>)

(a) Which **one** of the following is the ratio of public sector pay relative to private sector pay in 2022?

(1)

- ☐ **A** 1:0.97
- ☐ **B** 1:1.04
- ☐ **C** 1:4.0
- ☐ **D** 1:14.0

(Total for Question 5(a) = 1 mark)



- 5 The National Minimum Wage for people over 23 rose by 9.7% to £10.42 in April 2023. The industry most affected is hospitality.

(Source: adapted from <https://www.gov.uk/government/publications/the-national-minimum-wage-in-2023/the-national-minimum-wage-in-2023>)

- (b) There has been a significant decrease in the supply of agricultural workers in the UK. Which **one** of the following is the most likely cause of this decrease?

(1)

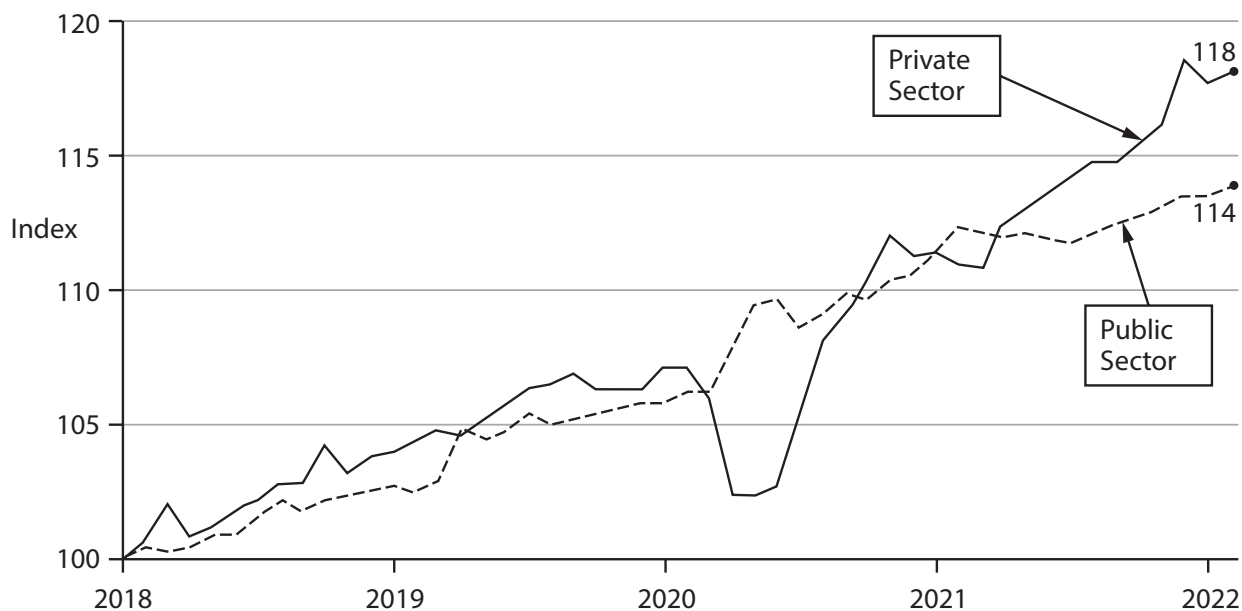
- ☐ A Increased demand for UK-grown strawberries
- ☐ B Increased job security for qualified workers in the industry
- ☐ C Increased productivity of workers in the industry
- ☐ D Increased wages in the retail industry

(Total for Question 5(b) = 1 mark)



5 Index of pay in the public and private sector.

Nominal average weekly earnings (base year January 2018 = 100)



(Source adapted from: <https://www.ft.com/content/48dafbb9-371d-4683-9afb-26652add888c>)

- (a) Which **one** of the following is the ratio of public sector pay relative to private sector pay in 2022?

(1)

- ☒ A 1:0.97
- ☒ B 1:1.04
- ☒ C 1:4.0
- ☒ D 1:14.0

- 5 The National Minimum Wage for people over 23 rose by 9.7% to £10.42 in April 2023. The industry most affected is hospitality.

(Source: adapted from <https://www.gov.uk/government/publications/the-national-minimum-wage-in-2023/the-national-minimum-wage-in-2023>)

- (a) Draw a labour market diagram to show the likely impact of the **increase** in the National Minimum Wage for hospitality employees.

(4)

- (b) There has been a significant decrease in the supply of agricultural workers in the UK. Which **one** of the following is the most likely cause of this decrease?

(1)

- ☐ A Increased demand for UK-grown strawberries
- ☐ B Increased job security for qualified workers in the industry
- ☐ C Increased productivity of workers in the industry
- ☐ D Increased wages in the retail industry

(Total for Question 5 = 5 marks)

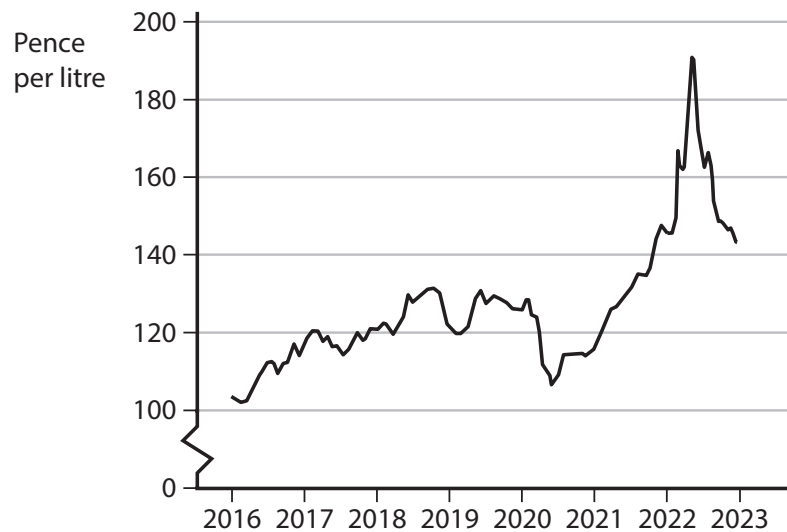
TOTAL FOR SECTION A = 25 MARKS

Sources for use with SECTION A

Read Figures 1 and 2 and the following Extracts A, B, C and D before answering Question 1.

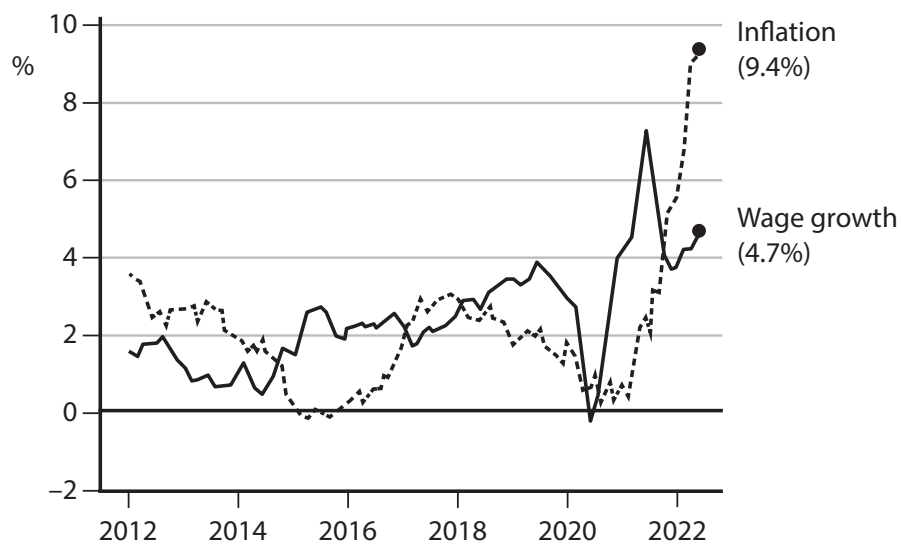
The cost of living in the UK

Figure 1: The price per litre of unleaded petrol in the UK, in pence, 2016–2023



(Source adapted from: RAC)

Figure 2: UK inflation, as measured by CPI, and wage growth (excluding bonuses), 3-month averages, 2012–2022



(Source adapted from: ONS)

Extract A**Supermarket restrictions on multibuy deals and advertising**

Government rules limiting the location of unhealthy foods in shops began in 2022. Less healthy products are no longer promoted in key locations, such as checkouts, store entrances, aisle ends and their online equivalents. Rules banning multibuy deals on foods and drinks high in fat, salt or sugar (HFSS) – including buy one get one free (BOGOF), ‘3 for 2’, and restrictions on free refills for soft drinks – were due in October 2023. The restrictions banning HFSS adverts on TV before 9pm and paid-for adverts online were set for January 2024. 5

(Source adapted from: <https://www.gov.uk/government/news/government-delays-restrictions-on-multibuy-deals-and-advertising-on-tv-and-online>)

Extract B**Supermarket pay in 2023**

Supermarkets have been increasing their hourly pay rates and most now pay significantly more than the National Minimum Wage, which was set at £10.42 in April 2023.

