



GuideMyGrades

— YOUR GOALS. OUR EXPERTISE. —

EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Labour markets (3.3.4)

International A Level Economics · Unit 3: Business behaviour

25 questions · 101 marks · Mark schemes included
Past papers January 2020 - June 2025 · 4 specification sub-topics

 guidemygrades.com

 [@Guidemygrades](https://www.instagram.com/Guidemygrades)

 [@Guidemygrades](https://www.facebook.com/Guidemygrades)

 [@Guidemygrades](https://www.youtube.com/Guidemygrades)

 info@guidemygrades.com

 Piccadilly Business Centre, Unit C, Aldow Enterprise Park
Blackett Street, Manchester, M12 6AE

HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.

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; < QUESTION brings you back.

Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").

A gold bar in the left margin marks exactly where the question sits on the original page.

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

QUESTION	SOURCE	MARKS	PAGE
3.3.4.1 THE DEMAND FOR LABOUR		9 Qs · 9 marks	2
1. Q6	IAL Unit 3 January 2020	1	3
2. Q5	IAL Unit 3 October 2020	1	4
3. Q4	IAL Unit 3 June 2021	1	5
4. Q4	IAL Unit 3 January 2022	1	6
5. Q6	IAL Unit 3 January 2023	1	7
6. Q5	IAL Unit 3 January 2024	1	8
7. Q5	IAL Unit 3 October 2024	1	9
8. Q3	IAL Unit 3 January 2025	1	10
9. Q3	IAL Unit 3 June 2025	1	11
3.3.4.2 THE SUPPLY OF LABOUR		5 Qs · 5 marks	12
10. Q3	IAL Unit 3 October 2020	1	13
11. Q4	IAL Unit 3 January 2021	1	14
12. Q5	IAL Unit 3 October 2021	1	15
13. Q3	IAL Unit 3 October 2022	1	16
14. Q1	IAL Unit 3 October 2023	1	17
3.3.4.3 THE DETERMINATION OF WAGE RATES IN COMPETITIVE AND NON-COMPETITI...		4 Qs · 42 marks	18
15. Q6	IAL Unit 3 October 2020	1	19
16. Q6	IAL Unit 3 June 2022	1	20
17. Q10	IAL Unit 3 June 2021	20	21
18. Q9	IAL Unit 3 June 2024	20	22
3.3.4.4 MARKET FAILURE IN THE LABOUR MARKET		7 Qs · 45 marks	23
19. Q3	IAL Unit 3 January 2020	1	24
20. Q1	IAL Unit 3 January 2021	1	25
21. Q1	IAL Unit 3 June 2022	1	26
22. Q3	IAL Unit 3 January 2023	1	27
23. Q6	IAL Unit 3 June 2024	1	28
24. Q10	IAL Unit 3 October 2021	20	29
25. Q9	IAL Unit 3 October 2023	20	30



QUESTIONS

25 questions · 101 marks · 4 sub-topics

SUB-TOPIC 3.3.4.1

THE DEMAND FOR LABOUR

Sub-topic 3.3.4.1 · 9 questions · 9 marks · lowest tariff first



5 A monopoly is operating at its revenue maximising output.

Which **one** of the following is true?

- ☐ A Marginal revenue is equal to marginal cost
- ☐ B Average revenue is equal to average cost
- ☐ C Average fixed costs are rising
- ☐ D Marginal revenue is zero

(Total for Question 5 = 1 mark)

6 Which **one** of the following is most likely to cause the demand for labour to be elastic?

- ☐ A Labour costs form a high proportion of total costs
- ☐ B Labour cannot be easily replaced by capital
- ☐ C Consumer demand for the final product is inelastic
- ☐ D A long training period is needed once workers have been recruited

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



3 Which **one** of the following is most likely to cause the supply of engineers to the aerospace industry to be inelastic?

- ☐ **A** Jobs in the aerospace industry require a high level of skill
- ☐ **B** Aerospace engineers are very responsive to changes in wage rates
- ☐ **C** The government provides support for training programmes
- ☐ **D** There is a fall in demand for aerospace industry products

(Total for Question 3 = 1 mark)

4 Which **one** of the following characteristics always applies to a highly contestable market?

- ☐ **A** There is a large number of small firms
- ☐ **B** There are high sunk costs
- ☐ **C** There are low barriers to entry
- ☐ **D** There is imperfect information

(Total for Question 4 = 1 mark)

5 In 2019 the minimum wage rate in Spain was increased by 22%.

If the elasticity demand for labour currently earning the minimum wage is -0.6 , then the demand for these workers will

- ☐ **A** rise by 13.2%
- ☐ **B** fall by 13.2%
- ☐ **C** rise by 36.7%
- ☐ **D** fall by 36.7%

(Total for Question 5 = 1 mark)

4 Which **one** of the following will influence the elasticity of demand for labour?

- ☐ A The size of the population
- ☐ B The level of welfare benefits
- ☐ C Labour costs as a percentage of total costs
- ☐ D The rules determining the number of immigrants

(Total for Question 4 = 1 mark)

5 The table shows a firm's total costs of producing textbooks.

Output	Total costs (\$)
0	14 000
1 000	15 000
2 000	16 000
3 000	17 000
4 000	18 000
5 000	19 000

What would be the average variable cost at an output of 4 000 textbooks?

- ☐ A \$0.75
- ☐ B \$1.00
- ☐ C \$3.25
- ☐ D \$4.50

(Total for Question 5 = 1 mark)



- 3 The table shows the number of international subscribers for Netflix and its total revenue for Q4 in the years 2017 to 2020.

	International subscribers (millions)	Total revenue (\$ million)
Q4 2017	110.64	3 286
Q4 2018	139.26	4 187
Q4 2019	167.09	5 467
Q4 2020	203.66	6 644

Which **one** of the following can be deduced from the table?

- ☐ A Average revenue was \$32.62 in Q4 2017
- ☐ B Average revenue was \$29.70 in Q4 2018
- ☐ C Average revenue was \$32.72 in Q4 2019
- ☐ D Average revenue was \$30.07 in Q4 2020

(Total for Question 3 = 1 mark)

- 4 Total revenue for American Airlines fell from \$45.77 billion in 2019 to \$17.34 billion in 2020. In response, American Airlines made 31 000 staff redundant.

Which **one** of the following was the most likely reason for these staff redundancies?

- ☐ A The number of airline passengers rose
- ☐ B The derived demand for labour fell
- ☐ C Government employment subsidies to airlines increased
- ☐ D Taxation on airline employees decreased

(Total for Question 4 = 1 mark)



- 6 The elasticity of demand for agricultural workers in South Africa is estimated to be -0.3 .

Which **one** of the following is the most likely reason for this value of the elasticity of demand for labour?

- ☐ A Labour cannot be easily replaced by capital
- ☐ B Wage rates are relatively high in the agricultural industry
- ☐ C Consumer demand for the final product is price elastic
- ☐ D Productivity is relatively low in the agricultural industry

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



5 In Australia the elasticity of demand for construction workers is estimated to be -0.18 .

Which **one** of the following factors is the most likely explanation of this elasticity of demand for construction workers?

- ☐ A The construction workers cannot be easily replaced by capital
- ☐ B The costs of employing construction workers are low
- ☐ C The productivity of construction workers is low
- ☐ D The majority of construction workers are members of trade unions

(Total for Question 5 = 1 mark)

6 A cereal manufacturer lowers its price to deter new firms from entering the market while still covering its costs.

Which **one** of the following best describes this pricing strategy?

- ☐ A Predatory pricing
- ☐ B Limit pricing
- ☐ C Price leadership
- ☐ D Short-run profit maximisation

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



- 4 The table shows the total costs of a clothing manufacturer producing jeans at different levels of output.

Output	Total costs \$
0	40 000
10 000	60 000
20 000	100 000
30 000	160 000
40 000	240 000

What is the average fixed cost per unit if the firm produces 20 000 pairs of jeans?