Tesco made its biggest ever investment in employee pay in 2023, spending £230 million to finance an increase in its basic hourly rate of pay, to £11.02 per hour, rising to £11.95 in London. 5

The pay increase is the latest boost in employment benefits as supermarkets continue to compete for in-store workers, with Sainsbury’s and Asda both increasing pay to above £11 per hour in July 2023, while Aldi pays £11.40 an hour. 10

Supermarkets have found themselves facing criticism over pay that did not rise in line with inflation. Some workers are taking industrial action, such as strikes, working closely with trade unions.

(Source adapted from: <https://www.grocerygazette.co.uk/2023/02/22/supermarket-pay-rate-2023/>)



Extract C**Supermarket petrol pricing**

In 2023 David Potts, the boss of Morrisons, admitted that supermarkets increased profits at the petrol pumps as he was questioned in a parliamentary committee alongside executives from Tesco, Sainsbury's and Asda who denied they were making more profit from keeping petrol prices high.

5

A Competition and Markets Authority (CMA) report indicates that supermarkets' profits have doubled to 8% on fuel since 2017. It is expected to recommend that supermarkets must share local fuel prices on a comparison website in order to increase transparency and help bring down prices – a strategy tried successfully in Northern Ireland. All the supermarkets said they would welcome such a move.

10

In 2023, the RAC motoring group said that a price checker would be welcome but blamed high prices on the domination of petrol retailing in the UK by a few large supermarkets. "When the wholesale price of diesel fell this spring, we saw average retailer margin reach 22p a litre which was more than three times the long-term margin of 7p. This cannot be allowed to continue when households are having to contend with a cost of living crisis," an RAC spokesperson said.

15

At the committee, one politician, Jane Hunt, said: "In 1978 there were many more supermarkets. Now there are very few...are you in fact a cartel?"

(Source adapted from: <https://www.theguardian.com/business/2023/jun/27/morrisons-boss-admits-supermarket-chains-have-hiked-profits-on-petrol>)

Extract D**EU trade relations with the UK**

The Trade and Cooperation Agreement 2021 between the EU and the UK means that there are no tariffs or quotas on goods moving between the EU and UK, provided those goods meet the 'rules of origin' of a good, based on where the products or materials used in their production come from. They prevent goods manufactured in outside countries being transported through the UK (or the EU) to avoid paying tariffs.

5

To benefit from the zero tariff, businesses must show the origin of their goods. A product qualifies as 'originating' if it is 'wholly obtained' in the UK and EU or has been substantially transformed in one or both markets. That is why UK businesses that re-export goods from outside countries with little or no further processing, may still face tariffs when trading with EU member states.

10

'Rules of origin' can be time consuming and complex. Some businesses cannot or do not wish to claim zero tariff because of the excessive administrative costs to firms.

(Source adapted from: <https://commonslibrary.parliament.uk/new-customs-rules-for-trade-with-the-eu/>)



(8)



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SECTION B

Read Figures 4 to 6 and the following extracts (C and D) before answering Question 2.

Answer ALL Questions 2(a) to 2(c), and EITHER Question 2(d) or 2(e).

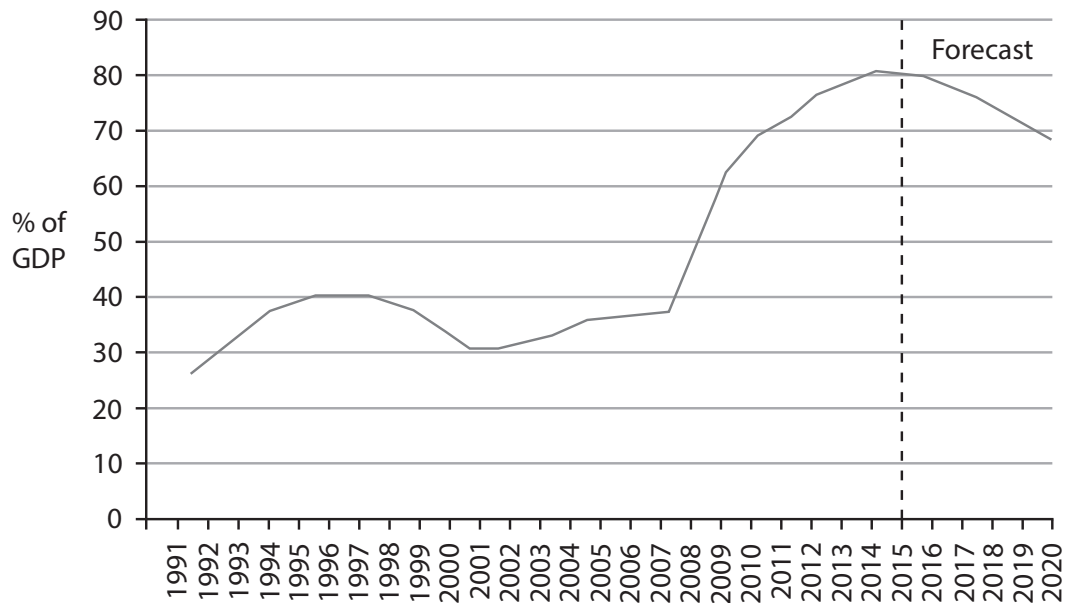
Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 2

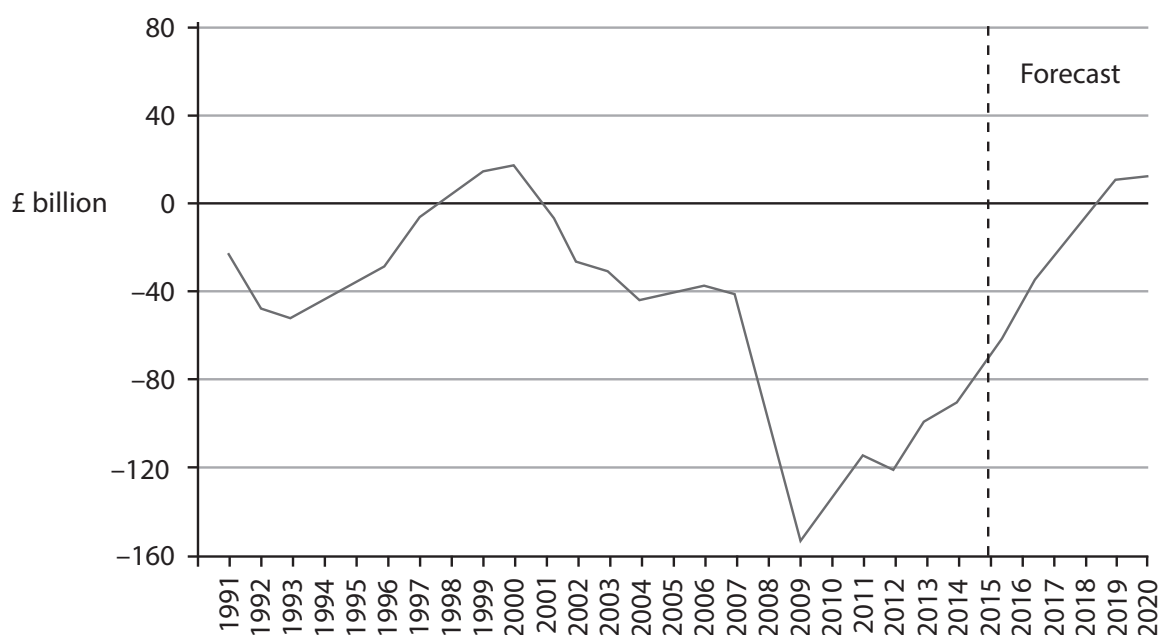
The UK economy

Figure 4: UK national debt as a percentage of GDP



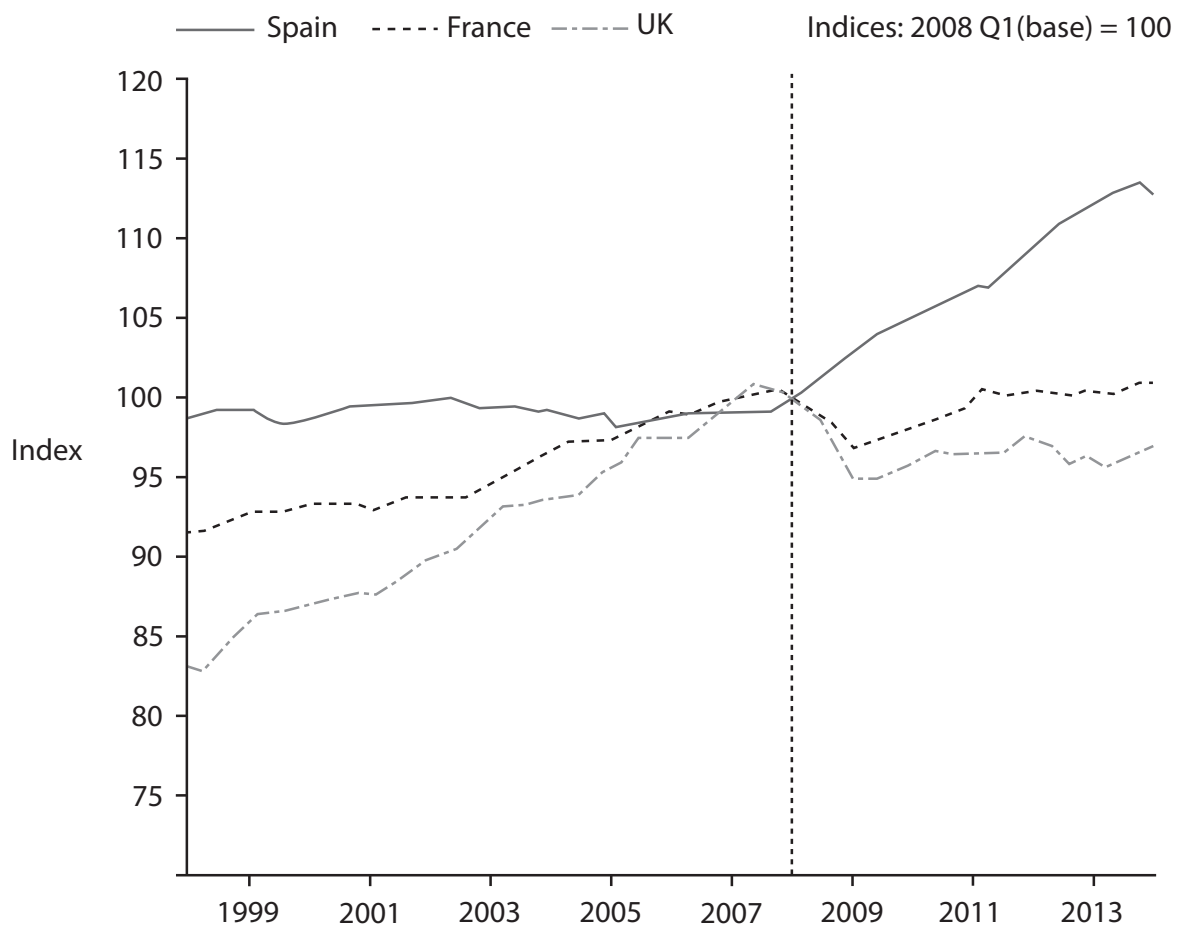
(Source: http://budgetresponsibility.org.uk/docs/dlm_uploads/BriefGuide_020511.pdf)

Figure 5: UK fiscal deficit, public sector net borrowing (PSNB)



(Source: http://budgetresponsibility.org.uk/docs/dlm_uploads/BriefGuide_020511.pdf)



Figure 6: Labour productivity per head, selected countries

(Source: <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q201.pdf>)

Extract C**The National Living Wage (NLW)**

The Government has announced that from 2016 it will introduce a Living Wage Premium that will apply on top of the National Minimum Wage (NMW) for employees aged 25 and over to deliver a National Living Wage (NLW) for those people. The main NMW will continue to be set for all employees aged 21 and over, so that those aged 21 to 24 will continue to be subject only to that rate. 5

The effective minimum wage for the 25+ age group will therefore be over 13% higher in 2020 than would otherwise have been the case, and result in a 0.3% increase in wage costs overall. Further impacts on real GDP are estimated to be higher productivity (+0.3%) but lower average hours worked (-0.2%) and higher unemployment. Overall real GDP is forecast to fall by 0.1% as a result of the NLW. However these forecasts depend on estimates of the likely elasticity of demand for labour. 10

Academic evidence suggests that changes to the NMW since 1999 have led to only limited effects on demand for labour in the UK. The types of work that will be affected are relatively labour intensive, which may limit the scope for firms to substitute towards using capital. Firms may also be expected to shift demand in favour of the under-25s given that they will not be subject to the NLW, which all else being equal would lead to a smaller reduction in overall labour demand. Some of the reduction in employees could also be partially offset by a rise in self-employment. But increasing the NLW to a higher proportion of median earnings may lead to bigger effects than have been experienced in the past. 15 20

(Sources: adapted from <http://cdn.budgetresponsibility.independent.gov.uk/July-2015-EFO-234224.pdf> and <http://budgetresponsibility.independent.gov.uk/>)

Extract D**The productivity puzzle in the UK**

Since the onset of the 2007–2008 financial crisis, labour productivity growth in the UK has been exceptionally weak. Despite some modest improvements in 2013, whole-economy output per hour remains around 16% below the level implied by its pre-crisis trend. Even taking into account possible measurement issues and changes in the size of the service sector, this shortfall is large and is often referred to as the 'productivity puzzle'. 5

Measures of productivity can be used to inform estimates of an economy's ability to grow without generating excessive inflationary pressure, which makes understanding recent movements important for the conduct of monetary policy. During the initial phases of the recession, companies appear to have acted flexibly by holding on to labour and lowering levels of capacity utilisation in response to weak demand conditions. But the protracted weakness in productivity and the strength in employment growth over the past two years suggest that other factors are likely to be having a more persistent impact on the level of productivity. These factors are reduced investment in both physical and intangible capital, such as innovation and training, and failings in the labour market such as immobility of labour and under-employment of skilled workers. Some economists explain this by using the concept of an output gap. 10 15

(Source: adapted from <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q201.pdf>)



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Q) 7 In July 2017 it was announced that only a third of the BBC's 96 top earning presenters were women and that its seven highest-paid presenters were all men. According to the High Pay Centre, in 2018, UK chief executives can earn 120 times more than the average full-time worker earning £28 758. With reference to an industry of your choice, evaluate why wage differences exist within the UK labour market.

(25)



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(Total for this part = 25 marks)

Continue on separate paper if required.



- 7 The national living wage, the minimum wage for 25-year-olds and over, is expected to rise to more than £10.50 an hour in 2024 compared with £8.72 in 2020. The wage does not apply to the UK's self-employed and 'gig economy' workers. Some economists said the increase was ambitious. Business groups warned that employers in sectors such as social care could be hit hard. In large parts of the north of England the living wage has already reached two-thirds of local median earnings, said Professor Shackleton.
(Source adapted from: <https://www.theguardian.com/uk-news/2020/mar/11/budget-2020-national-living-wage-national-insurance>)

Q) Evaluate the disadvantages of a significant increase in the national living wage on a specific labour market, such as that for social care workers.

(25)

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SECTION A

Read Figure 1 and the following extracts (A to C) before answering Question 1.

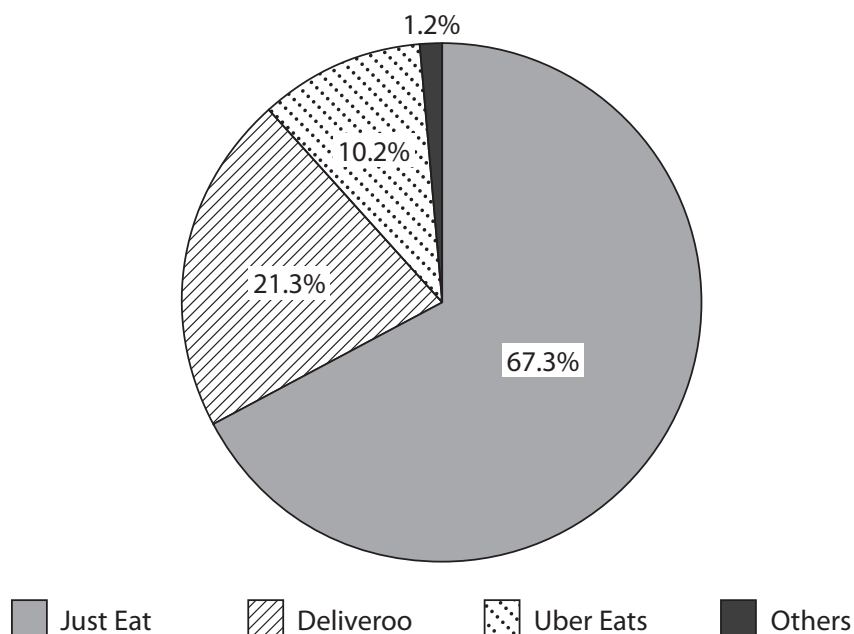
Answer ALL Questions 1(a) to 1(c), and EITHER Question 1(d) OR 1(e).