- ☐ A \$2
- ☐ B \$3
- ☐ C \$4
- ☐ D \$5

(Total for Question 4 = 1 mark)

- 5 In 2002 the elasticity of demand for agricultural labour in South Africa was estimated to be -1.32 .

Which **one** of the following is most likely to influence the elasticity of demand for agricultural labour?

- ☐ A The cost of capital required for farming relative to the cost of agricultural labour
- ☐ B The level of educational qualifications required to be an agricultural worker
- ☐ C The location of agricultural jobs in South Africa
- ☐ D The occupational and the geographical mobility of labour

(Total for Question 5 = 1 mark)



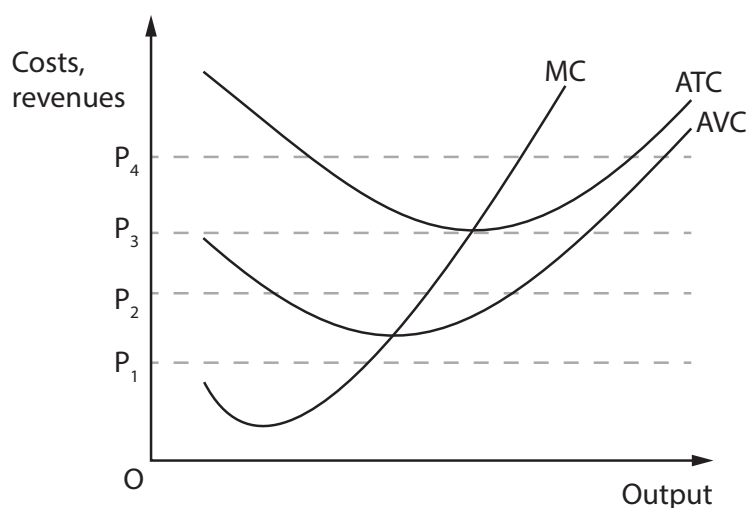
- 3 The elasticity of demand for labour for workers in the shipbuilding industry in France is estimated to be -0.88 .

Which **one** of the following is most likely to cause the demand for labour to be inelastic?

- ☐ A Labour can be easily substituted by capital
- ☐ B The workers are all members of a trade union
- ☐ C There is a large supply of labour available to work in the industry
- ☐ D Labour costs are a small percentage of total costs

(Total for Question 3 = 1 mark)

- 4 The diagram shows marginal cost, average total cost and average variable cost curves for a profit-maximising sweetcorn producer in Argentina operating in a perfectly competitive market.



At which **one** of the following prices would the producer sell sweetcorn in the short-run but shut-down in the long-run?

- ☐ A P_1
- ☐ B P_2
- ☐ C P_3
- ☐ D P_4

(Total for Question 4 = 1 mark)

SECTION A

Answer ALL questions in this section.

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 ☒.

- 1 Integris, a UK-based management services business, was founded in 2021 as a result of the merger of several businesses providing similar services. This enabled it to benefit from internal economies of scale.

Which **one** of the following is an example of internal economies of scale?

- ☐ A Availability of a skilled labour force
- ☐ B Access to transport links
- ☐ C Lower corporation tax
- ☐ D Purchasing supplies in bulk

(Total for Question 1 = 1 mark)

- 2 A monopoly sets its price at the output where average revenue is equal to average cost.

Which **one** of the following best describes this firm's objective?

- ☐ A Revenue maximisation
- ☐ B Profit maximisation
- ☐ C Sales maximisation
- ☐ D Profit satisficing

(Total for Question 2 = 1 mark)

- 3 In 2024, the Government of Japan decided to subsidise construction companies to modernise old homes in the city of Kyoto.

Ceteris paribus, which **one** of the following is the most likely impact of this policy?

- ☐ A The price elasticity of supply of construction workers would increase
- ☐ B The demand for construction workers would increase
- ☐ C The skills of construction workers would decrease
- ☐ D Wage rates for construction workers would decrease

(Total for Question 3 = 1 mark)



SUB-TOPIC 3.3.4.2

THE SUPPLY OF LABOUR

Sub-topic 3.3.4.2 · 5 questions · 5 marks · lowest tariff first



3 Which **one** of the following is most likely to cause the supply of engineers to the aerospace industry to be inelastic?

- ☐ A Jobs in the aerospace industry require a high level of skill
- ☐ B Aerospace engineers are very responsive to changes in wage rates
- ☐ C The government provides support for training programmes
- ☐ D There is a fall in demand for aerospace industry products

(Total for Question 3 = 1 mark)

4 Which **one** of the following characteristics always applies to a highly contestable market?

- ☐ A There is a large number of small firms
- ☐ B There are high sunk costs
- ☐ C There are low barriers to entry
- ☐ D There is imperfect information

(Total for Question 4 = 1 mark)

5 In 2019 the minimum wage rate in Spain was increased by 22%.

If the elasticity demand for labour currently earning the minimum wage is -0.6 , then the demand for these workers will

- ☐ A rise by 13.2%
- ☐ B fall by 13.2%
- ☐ C rise by 36.7%
- ☐ D fall by 36.7%

(Total for Question 5 = 1 mark)

- 4 In 2017 the Centre for Economic Analysis estimated that the elasticity of supply of labour for car manufacturing in Poland was 1.3.

Which **one** of the following would have caused the elasticity of the supply of labour to become more elastic?

- ☐ A A fall in net migration
- ☐ B A rise in the level of welfare benefits
- ☐ C A fall in income tax rates
- ☐ D A rise in trade union membership

(Total for Question 4 = 1 mark)

- 5 In March 2020 the Angolan Government announced that it was privatising three state-owned textile factories.

Which **one** of the following is the most likely effect of this privatisation?

- ☐ A A decrease in X-inefficiency
- ☐ B A decrease in productive efficiency
- ☐ C A decrease in consumer choice
- ☐ D A decrease in share ownership

(Total for Question 5 = 1 mark)



4 The table shows the total costs of producing sports footwear by a firm in the USA.

Units of output	Total Cost (\$)
0	12
1	16
2	19
3	22
4	27
5	33
6	40
7	48

Between which of the following outputs do diminishing returns start to set in?

- ☐ A 1–2 units
- ☐ B 3–4 units
- ☐ C 5–6 units
- ☐ D 6–7 units

(Total for Question 4 = 1 mark)

5 India's net migration was –2.7 million in 2017. This caused a decrease in the supply of labour.

Which other factor would also cause a decrease in India's supply of labour?

- ☐ A An increase in the level of welfare benefits
- ☐ B A decrease in the productivity of labour
- ☐ C An increase in the size of the population
- ☐ D A decrease in the price of capital

(Total for Question 5 = 1 mark)



3 From September 2019 to September 2021 the US labour force participation rate fell.

Which **one** of the following is most likely to have caused this fall in the supply of labour?

- ☐ A An increase in benefit payments
- ☐ B An increase in net migration
- ☐ C An increase in the wage rate
- ☐ D An increase in productivity

(Total for Question 3 = 1 mark)

4 A car manufacturer employs 40 engineers at a wage rate of \$570 per week. To attract an additional worker, the car manufacturer must raise the wage rate for all engineers to \$590 per week.

What is the marginal cost of employing this additional worker?

- ☐ A \$20
- ☐ B \$820
- ☐ C \$1 390
- ☐ D \$24 190

(Total for Question 4 = 1 mark)

5 Between February 2020 and February 2021 approximately 65 000 businesses shut down in New Zealand. The majority of these closures were caused by a fall in revenue as a result of the global health crisis.

Which **one** of the following would cause a firm to shut down in the short-run?

- ☐ A Average revenue is above its average total cost of production
- ☐ B Average revenue is below its average total cost of production
- ☐ C Average revenue is above its average variable cost of production
- ☐ D Average revenue is below its average variable cost of production

(Total for Question 5 = 1 mark)



SECTION A

Answer ALL questions in this section.

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

- 1 It is estimated that Japan's population of working age will fall from 65.3 million in 2017 to 60.8 million in 2025.

Ceteris paribus, which **one** of the following might result from this fall in Japan's population of working age?

- ☐ A A decrease in job vacancies
- ☐ B An increase in the rate of unemployment
- ☐ C A decrease in immigration into Japan
- ☐ D An increase in wage rates

(Total for Question 1 = 1 mark)

- 2 In 2022 the Government of Canada updated its competition policy in order to increase market contestability.

Ceteris paribus, which **one** of the following would increase market contestability?

- ☐ A An increase in legal costs to start a business
- ☐ B An increase in legislation to control mergers
- ☐ C An increase in patent protection
- ☐ D An increase in regulatory capture

(Total for Question 2 = 1 mark)



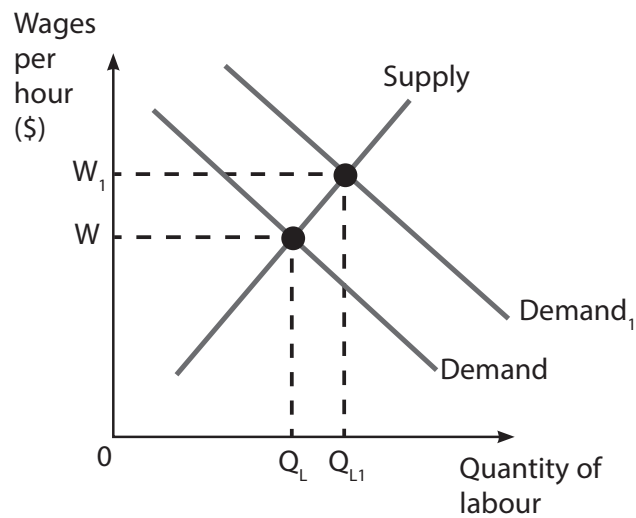
SUB-TOPIC 3.3.4.3

**THE DETERMINATION OF WAGE RATES IN
COMPETITIVE AND NON-COMPETITIVE MARKETS**

Sub-topic 3.3.4.3 · 4 questions · 42 marks · lowest tariff first



6 The diagram shows a competitive labour market.



Which **one** of the following would cause the increase in the wage rate from W to W_1 as shown in the diagram?

- ☐ A An increase in firms' costs of production
- ☐ B A decrease in the productivity of labour
- ☐ C An increase in demand for the final product
- ☐ D A decrease in net migration

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

- 6 Prior to 2016 there was a competitive labour market for nurses in Argentina. Following the introduction of a universal healthcare system there is now a monopsony employer of nurses in the country.

Which **one** of the following combinations is the most likely impact of the introduction of this monopsonistic labour market?

	Wages	Number of employees
☐ A	Lower	Lower
☐ B	Lower	Higher
☐ C	Higher	Lower
☐ D	Higher	Higher

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION C**Answer TWO questions from this section.**

- 8** In 2019 the Indian Government announced plans to privatise up to 25 airports across India. These airports are not the largest in India, but they each have annual passenger numbers between 1 million and 1.5 million.

Evaluate the possible benefits of privatisation for the consumer.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In the UK, for any given rail journey, there are usually more than five different ticket prices depending on the time and day of travel.

Evaluate the view that price discrimination is always beneficial for producers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In New Zealand, in 2018, it was estimated that the average worker employed in the private sector earned 30% less than the average worker in the public sector.

Evaluate the reasons why wage differences exist.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2023 the US Department of Justice began an investigation into claims that Google had used its market power to limit competition and to increase the amount charged to advertisers.

Evaluate policies that a government could adopt to control monopolies.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2023 the highest-paid lawyers in Switzerland earned, on average, three times more than the lowest-paid lawyers.

Evaluate possible reasons for wage differentials in an occupation of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In July 2023 the Competition and Markets Authority fined Leicester City Football Club £880 000 for colluding with JD Sports. The club was found guilty of price fixing and restricting the selling of Leicester City-branded clothing in the UK.

Evaluate the likely effects of collusion on businesses **and** consumers in an industry of your choice.

Illustrate your answer with reference to game theory.

(Total for Question 10 = 20 marks)

SUB-TOPIC 3.3.4.4

MARKET FAILURE IN THE LABOUR MARKET

Sub-topic 3.3.4.4 · 7 questions · 45 marks · lowest tariff first



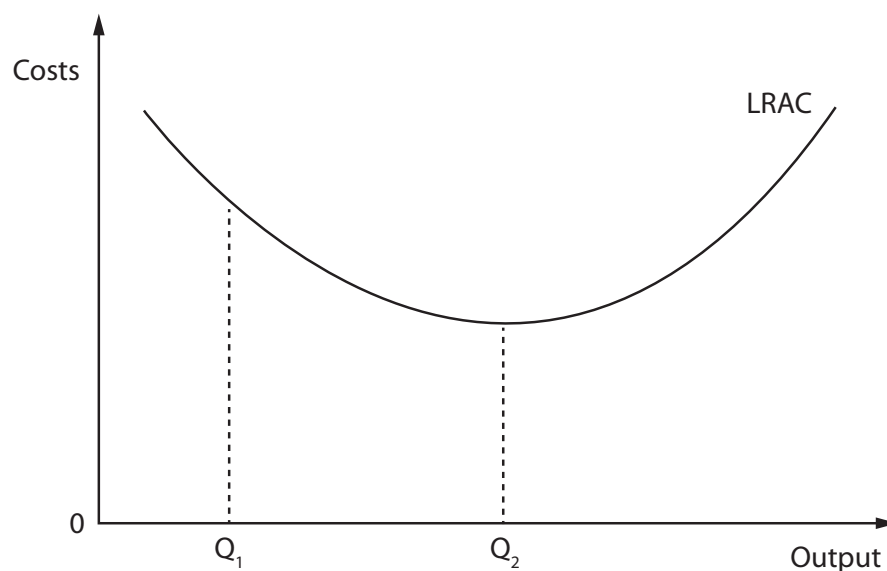
- 3 In 2016 workers in the USA were changing jobs less frequently than at any time since the 1970s.

Which **one** of the following can be deduced from the above information?

- ☐ A There had been a decrease in the skills of the workforce
- ☐ B There had been a decrease in house prices and rents
- ☐ C There had been an increase in transferable skills
- ☐ D There had been an increase in the number of job vacancies

(Total for Question 3 = 1 mark)

- 4 The diagram shows a long-run average cost curve for a firm.



Which **one** of the following must be true as output rises from point Q_1 to point Q_2 ?

- ☐ A There are diminishing returns
- ☐ B There are economies of scale
- ☐ C There are diseconomies of scale
- ☐ D There are falling total costs

(Total for Question 4 = 1 mark)

SECTION A

Answer ALL questions in this section.

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 ☒.

- 1** Between 2009 and 2019 real house prices in Sydney, Australia rose by 40%. This price increase was more than in any other part of Australia.

What might be the effect of this increase in house prices in Sydney on the mobility of labour?

- ☐ **A** A decrease in the geographical mobility of labour
- ☐ **B** A decrease in the occupational mobility of labour
- ☐ **C** An increase in the geographical mobility of labour
- ☐ **D** An increase in the occupational mobility of labour

(Total for Question 1 = 1 mark)



SECTION A

Answer ALL questions in this section.

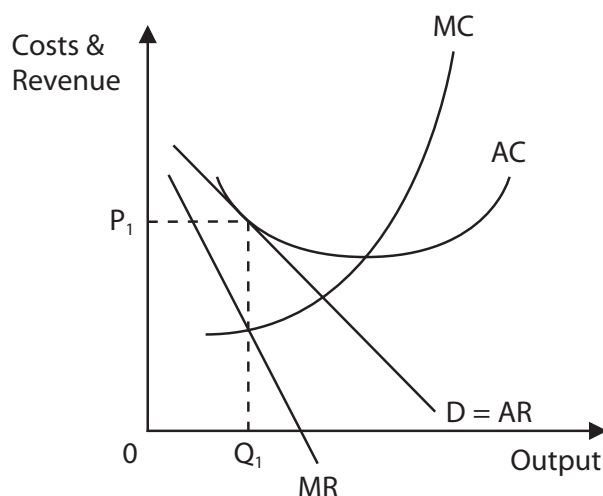
Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 *Ceteris paribus*, which **one** of the following would reduce the geographical mobility of labour within a country?