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 1**The food delivery industry**

Figure 1: Market share for third-party food delivery services in the UK, 2019



(Source: adapted from <https://onefourzerogroup.com/the-takeaway-takeover/>)

Extract A**National Minimum Wage rises are more significant for 23 to 25-year-olds**

In 2021, the National Minimum Wage main rate, also known as the National Living Wage, rose by 2.2% to £8.91, following a 6.2% rise in 2020. By reducing the age at which people are eligible for the National Living Wage to 23 in 2021, it is estimated that an additional 7.5% of 23 to 25-year-olds could get a 71p an hour pay rise. This amounts to an 8.7% increase, which may cause further financial worries for employers. 5

(Source: adapted from https://www.ndna.org.uk/NDNA/News/Latest_news/2020/Minimum_wages_to_rise_by_inflation_in_April.aspx)

Extract B**What is the true cost of the food delivery service?**

The food delivery industry has boomed in recent years. Just Eat, Uber Eats and Deliveroo all offer very similar services – third-party food delivery firms that take up to 30% of the price of restaurant meals and deliver them to customers within a certain radius. The average spend per customer is around £15 with a £5 delivery fee, about five times more expensive than cooking at home and the same price as eating in the restaurant. Cash rich, time poor professionals increasingly turn to food delivery. 5

Food delivery comes with many layers of packaging. In the UK, there are 200 million meals annually with around 1.4 billion individual pieces of plastic for heat retention and protection when travelling, but does it really have to be plastic? People tend to order more food, often high in fat, sugar and salt, and don't even have to get up from their sofa. 10

But there are concerns that the delivery firms are exploiting employees who have no alternative. There is an issue of low pay and informal contracts. Delivery drivers are classed as 'independent contractors', and therefore not subject to some employment rights including a guaranteed minimum wage, sick pay, pensions or holiday pay. Drivers are paid either a flat hourly rate, or a fee per delivery. Factors such as delivery distance, speed, how busy it is and whether there are multiple drop-offs are all factored into how much a driver is paid. Deliveroo says its wages amount to around £10 per hour, but drivers say that during 2020 their pay has been as low as £1 per hour. Drivers are not paid extra for petrol or to maintain their vehicles. Many drivers are recent immigrants or students, who do not have property or savings to fall back on. 15 20

The government could address this with widening minimum pay legislation to contracted workers, by setting codes of practice, or by setting recommended wage targets. Furthermore, there are health and safety issues for workers. Vehicle safety checks, length of shifts and safety equipment are of concern. However, there are still people who take benefit from working flexibility. 25

(Source: adapted from <https://www.theguardian.com/australia-news/2020/oct/25/home-food-delivery-what-is-the-most-ethical-way-to-order-in> and https://digitalcommons.molloy.edu/cgi/viewcontent.cgi?article=1043&context=bus_fac)



Extract C**Integration in the third-party food delivery industry**

The Competition and Markets Authority (CMA) is watching carefully to prevent any one firm having complete control of the food delivery industry. Just Eat, the market leader, agreed to merge with successful Dutch firm Takeaway.com in 2020, creating a new European leader by revenues. It also bought Grubhub in the US, with 20 million active users. Just Eat uses an aggressive pricing strategy, undercutting delivery fees below the average cost of other firms in the market, that will force them to merge in order to gain some economies of scale. 5

Amazon, having failed with its own delivery company Amazon Restaurants in 2018, has bought 16% of Deliveroo. The CMA took over a year to agree to the partial integration, on the argument that Deliveroo would close down without external investment. Amazon has unique expertise in marketing, increasing customer share and, most importantly, efficiency in delivering things. Food delivery is often uneconomical because a single household puts in a single order from a single restaurant at any one time. Tech companies such as Amazon can improve the business: once a meal has been ordered, an app often moves that restaurant to the top of the rankings for that neighbourhood, in the hope of getting a second and third delivery. 10 15

So why do restaurants turn to these delivery firms? The sheer volume of customers these delivery firms can hold makes it a difficult deal to turn down. But resentment from small business restaurant owners, angry at being wholly dependent on tech companies, is growing. Most restaurants would prefer that customers come in and pick up their orders themselves because they do not have to pay the 30% commission. Restaurant profit margins are small, and the effects of a 20% fall in the external value of the pound since 2016 on food costs are significant, given that over half of their food and drink is sourced outside the UK. 20 25

(Source: adapted from <https://www.ft.com/content/c20f6848-3c4b-11ea-a01a-bae547046735>
<https://www.ft.com/content/edf8a144-a101-4ef8-80e3-7d2f1565d35c>
 and <https://www.thisismoney.co.uk/money/markets/article-8138703/Uber-set-sell-takeaway-division-rival-Deliveroo-two-years.html> and
<https://www.ft.com/content/c20f6848-3c4b-11ea-a01a-bae547046735> and
<https://www.ft.com/content/bed7c4d8-28c1-11ea-9a4f-963f0ec7e134> and
<https://www.economist.com/1843/2021/01/26/gulp-the-secret-economics-of-food-delivery>)

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SECTION A

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Answer ALL Questions 1(a) to 1(c), and EITHER Question 1(d) OR 1(e).

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

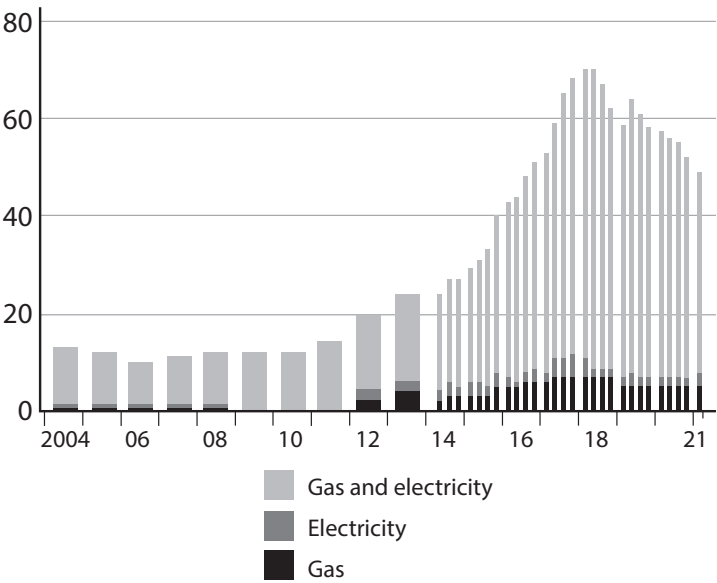
Question 1

The energy market

Figure 1: UK wholesale gas prices per therm, 2021, in pence



Figure 2: Number of firms supplying gas and electricity in the UK, 2004–2021



Extract A**Rising gas prices**

UK consumers are some of the biggest users of gas. 85% of homes use gas central heating, and gas generates a third of the country's electricity. North Sea gas is running out – and as Britain has replaced coal-fired energy production with wind power in order to reduce carbon emissions, it has become dependent on gas imports.

5

Almost all UK businesses face significant rises in fuel costs over the next few months, and there is no substitute for energy, at least in the short run – an almost perfect example of price inelastic demand.

(Source: adapted from <https://www.theecoexperts.co.uk/blog/reasons-for-uk-gas-price-increase>)

Extract B**The UK gas market is broken**

During the past decade the government has allowed new entrants into the retail energy market with business models that left them ill-prepared to achieve long term business growth. Now the UK must choose between letting its energy market collapse and offering large subsidies for energy retailers.

5

The problem began in the 1980s and 1990s, when privatisation created an oligopolistic energy market dominated by the “Big Six”, which paid their shareholders high dividends and their bosses excessive salaries. The government responded to anger over high energy bills with further liberalisation. Some of the new entrants were innovative, such as Bulb, which offered consumption-tracking apps, and Octopus, which discouraged consumption when demand was high with dynamic pricing. But most were under-capitalised and produced no energy, merely buying it on global wholesale markets and selling it on. Some paid little attention to ensuring continuity of supply or forward buying of gas.

10

The constraints on energy retailers worsened in 2017 with the closure of a big gas-storage facility, which left the UK able to store just 2% of its annual demand. Other big gas importing countries, by contrast, can store 20%–30%. The risks rose further in 2019, when the government capped consumer prices in response to continued complaints about high energy bills.

15

The perfect storm came in the summer of 2021. As economies opened up, global demand for energy rose. Gas supply in Russia, a big producer, was disrupted, and unusually calm weather reduced UK wind turbine energy production to 11% of capacity. In August Ofgem, the industry regulator, said that from October the firms would be able to raise prices for households by 54%. But since then the wholesale price of gas paid by UK energy firms has risen by more than 70%. The result is that UK energy firms are tied into contracts to supply gas to households at far less than they must pay to get it.

20

25

(Source: adapted from <https://www.economist.com/britain/britains-gas-market-is-broken/>)

Extract C

The gender pay gap in the oil and gas industry

Despite best efforts to try to attract more women into the oil and gas industry, females are still hugely under-represented in science, technology, engineering and maths careers, whether school leavers, graduates or experienced workers. Women hold under 25% of careers in these areas, and typically hold more non-technical roles, which can attract lower salaries than technical disciplines.

5

There is an even smaller female representation in the offshore workforce (3.6%) e.g. working on rigs in the North Sea, an area that pays higher salaries than onshore work. Despite continued efforts there is still a lack of female applications. Only 5% of the applications to the technical apprentice programme were female, of which half withdrew their applications at the first stage of the recruitment process.

10

There is also a low representation of females in senior leadership roles within the oil and gas industry, especially in technical positions. Women also generally take up part-time positions which are typically lower paid. This has resulted in the oil and gas industry having an average gap in hourly pay of 25%.

15

In the majority of developed countries, women have made substantial progress in the labour market since the 1970s, with both wages and labour force participation increasing relative to that for men. Notwithstanding these large improvements, women still earn less than 'comparable' men in all developed countries and, since the 2000s, progress for women in the labour market seems to have slowed.

20

(Source: adapted from <https://www.harbourenergy.com/media/2a2nmavb/chr-18311-01-gender-pay-gap-2020-v6-final.pdf> and <https://ftp.iza.org/dp10975.pdf>)



Q 1 (d) Evaluate the microeconomic and macroeconomic factors that explain gender-based wage differences in the UK oil and gas industry.

(25)



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MARK SCHEMES

official mark schemes



Question Number	Answer	Mark
6(b)	Knowledge 2, Analysis 2, Application 2, Evaluation 2 Knowledge/understanding: 2 marks (1+1) e.g. • Generate demand for new jobs • Displace many existing jobs • Other effects such as increased pay, less/more satisfying work Analysis: 1 mark for linked explanation of each identified reason (1+1) e.g. • New industries and jobs required/needed • Greater impact on labour productivity • Workers no longer needed/replaced by technology Application: 2 marks for reference to the information provided (1+1), e.g. • Contribute £12 trillion to global GDP • Financial services most at risk in shorter term • Transport jobs/train drivers at risk in longer term • Growth of online banking led to the closure of many high street branches • By the mid-2030, up to 30% of all jobs could be automated • Slightly more impact on men • Use of Chat GPT as an example • The growth of AI will require highly skilled workers such as trainers and engineers • Own examples of jobs needed within digital markets e.g. website designers, video games/app developers A relevant diagram can be awarded as either K or An Evaluation: 2 marks for two evaluative comments, OR 2 marks for identification and linked development of one evaluative comment e.g. • Short run versus long run impact • Magnitude arguments • Impact depends on occupational mobility • May depend on government education policy • Some workers more affected than others e.g. finance workers may have more transferable skills • Some regions/industries more affected than others	(8)
	• Jobs lost are often low-skilled • Jobs created are often highly-skilled • Trade unions may resist automation e.g. London Tube • Drivers may be needed to allay passengers fears of no human driver and for situations where automation fails	

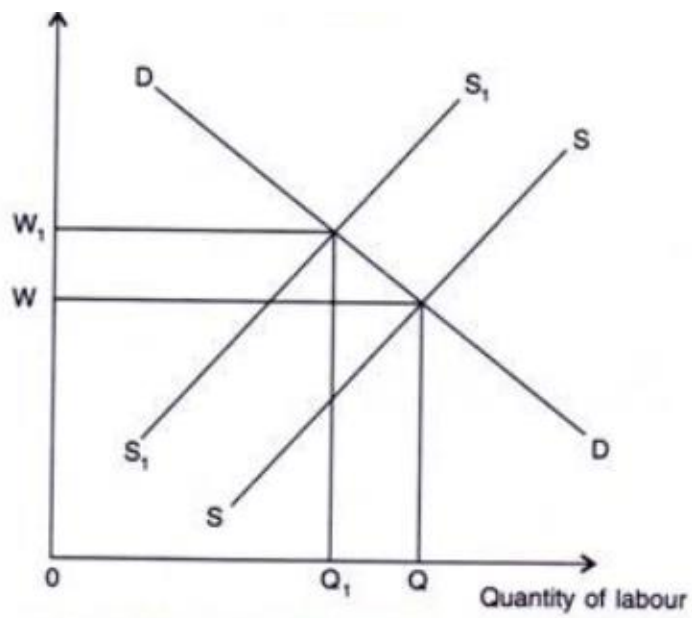


Question Number	Answer	Mark
1(a)	Knowledge 1 The only correct answer is D <i>A is not correct because Statement 1 and 2 are positive statements, they are not value judgements</i> <i>B is not correct Statement 1 is positive as it is an objective statement which can be tested</i> <i>C is not correct because Statement 2 is positive</i>	(1)

Question Number	Answer	Mark
1(b)	Knowledge 2, Application 1, Analysis 1 Knowledge / understanding: 2 marks for understanding e.g. • Supply of labour decreases (1) • Wage rises (1) Application: 1 mark for e.g. • Takes time to train engineers (1) • Migration of 1 million workers (1) • Annotating diagram in context of engineers (1) • Shortage of engineers (1) • 'Many engineers have left Poland for higher paid jobs in other countries' (1) Analysis: 1 mark for a linked development e.g. • Excess demand (1) • Firms offer higher wages (1) • Firms contract demand for labour (1) • New labour market equilibrium achieved (1) NB Full marks only to be awarded for specific reference to labour market.	(4)



Wage rate



Question Number	Indicative content	Mark
2 (b)	Knowledge 2, Application 2, Analysis 2 Evaluation 2 Knowledge/implicit understanding of one reason - Higher employment/employment has not fallen in line with falls in GDP (productivity puzzle) - Inefficient businesses e.g. zombies - Costs of laying off workers is high e.g. labour hoarding – both in terms of severance and loss of human capital - Workers do not want to leave, because of pensions/higher living costs/lack of confidence about finding another job after the biggest crash since the 1930s - Low interest rates have meant workers can be kept on despite falling sales and output, as profits are kept positive - Later retirement age - Lack of investment/FDI in UK (1) e.g. in advanced technology (1) - Numbers in higher education NB do not award longer working hours unless clearly linked to hourly impact (Figure 4 is hourly productivity) e.g. diminishing marginal productivity. Award only the one best reason given. Analysis - Development of one point, up to two marks for one valid factor e.g. the firm firms cannot reach their potential (1) at their predicted level (1) Application: (2 or 1+1) - Use of Figure 4 to show difference between actual and potential figures - This might be shown using a PPF or AD/AS diagram (1) - Use of UK recent events e.g. financial crisis (1) NB At least one application mark is reserved for use of Figure 4.	



	Evaluation (2 marks for any relevant point, or two points 1 +1): • Problems in data – productivity is being measured the wrong way • Trend likely to reverse after recovery from downturn 2020/2021 • As employment falls from events in 2020 the trend might reverse (output per worker will rise if there are fewer workers) • Magnitude of productivity gap is cause for alarm • Reasons why productivity is growing in other countries – or other comment e.g. that the relative productivity (Fig 3) is more significant	
		(8)



6(b)

**Knowledge 2, Analysis 2, Application 2,
Evaluation 2**

Knowledge/understanding: 2 marks for identification of two factors (1+1) e.g.

Factors could affect either the position or the elasticity of the labour supply curve

- Wage rate (1)
- Demographics (1)
- Activity rates e.g. change in retirement age/ numbers retiring (1)
- Educational opportunities (1)
- Length of training/skills (1)
- Pay in other occupations (1)
- Occupational mobility (1)
- Geographical mobility (1)
- Net migration (1)
- Other non-wage factors e.g. desirability of the job, motivational factors, home working (1)

Analysis: 1 mark for linked explanation of each factor (1+1) e.g.

- Lack of students completing engineering and computing degrees leading to a smaller qualified workforce (1)
- More problem solving and analysis skills required leading to a smaller supply of labour (1)
- Lower proportion of female students studying STEM subjects (1)

Application: 2 marks for reference to the electronics industry e.g.

- Loss of experienced/skilled employees (1)
- Few computing/engineering graduates (1)
- High skilled/automated technical industry/ requiring problem solving skills (1)
- Hazardous, repetitive, grimy work (1)
- Electronics industry compared to another e.g. finance (1)

Evaluation: 2 marks for two evaluative comments, OR 2 marks for identification and linked development of one evaluative comment e.g.