- ☐ A An increase in relocation grants paid by the government
- ☐ B An increase in the costs of relocating from one region to another
- ☐ C More accurate information about job opportunities in different locations
- ☐ D Similar average house prices in different regions of the country

(Total for Question 1 = 1 mark)

- 2 The diagram shows the long-run equilibrium for a restaurant in Bangkok, Thailand, operating in a monopolistically competitive market.



Which **one** of the following can be deduced from the diagram?

- ☐ A The firm is producing the allocatively efficient level of output at price P_1
- ☐ B The firm will leave the industry if average costs fall
- ☐ C The firm is producing the productively efficient level of output Q_1
- ☐ D The firm is making normal profit

(Total for Question 2 = 1 mark)

- 2 The output of a textile manufacturer based in Botswana is 30 000 units of clothing per month. The firm's total revenue is \$78 000, its total costs are \$57 800 and its total fixed costs are \$30 800 per month.

Which **one** of the following is the firm's average variable cost at this level of output?

- ☐ A \$0.90
- ☐ B \$1.03
- ☐ C \$1.93
- ☐ D \$2.60

(Total for Question 2 = 1 mark)

- 3 A survey conducted in 2021 found that 76% of US companies with factories in China were in the process of moving operations to other countries in southeast Asia. This would cause thousands of manufacturing workers in China to lose their jobs.

Which **one** of the following government measures is most likely to increase the occupational mobility of labour?

- ☐ A An increase in unemployment benefits
- ☐ B An increase in relocation grants for businesses
- ☐ C An increase in training schemes
- ☐ D An increase in the national minimum wage

(Total for Question 3 = 1 mark)

5 A profit maximising firm decides to change its objective to revenue maximisation.

Which **one** of the following combinations is the most likely impact of this decision?

	Supernormal profit	Price
☐ A	No change	No change
☐ B	Increase	Increase
☐ C	Decrease	Decrease
☐ D	Increase	No change

(Total for Question 5 = 1 mark)

6 A 2022 study found that the geographical mobility of labour in the USA has been decreasing for the last 30 years.

Which **one** of the following is most likely to cause a **decrease** in the geographical mobility of labour?

- ☐ A An increase in the skills of the workforce
- ☐ B An increase in relocation grants provided by the government
- ☐ C An increase in average house prices and rents
- ☐ D An increase in the availability of affordable housing

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION C**Answer TWO questions from this section.**

- 8** Visinema, an Indonesian company that produces TV shows and feature films, is expanding into neighbouring countries. The company is also planning to acquire several Indonesian animation studios.

For an industry of your choice, evaluate why many businesses have growth as their main objective.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In July 2020 the mobile phone company, MTN Ghana, had a 70% market share in Ghana. The competition authorities in Ghana stated that this was preventing new firms from entering the market and was having a negative effect on the quality of service.

For an industry of your choice, to what extent is a monopoly market structure *inefficient*?

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In February 2020 the Indian Government announced plans for university degrees to be fully accessed online. This was to make higher education more accessible and to increase the skills of India's young people. Previously only 20% of a degree could be studied online.

Evaluate measures to reduce the occupational and geographical immobility of labour.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In Pakistan, internet services are provided by a monopolist, Pakistan Telecommunication Company Ltd (PTCL). The quality of the service offered is poor and the internet speed is slow resulting in a high level of complaints from consumers.

Evaluate policies that a government could use to control and regulate monopolies, such as PTCL.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2022 Belgium had an unemployment rate of 5.5% and a vacancy rate of 4.8%.

Evaluate policies that a government could use to reduce the geographical immobility of labour **and** the occupational immobility of labour.

Refer to industries of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Nestlé is the largest manufacturer of pre-packaged food and beverages in the world, based on revenue. Its size has enabled it to reduce its average cost of production.

Evaluate the impact that the size of a business has on its efficiency.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



MARK SCHEMES

official mark schemes, in the same order as the questions



Section A

Question	Quantitative skills assessed	Answer	Mark
1		C	(1)
2	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes.	D	(1)
3		A	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	B	(1)
5	QS9: Interpret, apply and analyse information in written, graphical tabular and numerical forms.	D	(1)
6	QS8: Make calculations of elasticity and interpret the result.	A	(1)

Section B

Question	With reference to Figure 1, calculate the percentage change in electric car sales from 2013 to 2017. You are advised to show your working.	Mark
7(a)	Answer	
	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical tabular and numerical forms. 2 marks for correct workings and calculation: • $13\,597 - 2\,512 = 11\,085$ (1) • $11\,085 / 2\,512 \times 100 = 441.28\%$ (2) Accept 441% to 441.3% NB: If correct answer is given award full marks regardless of working.	(2)

4	-	The only correct answer is c <i>A is not correct because a high number of small firms can still operate in a market with a small number of large firms and significant entry barriers</i> <i>B is not correct because high sunk costs increase barriers to entry</i> <i>D is not correct because imperfect information makes it more difficult for firms to enter the market</i>	(1)
5	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS8: Make calculations of elasticity and interpret the result.	The only correct answer is B <i>A is not correct because demand for workers falls when wages rise</i> <i>C is not correct because the calculation is incorrect and the demand for workers falls as wages rise</i> <i>D is not correct because the calculation is incorrect.</i>	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because an increase in the costs of production would cause a contraction in the demand for labour</i> <i>B is not correct because a decrease in the productivity of labour would cause a contraction in the demand for labour</i> <i>D is not correct because a decrease in net migration would decrease the supply of labour</i>	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B A is not correct because this is profit maximisation C is not correct because this is revenue maximisation D is not correct as this will not maximise sales	(1)
2		The only correct answer is D A is not correct because the government does not own the business B is not correct as these firms are not starting a new business C is not correct because these firms produce the same items	(1)
3	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B A is not correct because this is an average variable cost curve C is not correct as there is no change in cost per output D is not correct because the curve is upward sloping	(1)
4		The only correct answer is C A is not correct because this will affect the supply of labour B is not correct as this will affect the supply of labour D is not correct because will affect the supply of labour	(1)



4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because more passengers are a likely to cause a rise in employment C is incorrect because it is unlikely to cause a rise in unemployment since costs have decreased D is incorrect because it is unlikely to cause a rise in unemployment since costs have decreased	(1)
5	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because this was unemployment at the lower minimum wage C is incorrect because demand would contract from Q_2 to Q_1 D is incorrect because supply would extend from Q_3 to Q_4	(1)
6	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is incorrect because the firm will be allocatively efficient and only normal profit will be made in the long-run B is incorrect because the firm will be allocatively efficient C is incorrect because the firm will make normal profit	(1)

		C is incorrect because the revenue curves would be perfectly elastic D is incorrect because the firm is making normal profit	
5	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is incorrect because the firm is likely to increase employment B is incorrect because the price would be lower than at the profit maximising output C is incorrect because total fixed costs would not fall when output increases	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because high wage rates would affect the price elasticity of supply of labour C is incorrect because if the demand for labour is elastic then the demand for the product will be elastic D is incorrect because this would discourage firms from employing workers	(1)

Section B

Question	With reference to Figure 1, calculate the percentage change in the wholesale price of gas from 1 April 2021 to 1 April 2022. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculation: • $280\text{p} - 47\text{p} = 233\text{p}$ (1) $233\text{p}/47\text{p} \times 100 = 495.74\%$ (1) NB: Award full marks for correct answer (495.7447%, 495.745%, 495.7%, 496%) regardless of working Award full marks if % missing	(2)

Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because the firms are in the same industry B is incorrect because the firms are at the same stage of production D is incorrect because the firms are at the same stage of production	(1)
2	QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because this is the MR at \$12 C is incorrect because this is the average revenue at \$12 D is incorrect because this is the average revenue at \$14	(1)
3	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect as the business will make normal profit C is incorrect because the business will reduce output D is incorrect because the price will fall	(1)
4	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is incorrect because average revenue would be greater than marginal cost B is incorrect because marginal revenue would be lower than average revenue C is incorrect because marginal revenue would be less than total cost	(1)
5	QS8: Make calculations of elasticity and interpret the result. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because this would result in an elastic demand for construction workers C is incorrect because this would result in an elastic demand for construction workers D is incorrect because this would influence the supply of construction workers	(1)
6	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because price would be below average cost C is incorrect because price leadership occurs when businesses follow the price of	(1)



Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because supernormal profit will be eliminated C is incorrect because the producer will make normal profit and therefore remain in the market D is incorrect because market concentration will fall as new firms enter the market	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because a marginal cost pricing strategy is where $MC=AR$ B is incorrect because a limit pricing strategy is where all consumers would pay the same price D is incorrect because a predatory pricing strategy sets the price below the average variable cost for all consumers	(1)
3	QS4: Construct and interpret a range of standard graphical forms QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is incorrect because the producer surplus will decrease B is incorrect because fixed costs will not change C is incorrect because this is likely to cause a decrease in dynamic efficiency	(1)
4	QS4: Construct and interpret a range of standard graphical forms QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because this is average variable cost C is incorrect because this is average fixed cost at an output of 10 000 D is incorrect because this is the average total cost at an output of 20 000	(1)
5	QS8: Make calculations of elasticity and interpret the result QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because this affects the price elasticity of supply of labour C is incorrect because this affects the price elasticity of supply of labour D is incorrect because this affects the supply of labour	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because this is the lowest point on the AC curve C is incorrect because this is where change in TC is constant D is incorrect because this is the equilibrium for revenue maximisation	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because Sony and Honda are two different companies B is incorrect because they are privately owned companies D is incorrect because the two companies are at different stages of production in different markets	(1)
3	QS8: Make calculations of elasticity and interpret the result QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is incorrect because the demand for labour would be elastic B is incorrect because this impacts the elasticity of supply of labour C is incorrect because this impacts the elasticity of supply of labour	(1)
4	QS4: Construct and interpret a range of standard graphical forms QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because the firm would shut down in the short-run C is incorrect because the firm is covering ATC and therefore would not shut down in the long-run D is incorrect because the firm is covering ATC and therefore would not shut down in the long-run	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D A is incorrect because this is an external economy of scale B is incorrect because this is an external economy of scale C is incorrect because this is not an economy of scale	(1)
2	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C A is incorrect because this is when $MR=0$ B is incorrect because this is when $MC=MR$ D is incorrect because the firm will make some supernormal profit to pay as dividends	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B A is incorrect because PES of labour would not change C is incorrect because this would not decrease the skills of construction workers D is incorrect because the wage rates of construction workers are likely to increase	(1)
4	QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because this is the average fixed costs for 12 000 items C is incorrect because this is the average variable costs for 6 000 items D is incorrect because this is the average total cost for 12 000 items	(1)
5	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because demand is more price elastic in the afternoon C is incorrect because supply is perfectly inelastic D is incorrect because supply is perfectly inelastic	(1)
6	QS4: Construct and interpret a range of standard graphical forms QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because marginal revenue is negative after an output of 0X C is incorrect because marginal revenue is equal to zero at an output of 0X D is incorrect because total revenue is maximised at an output of 0X	(1)

Question Number	Quantitative skills assessed	Answer	Mark
1	–	The only correct answer is B <i>A is not correct because they are in the same industry</i> <i>C is not correct because they are at the same stage of the production process</i> <i>D is not correct because they are at the same stage of the production process</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because the firm is able to cover its average variable costs</i> <i>B is not correct because the firm has not covered its's average total costs</i> <i>C is not correct because the firm can cover average total costs and make normal profit</i>	(1)
3	QS8: Make calculations of elasticity and interpret the result.	The only correct answer is A <i>B is not correct because this would imply that the supply of aerospace engineers is elastic</i> <i>C is not correct because an increase in government support into training programmes would make the supply of labour more elastic</i> <i>D is not correct because a fall in the demand for aerospace products would impact the demand for labour not the elasticity of supply of labour</i>	(1)

3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is not correct because a firm in a monopolistically competitive market does not produce at the lowest point on the AC curve B is not correct because there is freedom of entry in a monopolistically competitive market so any short-run supernormal profits would be competed away in the long-run C is not correct because is not correct because a firm operating on a monopolistically competitive market does not produce at the output at which price = MC	(1)
4	QS8: Make calculations of elasticity and interpret the result.	The only correct answer is C A is not correct because a fall in net migration would cause a fall in the supply of labour B is not correct because a decrease in productive efficiency would affect output and not the elasticity of supply of labour D is not correct because a rise in trade union membership could cause a fall in the supply of labour	(1)

4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms QS6: Calculate cost, revenue and profit (marginal, average, totals)	The only correct answer is B <i>A is not correct as there are increasing returns to scale</i> <i>C is not correct as diminishing returns have already set in</i> <i>D is not correct as diminishing returns have already set in</i>	(1)
5		The only correct answer is A <i>B is not correct as this would affect the demand for labour</i> <i>C is not correct as this would increase the supply of labour</i> <i>D is not correct as this would affect the demand for labour</i>	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because monopolistically competitive firms are productively inefficient and make normal profits in the long-run</i> <i>C is not correct as they make normal profits in the long-run</i>	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1		The only correct answer is A B is incorrect constant returns to scale should not stop entry into the market C is incorrect because low advertising costs should make it easier for firms to compete in the market D is incorrect because high supernormal profits should encourage new firms to enter	(1)
2	QS4: Construct and interpret a range of standard graphical forms QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because the firm is not producing at the productively efficient level B is incorrect because price is equal to MC D is incorrect because firms make normal profit in the long-run	(1)
3		The only correct answer is A B is incorrect as this would cause more available labour to enter the country B is incorrect as incentives to work would increase D is incorrect as this would not affect the supply of labour	(1)
4	QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written,	The only correct answer is C	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is incorrect because this is impacted by the demand for labour B is incorrect because the rate of unemployment should fall C is incorrect because an increase in immigration would increase the population	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B A is incorrect because high legal costs reduce contestability C is incorrect because patent protection would reduce contestability D is incorrect because regulatory capture is a form of government failure	(1)
3	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because there can only be super-normal profits in the short-run C is incorrect because it is not operating at the MES D is incorrect because price is not equal to marginal cost	(1)
4	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because higher rent would cause supernormal profits to decrease B is incorrect because higher rent would cause supernormal profits to decrease but the price remains constant D is incorrect because the supernormal profit would decrease and the price remains constant	(1)

5		The correct answer is D A is incorrect because this is not related to the impact of government intervention B is incorrect because this would improve the impact C is incorrect because this would improve the impact	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The correct answer is A B is incorrect because the number of employees would be lower C is incorrect because wages would be lower D is incorrect because wages and the number of employees would be lower	(1)

Summary of changes from Provisional Mark Scheme

A few minor changes were made to the Mark Scheme before marking on the marking service began. These have been highlighted in red in the Mark Scheme. The changes have been highlighted in the table:

Question Number	Summary of change
10	Bullet point under KAA: monopoly/Trade union may be able to increase the wage rate through collective bargaining The word monopoly was removed
10	New bullet point under KAA added: Wage differences may occur if there are immobilities present in the labour market causing shortages in the supply of labour
7c	Bullet point under application removed: • Car sales decreased (1)



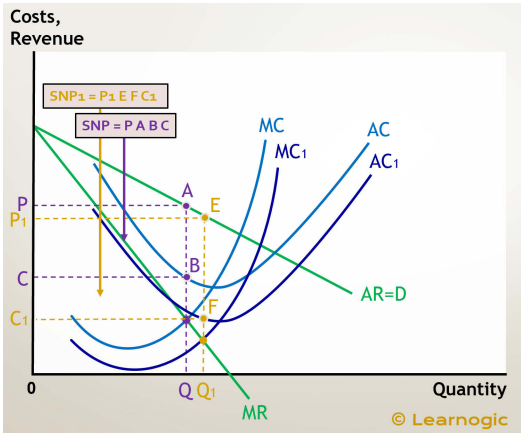
5	QS6: Calculate cost, revenue and profit (marginal, average and totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B <i>A is not correct because this is an inaccurate calculation</i> <i>C is not as this is an inaccurate calculation</i> <i>D is not correct because this is average total costs at 4000 units</i>	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is A <i>B is not correct because it is not producing at the lowest point on the AC curve in the short run</i> <i>C is not correct because these firms make normal profits in the long run</i> <i>D is not correct because price is not equal to marginal cost in the short run</i>	(1)