- Government intervention might correct this e.g. by changing retirement age, education/ training reforms
- Price mechanism could increase supply in the long run providing a wage incentive

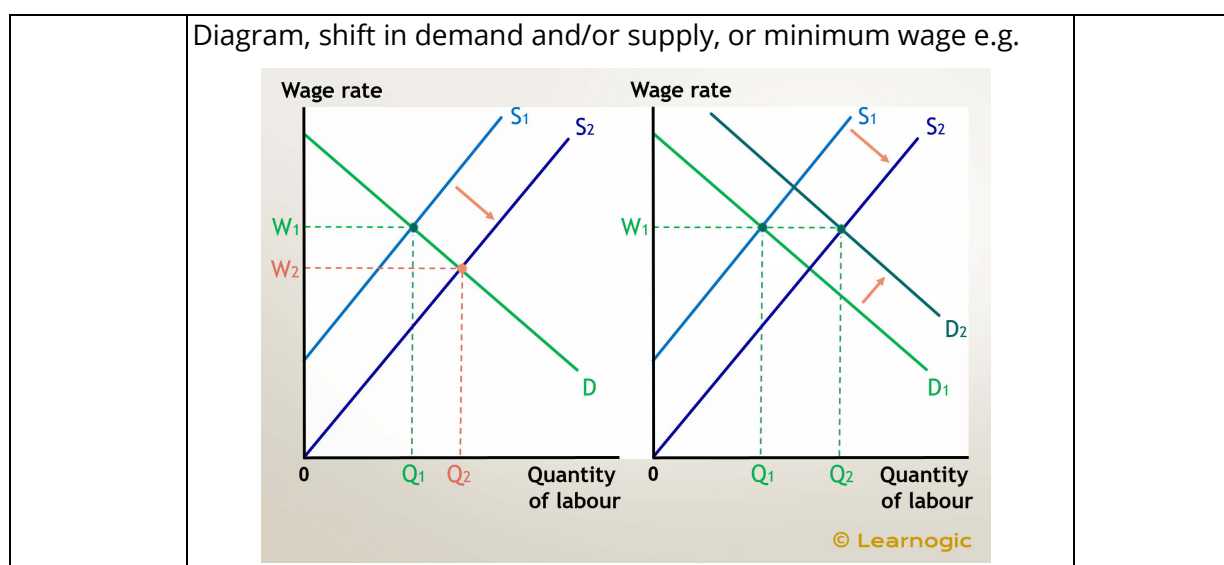
(8)

- Financial incentives to invest in AI/new technologies can help fill some of the skills gap
- AI reduces health risks of job
- AI increases analytical/creative skills needed
- Combination of factors affect labour supply



Question Number	Indicative content	Mark
1(c)	Knowledge 2, Application 2, Analysis 4 Knowledge/implicit understanding: Points might include: - Increased labour supply – workers willing to take low-paid jobs - Arguments also allowed that since the UK left the EU, many workers are leaving – question does not specify immigration or emigration - Increased demand from increased UK population also allowed as an approach Application: - Immigrants the main employees at HCWs and similar labour intensive firms (Extract A) - Implication in EU that increased immigration (Extract A paragraph 4) has caused supply to increase and therefore wages half of minimum wage (Ext A last paragraph) - HCW often a first job while the migrant's language improves on arrival in the UK (Ext A) - Following UK leaving the EU many low skilled labour may leave - Workers are not able to migrate as wages are not high enough in sector to be able to migrate to post UK leaving the EU Analysis: - Labour market diagram showing increase in the supply of labour - NMW diagram showing excess supply of labour at the wage floor - Allow decrease in supply, e.g. since the UK leaving the EU - Allow backward bending supply of labour - Allow monopsony diagrams (although not required) - Some segments require more skilled workers and not suit low skilled migrant workers, e.g. valeting - Reference to any industry that relies on migrant workers, e.g. hospitality, nursing, construction NB if no valid diagram or reference to an industry, then award a maximum of Level 2 KAA	(8)





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

Question Number	Indicative content	Mark
1(c) continued	Evaluation 4 • Impact of UK leaving the EU, Global Health Crisis etc. might put immigration figures into negative, and wages and conditions might improve • Depends on monopsony power • Evidence suggests there is not exploitation, or there is not enough evidence • Some firms are charging a fair wage • Other changes in the pipeline • The size of the changes in migration will dictate the impact on labour market • The ability of workers to move to other sectors/ speed language developed will determine impact on labour market • Within HCW there are sub-markets - some specialise in luxury vehicles - others are mobile operators who visit home - each will be affected differently	(4)

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



Question Number	Indicative content	Mark
6(e)	Knowledge 3, Application 3, Analysis 3 Policies may include: • Increase investment in training programmes to raise quantity and quality of human capital and productivity / increase provision of modern apprenticeship schemes / it may involve government subsidies or tax breaks to firms. • Recruit skilled workers from overseas via careers fairs and trade journals / provides a ready supply of labour. Accept policies referring to geographical mobility of labour if linked to the energy sector. • Change industry image so it appeals to more female school leavers and graduates – this may involve restructuring of careers advice / marketing programmes and information on career paths and opportunities. • Retain ageing workforce by improving working conditions and rates of pay / offer flexible working hours and part-time work / raise state retirement age; older workers have higher levels of human capital and so productivity could be increased. NB: For Level 3 response candidates must refer to at least one business policy and one government policy. NB: For Level 3 response candidates must refer to the energy sector.	(9)

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



Question Number	Indicative content	Mark
6(e) continued	Evaluation 6 • Training programmes involve (opportunity) costs to businesses and government / time period to train labour, especially in higher order technical skills / quality of training programmes. • Recruitment of skilled workers from overseas may create problems such as access to UK jobs following Brexit decision / language barriers / differences in qualifications and skills to those required / possibility of higher staff turnover if overseas workers intend to return home / family ties and high house prices may create geographical immobility of labour. • Changing energy sector image may require high levels of marketing expenditure / some jobs may not suit parents with family commitments. • Retain older workers could lead to problems of poor health and low productivity and ability to learn new tasks. Also the underlying skilled labour shortage remains – eventually older workers will retire. • Other policies to overcome labour shortage for example, new technology to substitute labour with capital, means that reducing labour immobility is not a priority.	(6)

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



Question Number	Indicative content	Mark
2 (e)	Knowledge 4, Application 4, Analysis 8, Evaluation 9 Microeconomic effects may include: • Loss of human capital and therefore lost incomes, consumer welfare • Firms may have unfilled vacancies. Effects on costs • Falling incomes in the UK mean reduced sales • Skills shortages may create a need for employment of migrant workers • Extra costs associated with training staff to up skill them Macroeconomic effects may include: • Shift in SRAS or LRAS might be drawn as costs of production rise, productivity worsens, capacity reduces • Effects of immigration to fill gaps in labour market • Effect on current account as UK economy becomes uncompetitive • Falling tax revenues and increased G – fiscal implications NB for a Level 4 answer there must be reference to the context of young workers in the specific country's context (UK or any other) NB for a Level 4 response there must be micro and macro effects. Possible evaluation points include that the effect depends on: • Effects of Brexit may mean it is harder to fill vacancies for firms using skilled EU labour • Data may be misleading – difficult to measure human capital • Comment on the priority literacy/numeracy is vital to long term viability of workforce. Should funding increase for education? • There will always be a demand for low skilled workers • Some evidence that most UK young people are better educated 2016 data- improvements likely with reforms to KS2, GCSE and A Levels focusing more on literacy and numeracy/quantitative skills. • Some with poor literacy and numeracy have been highly successful entrepreneurs - there are famous (but statistically rare) examples!	(25)



Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13 - 16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

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



Question Number	Indicative content	Mark
8	Knowledge 4, Application 4, Analysis 8, Evaluation 9 Factors might include: • Net-wage financial advantages including rise in NMW, benefits and tax (MTR); relative to other occupations/countries/leisure • Job satisfaction/safety - bonuses, employment rights • Skills required – cost and ease of education and training, qualifications needed, transferability of skills • Workforce demographics – early retirement, women entering workforce, cultural or social geographical ties • Housing costs in a particular area • Reduced net migration flows to UK from within EU • Infrastructure – ability to commute or work from home • Trade union power • Flexibility – willingness to sign up to zero-hour contracts to overcome barriers to work due to caring or study commitments NB: allow application to any industry/occupation. To secure Level 4 requires application to at least one occupation. Evaluation • Prioritisation of factors. • Ease and cost of acquiring skills/language barriers • Barriers to work - social exclusion, study or care commitments, disability discrimination • State of economy – recession • Increase in non-EU net-migration • Information problems • Government measures to improve/limit supply • Short-run/long-run • Rate entering versus rate leaving market • Significance of factors change over time with short run and long run considerations • Combination of factors is likely to have a bigger impact on supply of labour	(25)



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



Question Number	Indicative content	Mark
2(e)	Knowledge 4, Application 4, Analysis 8, Evaluation 9 Microeconomic effects may include: • Higher wages – might include a supply of labour diagram • Rising costs to firms • Firms may close/leave markets • Use of cost/revenue/profit diagram (accept fixed or variable cost rising e.g. wages) • Lack of provision/availability of a service e.g. - waiting lists in hospitals, levels of social care • Greater migration to fill vacancies • Movement towards more capital-intensive production • Relocation arguments to find more available labour Macroeconomic effects may include: • Use of AD/AS analysis e.g. output gap • Inflation – cost push • Inflation - demand pull • Changes in equality • LRAS / productive potential / PPF arguments e.g. higher immigration/change in migration laws • Impact on international competitiveness NB for a Level 4 response, there must be micro and macro effect(s) NB for a Level 4 answer there must be reference to the UK or another developed country NB some factors such as standard of living, education/skills, migration or tax could be counted as macro or micro 9 marks for evaluation – points might include: • Consideration of skilled labour • Discussion of robotic replacement for unskilled labour • Consideration of PES of labour • Time lag arguments • Depends on type of labour required • Depends on labour costs as % of TC • Position of AD on LRAS • Short run long run effects • Non-wage benefits might be considered as contrast • Depends on migration and other demographic factors • Monopsony vs. monopoly power	(25)



	Extent of impact depends on government policy making e.g. trade bloc membership, education & training policy, immigration policy	
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Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13 – 16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.



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



Question Number	Answer	Mark
5(a)	Application 1 The only correct answer is B <i>A is not correct because this is the ratio of private sector pay to public sector pay</i> <i>C is not correct because 4.0 is the difference in the pay index in 2022</i> <i>D is not correct because 14 is the % increase in public sector pay since 2018 (base year)</i>	(1)

Question Number	Answer	Mark
5(b)	Knowledge 2, Application 1, Analysis 1 Knowledge 2 marks for understanding e.g. • Understanding of monopsony (1) • Understanding of public sector <i>OR</i> understanding of wage determination <i>OR</i> other relevant knowledge (1) • Understanding of private sector (1) Application 1 mark for e.g. • Public sector have experienced wage rises lower than those in the private sector over the past 10 years • Reference to the pay gap from the chart (1) • Over 90% of nurses work in the public sector (1) Analysis 1 mark for a linked development e.g. • Lack of alternative employers (1) • Must accept a national pay scale (1) • Very few jobs available in private hospitals (1) • Government objective to balance the budget/cut spending (1) • Pay freezes (1) • Reasons for higher pay in private sector (1)	(4)



Question Number	Answer	Mark
5(a)	Knowledge 2, Application 1, Analysis 1 • 1 mark for correctly labelled axes, and demand and supply curves • 1 mark for showing initial NMW_1 at W_1 above equilibrium • 1 mark for showing higher NMW_2 of W_2 above NMW_1 • 1 mark for showing new real wage unemployment Q_1-Q_4 OR indicating both numerical values on the x-axis • 1 mark for excess supply/surplus of labour • Application can be shown on diagram Diagram required e.g. (4)	

Question Number	Answer	Mark
5(b)	The only correct answer is D A is not correct because this would increase the demand for labour B is not correct because this would increase the supply of labour C is not correct because this would increase the demand for labour (1)	

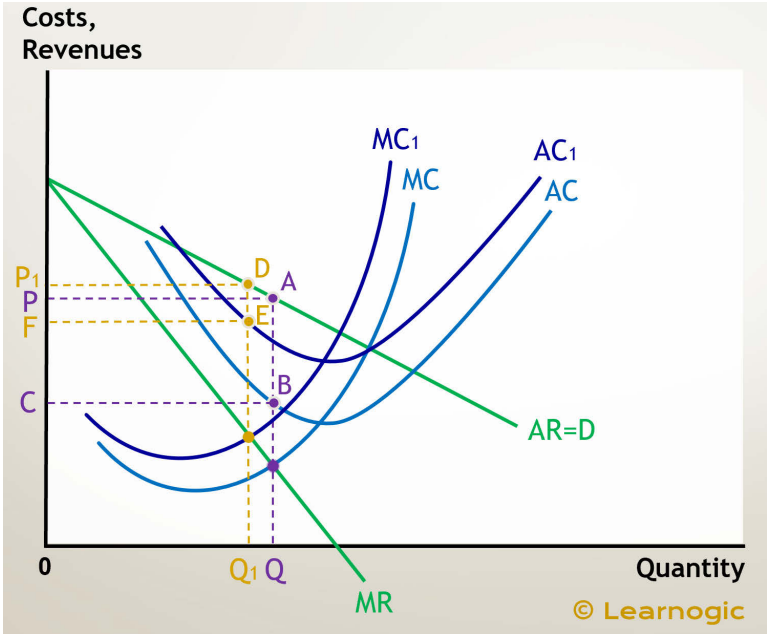


Question Number	Answer	Mark
1(b)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Knowledge: Identification of two reasons why wages are above national minimum wage (1+1) e.g. • Labour shortages (1) • Industrial action/union pressure (1) • Cost of living crisis (1) • Reputational issues (1) • To stay competitive (1) • Oligopoly / non price competition (1) • Attempt to address inequality within business (1) • Motivate workers (1) • Increased productivity / efficiency of workers (1) Application: (1+1) with at least one application mark from Extract B, e.g. • National Minimum Wage was set in April 2023 but has increased to e.g. £12.21 since then (1) • Tesco made investment in employee pay in 2023 / investing £230 million / to finance an increase in its hourly rate of pay to £11.02 per hour rising to £11.95 in London. (1) • Sainsbury's and Asda both increasing pay to above £11 per hour in July 2023 (1) • Aldi pays £11.40 an hour (1) • Supermarkets facing criticism over pay (1) • Workers striking, taking industrial action, working closely with trade unions (1) • Figure 2: inflation rate of 9.4% is greater than the wage growth of 4.7% (1) • Supermarkets continue to compete for in-store workers (1) Data reference can be shown on diagram for 1 mark. Analysis: (1+1) development of each reason e.g. • Labour shortage is where demand is greater than supply (might be shown using a diagram) (1) • Use of diagram to show extension in labour supply (1) • Industrial action would restrict supply of labour / give workers greater wage bargaining rights (1) • Link to the cost of living crisis meaning that purchasing power is reduced (1)	(8)



	• High levels of competition mean that customer service/efficiency is vital (1) • Link to competitive advantage/market share/profit (1) Evaluation: (1+1 or 2) • combination of reasons • prioritisation of the most important reason • short run long run arguments - could change in the future • not all supermarkets behave the same way • could vary between different regions of the UK • national minimum wage has risen significantly now, so it may no longer be the case • workers could choose to work fewer hours (lower supply of labour)	
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Question Number	Indicative content	Mark
2(c)	Knowledge 2, Application 2, Analysis 4 • Increase in wages implies increased variable costs for firms (average cost or total cost) so profit falls • Diagram showing upwards movement of AC and MC (allow AC-only shift if clearly related to fixed costs of labour) • Allow TC/TR diagram OR • For normal goods there is likely to be an increase in demand (average revenue or total revenue) • Diagram showing rightward/outward shift in AR and MR as demand increases Diagram, e.g.  NB an answer which does not include an accurate diagram is limited to Level 2. Diagram must show impact on firms. NB for a Level 3 answer diagram must show change in profit and can involve a change in FC or VC, and should explicitly link type of cost to type of wage change	(8)

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

Question Number	Indicative content	Mark
2(c) continued	Evaluation 4 • Depends on the proportion of costs made up by (low skilled) labour • Depends on the elasticity of demand for labour, e.g. the substitutability of capital for labour • Effect on profitability will depend on the ability of firms to pass on increased costs • Answers might consider the counterbalancing effects of changes in both revenues and costs • Increased wages have in the past led to increased value of output • In the long run firms might employ younger (under 25) workers, and other possible changes implied in Extract C • Demand might fall if the firm is selling inferior goods when incomes rise. • Real vs. nominal changes in wages • Depends on whether other costs remain the same, or if demand rises as result of increased incomes • Contrast between fixed and variable cost diagrams • Discussion of the supply of labour/opportunity cost of labour as wages rise	(4)