Section B

Question Number	In 2018 total car sales in China were 23.7 million. With reference to Figure 2, calculate the 4-firm concentration ratio for the car market in China 2018. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Up to 2 marks for calculation: • $2.07\text{m} + 2.04\text{m} + 1.97\text{m} + 1.66\text{m} = 7.74\text{m}$ (1) • $(7.74 \text{ million} \div 23.7 \text{ million}) \times 100 = 32.66\%$ (1) NB: Award full marks for correct answer regardless of working. Also allow: 32.65%/32.67%/33% Award 1 for 32.66/32.65/32.67/33	(2)

Question Number	With reference to the third paragraph of Extract B, explain what is meant by a 'takeover'.	Mark
	Answer	
7(b)	Knowledge 2 Application 2 QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge 1 mark for definition • Definition of takeover- the acquisition of one business by another (1) Plus one mark for development • A business may decide to undertake a takeover as part of its strategy e.g. to increase market share/reduce competition/entry into new markets (1) • A takeover is an example of inorganic growth (1) • Can be friendly or hostile (1) Any other valid knowledge point - 1 mark Application - up to 2 marks for application to context of China's car industry • Geely has taken over Lotus/Geely bought a majority share in Lotus (1) • Geely hopes the takeover will increase its European sales (1) • Geely is trying to expand internationally through takeovers (1) • Horizontal integration as both are car manufacturers (1) Any other valid application point - 1 mark for each	(4)

Question Number	With reference to Figure 1 and Extract A, analyse two reasons for the fall in car sales in China since 2017.	Mark
	Answer	
7(c)	Knowledge 2 Application 2 Analysis 2 QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge and Analysis Up to 2 marks for identifying 2 reasons for the fall in car sales and 1 mark for linked expansion of each reason e.g. - China's economic slowdown (1K) caused a fall in the demand for expensive goods such as new cars (1AN) - Increased availability of taxis (1K) which are a low-cost substitute for new cars so consumers are switching to taxis causing a fall in demand for new cars, reducing sales (1AN) Application 1 mark for reference to Figure 1 24.7 million in 2017 to 23.7 million in 2018/21.4 million in 2019 (1) 13% decrease between 2017 to 2019/4% decrease between 2017 and 2018 (1) NB data must relate to 2017 and after 1 mark for reference to Extract A - Economic growth rate was 9.4% in 2009 and decreased to 6.6% in 2018/ 100 different car-hailing platforms/ - Chinese car buyers are increasingly looking for low-cost alternatives (1)	(6)

Question Number	With reference to Extract A, examine the likely effects of the Chinese Government's subsidy on the profits of an electric car manufacturer. Illustrate your answer with an appropriate diagram.	Mark
7(d)	Knowledge 2 Application 2 Analysis 2 Evaluation 2 Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge Up to 2 marks for drawing a diagram that shows knowledge of: • Original AR, MR, AC₁, MC and profit-maximising equilibrium (1) • Subsidy would cause downward shift in AC and MC curves to AC₁ and MC₁ (1)  Analysis Up to 2 marks for explanation of impact on Chinese electric car manufacturers, e.g.: • Manufacturers face lower costs and if demand is unchanged then supernormal profits will increase (1) • Diagram showing increase in output at new MC=MR (1) with new profit area shown (1) Application Up to 2 marks for application to context of electric car market from Extract A e.g.: • Government is giving up to 90 000 yuan of subsidy per car (1) • To encourage more production (1) • Government is incentivising consumers to buy electric cars (1) • Explicit reference to data in diagram (1)	

	Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0) e.g: • Size of subsidy as a proportion of average cost (1), if it is a high proportion then profits may rise significantly (1) • Subsidy may be offset by an increase in costs of producing cars (1) so profits may not increase (1) • Magnitude of subsidy (1), 90 000 Yuan is a significant amount (1) • Electric car manufacturers may not pass on the full subsidy to the consumer (1) therefore prices may not change significantly, having a limited impact on demand and profit (1) • If the demand for electric cars is inelastic, a fall in the price will cause a less than proportionate increase in quantity demanded (1) and, therefore, a limited impact on profits (1) • Length of time subsidy is offered for (1)	(8)
--	---	------------

Question Number	With reference to Extracts A and B and your own knowledge, discuss the types of non-price competition that could be used by car manufacturers to increase the sales of cars.	
	Indicative content	
7(e)	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge, Application, Analysis (8 marks) – indicative content • Non-price competition involves ways to increase sales and attract custom through methods other than price • Methods of non-price competition include: product differentiation, advertising and branding, quality, endorsement, product placement, after sales service • Car manufacturers operate in an oligopolistic market with high levels of interdependence • Innovation and quality are important to the Chinese consumer • 79% of consumers plan to purchase a connected-car in the future • Chinese consumers are highly influenced by reputation of the firm and social media when choosing to purchase a car • Younger consumers are attracted to cars with a more modern design • Non-price competition is important as it increases demand and revenue • Non-price competition can increase the profits for Chinese car manufacturers • Number of joint-ventures able to offer product differentiation e.g. Alibaba and BMW Maximum L2 if no reference to car manufacturers	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.

		Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
		Evaluation (6 marks) – indicative content - Some types of non-price competition are likely to be more expensive than others e.g. advertising at prime time on TV may be more expensive than branding - Some types of non-price competition may be more effective (in increasing demand and making demand less price elastic) than others e.g. connected-cars; high quality may be more effective than branding - The most significant factor when buying a car for many young Chinese consumers is the environment. Therefore, other forms of non-price competition may not as significant - Price is the most important factor as new cars are expensive and this is causing their demand to fall - New car sales have declined in China as consumers seek low-cost alternatives - There are lots of available substitutes to cars - Consumers are using car-hailing apps instead of cars as they are more price competitive - Electric cars are becoming more price competitive as the government is subsidising them and other car manufacturers will need to lower their price to compete.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Section C

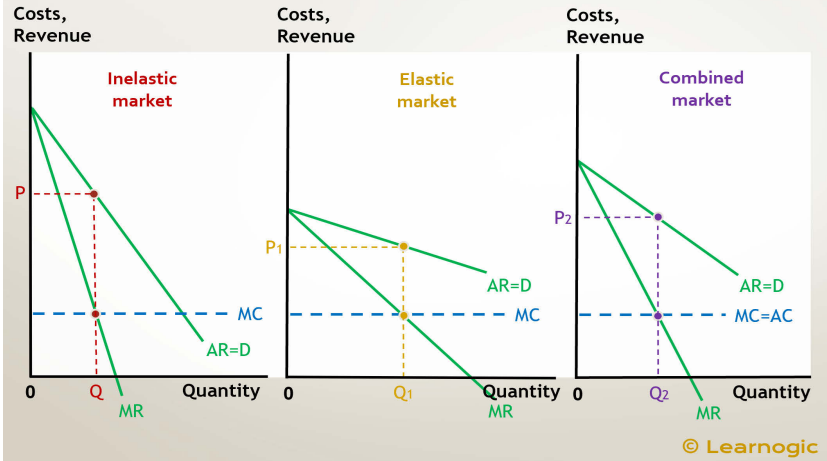
Question Number	In 2019 the Indian Government announced plans to privatise up to 25 airports across India. These airports are not the largest in India, but they each have annual passenger numbers between 1 million and 1.5 million. Evaluate the possible benefits of privatisation for the consumer. Illustrate your answer with an appropriate diagram(s). Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application, Analysis (12 marks) – indicative content Privatisation is the transfer of assets from public to private ownership •Privatised firms have an incentive to cut costs in order to maximise profits and the firm moves closer to productive efficiency/reduce X-inefficiency © Learnogic © Learnogic • Reduced costs as privatised firms will increase efficiency (falling MC and AC), leading to lower prices and increased output • Lower costs may be reflected in lower prices for consumers of flights, increasing consumer surplus

		• If privatisation increases competition there is an incentive for firms to deliver more choice and quality in order to boost sales. An increase in choice improves consumer welfare • Incentive to innovate in order to boost sales and, therefore, profit. Firms may become more dynamically efficient, improving the quality of products produced • Increased quality of goods and increased innovation increases consumer choice e.g. better quality airports or more flights • Wider share ownership – consumers may be able to buy shares in privatised firms to spread the rewards of capitalism to more people Restrict to a maximum of Level 3 if no appropriate diagram provided
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.



		Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Competition may not be increased if state-owned airports become privately owned by a private sector monopolist • Some public monopolies become private monopolies, with the objective of profit maximisation causing prices to increase and resulting in a reduction in consumer surplus and welfare • They may become X-inefficient if there is a lack of competition in the private sector • Market forces may not ensure greater efficiency • State-owned firms may provide loss making services that private firm would not, reducing choice and consumer welfare • Choice may be reduced if service becomes unprofitable	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question Number	In the UK for any given rail journey, there are usually more than five different ticket prices depending on the time and day of travel. Evaluate the view that price discrimination is always beneficial for producers. Illustrate your answer with an appropriate diagram(s). Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content - Price discrimination occurs when a firm charges different prices for the same product in different segments of the market e.g. business travellers and tourists - Conditions necessary for price discrimination - monopoly power, different PED's in sub-markets, able to separate different consumer groups e.g. age, students and travelcard holders - A firm gains higher profits from price discrimination when it charges a higher price to consumers with inelastic demand and a lower price to consumers with elastic demand - REWARD MARKS FOR RELEVANT DIAGRAMS - showing separation of markets  © Learnogic

Benefits to the producer • Greater overall revenue and profits • Producer is able to extract consumer surplus and turn it into producer surplus • Lower prices in the market segment in which demand is elastic, makes the market less contestable, reducing the threat of competition • Cross-subsidies may allow all areas of the business to survive • Increase in economies of scale because of higher output • Higher dividends to shareholders • Increased profits would enable the firm to increase investment or could be distributed to the owners of the firms Restrict to a maximum of Level 3 if no appropriate diagram provided Accept reverse argument for KAA		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.



Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • The increase in cost of keeping markets separate could exceed the additional revenue from price discrimination • Firms are exploiting consumers in markets where demand is inelastic who may not have an alternative which could lead to negative publicity or government action e.g. to price caps • Exploitation of consumers might attract the attention of regulatory authorities who might take action e.g. heavy fines • Higher prices are allocatively inefficient • Difficulty in discriminating between 5 or more markets • Businesses may not use additional profits to improve quality • Price discrimination might be difficult to maintain if it leads to the entry of new firms into the market • Price discrimination might be difficult to maintain if the PEDs are fairly similar in each of the sub-markets		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question Number	In New Zealand in 2018, it was estimated that the average worker employed in the private sector earned 30% less than the average worker in the public sector. Evaluate the reasons why wage differences exist. Illustrate your answer with an appropriate diagram(s). Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content This labour market equilibrium may differ between markets and this will cause the wage rate to differ as the equilibrium determines the wage rate Wage rate S_L D_L W_e Q_e Quantity of labour © Learnogic Or Wage rate Wage rate S_L S_L' D_L W_1 Q_{L1} Quantity of labour W_2 Q_{L2} Quantity of labour © Learnogic

		• If the supply or demand for labour changes in a market, this will also change the equilibrium price of labour. Therefore, the supply or demand of labour in a market will cause the wage to differ • The level of education/skill required for the job. Jobs which require more training and education offer higher wages because the supply of workers with this training and skills will be lower than the supply of unskilled workers • Wages in the private sector could be lower than the public sector because public sector pay is funded from taxation and not dependent on profit • In some parts of the private sector firms may have monopsony power and so be able to pay lower wages than firms in other sectors • Other factors such as age, gender and ethnic background may account for wage differences • Trade union may be able to increase the wage rate through collective bargaining • Workers may have non-financial benefits that account for some of the difference e.g. hours of work, holidays, security • Workers may have financial benefits that account for some of the difference e.g. pensions, private healthcare, longer holidays • If the demand for labour is inelastic wages would be higher than if elastic • Wages tend to be higher in the sector that has more inelastic demand and /or inelastic supply • Wage differences may occur if there are immobilities present in the labour market causing shortages in the supply of labour Restrict to a maximum of Level 3 if no appropriate diagram provided Accept reverse argument for KAA
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.



		Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • If labour is homogenous wage differences may not be different • If workers and employers have perfect knowledge of the labour market wages will be more similar • High mobility of labour enables workers to move between jobs and areas keeping wages stable • If there is no (age/gender/ethnic) discrimination in the market, everyone should be paid the same for the same job • Relative significance of relevant reasons • Private sector in some countries may be able to offer higher wages due to higher levels of profit • In the public sector, the government may have monopsony in the labour market and so can drive down the price of labour as workers have a lower price setting ability • The wage differential in NZ between workers in the public and private sectors may be temporary e.g. due to a downturn/recession • Government may limit pay rises for public sector workers e.g. to reduce budget deficit		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.



Question	Evaluate the possible reasons for wage differentials in an occupation of your choice. Illustrate your answer with an appropriate diagram(s). Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • Level of skill and education, as lawyers with specialised skills, experience or higher levels of education receive higher wages because of scarcity of labour or higher productivity of the workers • If demand for a particular skill set is high relative to the supply, then the wage rate is likely to be higher than if demand is low relative to supply • Elasticity of demand for labour, the more elastic and substitutable labour is, the lower the wage rate. If labour cannot be replaced by capital, then demand for labour is more inelastic and wage rate is likely to be higher • If the supply of labour is inelastic e.g. if high qualifications or extensive experience is required then the wage rate is likely to be higher than if supply of labour is elastic • Job characteristics and working conditions - if the job requires high levels of physical demands/high-risk level/ poor working conditions, the business may need to pay higher wages to encourage individuals to work in the occupation. Higher-paid lawyers may be required to work longer hours or be under more stress than lower paid lawyers • Labour market discrimination could be based on biases in accessing higher-paying jobs or receiving equal pay e.g. gender, race, age