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



Question Number	Indicative content	Mark
7	Knowledge 4, Application 4, Analysis 8, Evaluation 9 • Definition of a wage differentials • Recognition that labour is a derived demand • Use of labour market diagrams to show the reasons for wage differentials Likely reasons: • Differing demand for labour • Differing levels of supply of labour • Compensatory reasons – skills/qualifications/experience/region/productivity/age • Public versus private sector workers • Problem of a monopsony employer for certain workers • Impact of trade union membership • Impact of immobility of labour • Impact of discrimination • Use of elasticity of demand for labour • Use of elasticity of supply of labour • Current labour market issues – gig economy/zero hours/austerity/gaps in employment for carers NB – For Level 4 the candidate must refer to a specific industry and the reasons for the wage differentials that exist within it. Evaluation • Significance of the reasons provided • Counterarguments made to the point raised • Extent to which wage differentials may reflect the fact that labour market forces are working efficiently • Extent to which wage differentials may reflect imperfections in the labour market • Likely to be a combination of reasons • Wage differentials may ignore bonuses or other financial/non-financial rewards • Consideration as to whether the wage differentials are increasing or decreasing within the industry • Contrast to alternative industries • Short run versus long run consideration • Increased transparency may reduce pay differentials. • Regulations/National Minimum Wage/unions/public pressure reducing wage differentials. • Gaps in employment becoming shorter or delayed	(25)

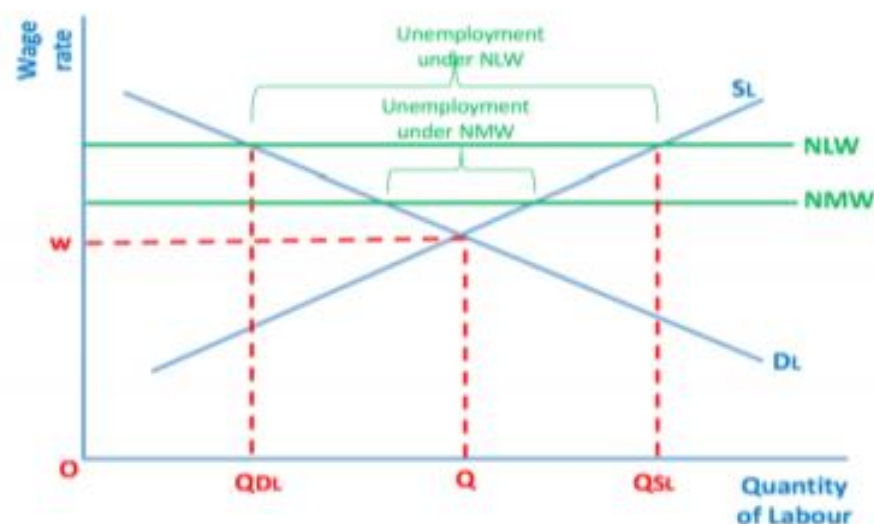
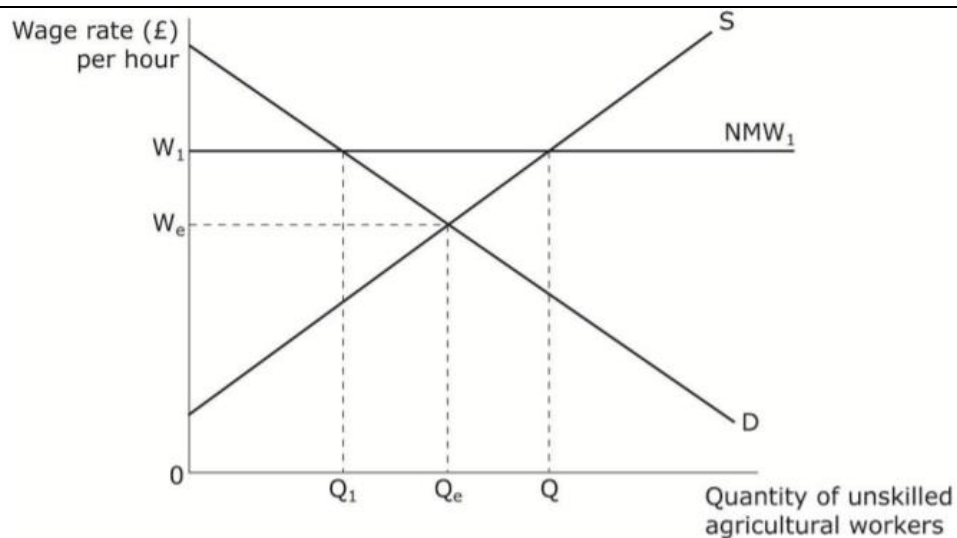


Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains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



Question Number	Indicative content	Mark
7	Knowledge 4, Application 4, Analysis 8, Evaluation 9 • Minimum wage – legally enforced wage floor • Wage set above market equilibrium wage • Increasing from £8.72 to £10.50 • Extension in supply of labour • Contraction in demand for labour • Excess supply of labour Drawback of increase • Unemployment in specific labour market • Firms close in specific market - rise in variable/fixed cost depending on market • Additional drawbacks of minimum wage Wage elasticity of demand • Proportion of labour costs relative to total costs • Ease and cost of factor substitution • PED for final product, derived demand Wage elasticity of supply • Relative skills required in specific market • Income effect • Substitute effect • Allow suitable minimum wage diagram e.g.	(25)





NB a diagram is not required

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

Evaluation

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



	• Minimum wage set below equilibrium – in parts of country • Does not apply to some workers in specific market • Relative price elasticity of demand for labour • Relative price elasticity of supply • Short-run/Long-run considerations – substitute capital, qualifications and training • Labour in specific market is not homogenous • Backward bending supply of labour • Cost of labour relative to other factor inputs • Ability of firm to relocate/move into another market • Problems measuring productivity	
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Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

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



Question Number	Indicative content	Mark
1(e)	Knowledge 4, Application 4, Analysis 8, Evaluation 9 16 marks for KAA, for effects of increased minimum wage Microeconomic effects may include: • rise in wages will benefit very low paid workers. Might be shown on increasing NMW diagram • effect on cost to firms e.g. reduced profit margins. Might be shown on a cost and revenue diagram. • excess supply of hospitality workers • effect on prices consumer surplus falls, output falls, price increases • impact on quantity of labour demanded/contraction of labour demand • impact on productivity • inefficient resource allocation due to distortion of price mechanism Macroeconomic effects may include: • income equality improvements – may use Gini/Lorenz • prices rise – inflationary effects • reduction in relative poverty • AD: increase in consumption as incomes increase/fall in investment as profits fall • SRAS: cost-push • LRAS: if investment falls, then LRAS shifts in • reduced employment • higher income tax revenue • lower unemployment related benefits NB for a Level 4 response there must be micro and macro effect (s) and use of data with reference to restaurants or other food delivery services. Employment or welfare issues could be seen as micro or macro, for example, can be used as either micro or macroeconomics. NB Effects in KAA could be used as evaluation and vice-versa.	(25)



	9 marks for evaluation – points might include: • effect on firms depends on how much wage costs are as a proportion of overall costs • impact on real output depends on level of spare capacity/elasticity of LRAS/magnitude of multiplier • effect on workforce of employment regulation depends on elasticity for demand for labour, and degree with which it can be replaced with capital • depends on PED of food delivery firm market as a whole • consumers might also have increases in wages so profits might not fall • some firms will face decreased demand and go out of business. Loss of jobs and other economic activity • depends on the PED and PES in factor market and product market as a whole • LRAS might rise as economically inactive workers enter labour force to look for jobs • higher tax revenue may not occur if unemployment increases or investment decreases • higher unemployment related benefits if unemployment increase • productivity/motivation arguments	
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Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.



Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

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

1(d)	Knowledge 4, Application 4, Analysis 8, Evaluation 9 Microeconomic factors may include: • Social factors • Discrimination • Gender stereotyping/unconscious bias • Education and training • Work experience and skills • Glass ceiling in some TNCS • Productivity/demand for labour arguments • Differences in working patterns/types of contracts • Career breaks more likely for women • Information gaps • Ineffective legislation/regulation • Differences in wage elasticity of supply between male and female due to women's role as primary caregivers • Concentration of females in certain type of low paid jobs which increases their supply and pushes down wage rates • Women less likely to be a member of a trade union Macroeconomic factors may include: • Globalisation • Migration issues • Geographical location • Underfunding of education • Shortage of teachers in STEM subjects • Lack of affordable childcare • Other supply-side policy failures • Tax & benefits system failure e.g. high marginal tax rate upon returning to work • Employment e.g. part time or full time • Social immobility especially between countries • Technology/automation impact more on lower skilled/administrative jobs/structural unemployment • • Cultural norms NB for a Level 4 response there must be micro and macro cause(s). Some factors e.g. education, social factors, employment, migration can be used as either micro or macroeconomics. 9 marks for evaluation – points might include: • Prioritisation of the most important factor • Significance of factors change over time • Depends on the nature of the industry • Growing awareness of the issue might reduce wage differences • Reversing trends in globalisation • More transparency required by law • Combination of factors explain differences • Time period: long-run v short-run considerations	
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	NB for a Level 4 response there must be use of both micro and macroeconomics and use of given data with reference to oil and gas industry e.g. STEM education/occupations/engineering.	(25)
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Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.



Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

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

Question Number	Indicative content	Mark
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