		- Higher living costs in certain areas such as Geneva may lead to higher wages to attract workers, while lower living costs in other areas of Switzerland may result in lower wages - Legislation e.g. different minimum wage rates for workers of different ages - Contractual status/Trade union membership may influence the wage paid to different groups for identical work - Greater degree of monopsony power may allow firms to reduce pay rates in certain geographical areas compared to more competitive labour markets - Public vs private sector wages NB: If no diagram candidate can achieve a maximum of level 3 Maximum of level 3 if no reference to an industry Accept other labour market diagrams if they illustrate differences in wage rates
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content	
	• Prioritisation of reasons for wage differentials • Anti-discrimination laws might limit the size of wage differentials in an occupation • Paternity leave would cause men to also have gaps in their work, making the pay more equal between men and women • Government Policies: Government regulations, such as minimum/maximum wage laws, can influence wage differentials by setting a floor/ceiling on wages or affecting the take-home pay of workers • Trade unions may bargain for higher wages for lower-paid employees reducing the wage differential • Significance of reasons changes over time • Combination of reasons contribute to wage differentials	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate the likely effects of collusion on businesses and consumers in an industry of your choice. Illustrate your answer with reference to game theory. Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: • QS4: Construct and interpret a range of standard graphical forms. • QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1		The only correct answer is A B is not correct because the increase in house prices in Sydney relative to other parts of Australia would reduce geographical mobility of labour C is not correct because the increase in house prices in Sydney relative to other parts of Australia would reduce geographical mobility of labour D is not correct because the increase in house prices in Sydney affects geographical mobility of labour	(1)
2	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because this is the 3-firm concentration ratio C is not correct because this is the sum of the market shares of the largest 3 firms and 'others' D is not correct because this is the 5-firm concentration ratio	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1		The correct answer is B A is incorrect because this would increase the geographical mobility of labour C is incorrect because this would increase the geographical mobility of labour D is incorrect because this would increase the geographical mobility of labour	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The correct answer is D A is incorrect because price is greater than MC B is incorrect because the firm would remain in the industry as ceteris paribus it would be making supernormal profit C is incorrect because the firm is not producing at the lowest point on the AC curve	(1)
3	QS6: Calculate cost, revenue and profit (marginal, average and total) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The correct answer is C A is incorrect because this is average fixed costs at 300 units B is incorrect because this is average variable costs at 400 units D is incorrect because this is average total costs at 300 units	(1)
4	QS1: Calculate, use and understand ratios and fractions QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The correct answer is B A is incorrect because this is the four-firm concentration ratio C is incorrect because this is the four-firm concentration ratio plus others D is incorrect because this is the six-firm concentration ratio	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS4: Construct and interpret a range of standard graphical forms QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because decreasing returns to scale would relate to the long-run average cost curve B is incorrect because fixed costs would not be included in marginal costs D is incorrect because diseconomies of scale would relate to the long-run average cost curve	(1)
2	QS6: Calculate cost, revenue and profit (marginal, average, totals)	The only correct answer is A B is incorrect because this is the average fixed cost C is incorrect because this is the average total cost D is incorrect because this is the average revenue	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because this is likely to increase unemployment B is incorrect as this affects the geographical mobility of labour D is incorrect because this is likely to increase unemployment	(1)
4	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because the equilibrium output is not at the lowest point of the AC curve	(1)

		B is incorrect because supernormal profit and price will decrease D is incorrect because the business supernormal profit and price will decrease	
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because this would increase the occupational mobility of labour B is incorrect because this would increase the geographical mobility of labour D is incorrect because this would increase the geographical mobility of labour	(1)

10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Occupational immobility of labour occurs when there are barriers facing people active in the labour market moving from one job to another • Geographical immobility of labour occurs when there are costs or barriers facing individuals who need to move from one area to another to find employment • Immobility of labour is a form of market failure • The Indian Government is making access to university easier by allowing universities to offer online degrees. This should increase the number of people taking a degree so increasing the skill level of young people in India and reducing the occupational immobility of labour Measures implemented by government, businesses could include: • offer training or subsidise businesses that provide specific training for their staff. This improves the skills of the workforce enabling them to fill gaps in the labour market more easily • offer subsidies to businesses who take on workers from groups with very high unemployment levels. Businesses are incentivised by the lower labour costs and the work experience these individuals receive to improve their skill level making them more employable in the future • encourage more apprenticeships to improve the skills of young people entering the workforce, to overcome occupational immobility, by improving their skill level • introduce relocation subsidies or support for individuals who live in regions with lower house prices, that need to move to regions with higher house prices for work • improve the knowledge of job opportunities available across the country to help individuals know where they could locate to find better work • reduce barriers to immigration to overcome occupational immobility of labour • improve infrastructure to reduce geographical immobility of labour Restrict to a maximum of Level 3 if reference is not made to both occupation and geographical immobility
----	--

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • The labour force may not have the potential to fill the vacancies for high skilled occupations • Many individuals will not move if they have family ties or friends, even if the government/ business provides relocation subsidies • If the training/education provided does not fill gaps in the labour market, the occupational mobility of labour will not improve • There are time lags for education/training to have an effect. Therefore there may not be any change in the mobility of labour in the short-run • It will depend upon the magnitude of the government/ business expenditure on measures • Lack of information for those putting in place measures mean the wrong level of support is offered		

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate policies that a government could use to reduce the geographical immobility of labour and the occupational immobility of labour. Refer to industries of your choice in your answer. Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Occupational immobility of labour refers to the difficulty that workers face in switching between different occupations Belgium has a skills shortage as unemployed people are unable to fill the vacancies available. Policies to improve the occupational immobility of labour are therefore needed Policies to overcome occupational immobility of labour: • Skills training programs: Governments may provide skills training programs to help workers acquire new skills and move to a different occupation • Apprenticeship programs: Governments may offer apprenticeship programs e.g. in engineering or robotics, to provide training to increase vocational skills and fill gaps in the market • Education and training subsidies: Governments may provide subsidies to support education and training programs for workers who are looking to move to a different occupation e.g. subsidies for workers training for medical professions • Labour market information/support with job searches: Governments may provide up-to-date labour market information to help workers make informed decisions about their careers and the skills they need • Support for small businesses: Governments may offer support to small businesses to create new job opportunities and reduce occupational immobility • Tax incentives for employing workers: The government may offer tax incentives to employers who hire individuals who are facing difficulty finding work, such as those with disabilities Geographical immobility of labour is the difficulty of workers moving from one location to another Policies to overcome geographical immobility of labour:

- | | |
|--|--|
| | <ul style="list-style-type: none">• Relocation assistance: e.g. The Government provides financial support to low-income workers/the unemployed who need to move for work, helping them with the cost of moving• Housing subsidies: providing housing subsidies to low-income workers/the unemployed to help them afford to move to areas with better job opportunities with high living costs• Transportation infrastructure: Improving transportation infrastructure, such as roads, train links and public transport, can make it quicker/easier for workers to move to areas with job opportunities• Labour market information: better provision of information about job opportunities in different regions, to help workers make informed decisions about moving• Job creation in local areas: encourage job creation in areas with high unemployment by providing tax incentives and other subsidies to businesses that locate in these areas• Regional/industrial policy e.g. freeports or joining a trading bloc/ common market to reduce national barriers to the mobility of labour |
|--|--|

NB: award a maximum of level 3 for a response that does not refer to industries

NB: award a maximum of level 3 for a response that does not consider both types of immobility of labour

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.



Evaluation (8 marks) – indicative content

Occupational immobility policies:

- There may be a lack of funding for policies to address immobility of labour. If there is a lack of government funding or political will to support these policies, they may not be implemented
- There could be structural barriers: factors such as discrimination or lack of access to education and training could be causing the immobility. Therefore, short-term policies are not likely to be effective
- Workers might be resistant to changes in their occupations
- The market conditions could change, and policies aimed at overcoming occupational immobility may not keep pace with these changes, or may not be flexible enough to respond to shifting labour market demands
- Workers may not have the skill level to retrain to fill gaps in the market

Geographical immobility policies:

- Individuals may have strong personal and family ties that prevent them from moving, such as caring for elderly relatives or having children in school
- Workers may resist moving, especially if they are familiar with their current community and have established social networks
- Policies are costly and require significant investment in infrastructure. if there is a lack of government funding they may not be implemented or be underfunded
- Time lags in building infrastructure may occur and the problem will not be resolved in the short-run
- Workers may not have enough information about job opportunities and the conditions in different regions, making it difficult for them to make informed decisions about moving



Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question	Evaluate the impact that the size of a business has on its efficiency. Illustrate your answer with an appropriate diagram(s). Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • Larger businesses, such as Nestlé, might be more productively efficient than smaller businesses (producing at the MES) • Nestlé has access to more resources and economies of scale, which can lead to increased efficiency compared to smaller food-producing businesses • Large production runs in producing food and beverages will lower unit costs, and will enable fixed costs to be spread over a larger output. This may enable the business to produce at the productively efficient level of output © Learnogic • The large businesses produce at Q_1 compared to Q and is able to produce at a lower cost C_1 • Large businesses, such as Nestlé, have specialised division of labour or capital equipment e.g. specialist packaging machines. These might improve efficiency in production, lowering average cost when producing at a higher level of output • Large businesses might be more dynamically efficient • The large business likely to have more price setting ability in the market allowing them to set higher prices and make supernormal profits. The supernormal profits can be reinvested into improving production or better-quality capital, investing in research and development