AQA A-LEVEL ECONOMICS · 7136

ECONOMICS



MARK SCHEME

3.1.6 THE LABOUR MARKET

SCORE	PERCENTAGE
/823	%

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Mark schemes

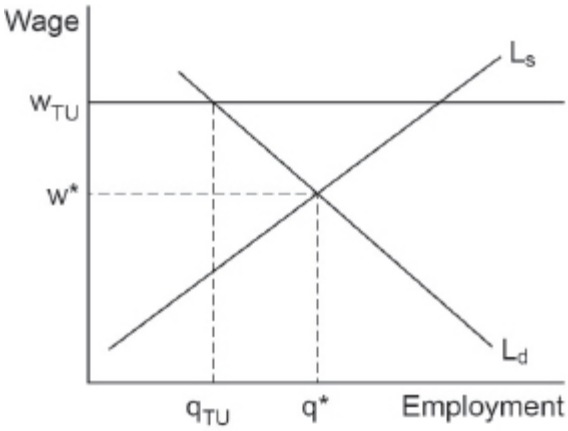
1.

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

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Suggested diagram

A labour market diagram is expected, showing how trade unions can negotiate for a higher wage than that prevailing in an otherwise competitive labour market. However, other appropriate diagrams should be given credit, for example a diagram showing the impact of a trade union negotiated wage in a monopsonistic labour market (such as the market for hospital workers in the UK), or a diagram showing a labour supply curve shifted to the left.



Relevant issues include:

- definitions of trade union and pay
- explanation of the diagram, showing impact of higher wage and comparison with non-unionised wages. Analysis of impact on employment is not expected.
- how a union may engage in collective bargaining for the benefit of its members
- explanation of types of actions taken by unions, such as strikes, work-to-rule, litigation, media campaigning, and how they can lead to higher negotiated pay settlements
- how a union may act as a monopoly supplier, or at least have some degree of monopoly power in the labour market
- use of extracts (particularly Extract C) in explaining how unions have acted to protect the interests of workers and secured higher pay.

[9]

2. D

[1]

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3.

Areas for discussion include:

- definitions/explanations: free market, supply-side, supply-side reforms, labour markets, macroeconomic performance
- explaining different free market supply-side reforms to labour markets such as:
  - flexible working practices
  - trade union reforms
  - changes to income tax
  - changes to benefits
  - legislation changes and deregulation
- explaining the benefits of supply-side labour market reforms such as:
  - lower inflation rates due to lower costs of production
  - lower unemployment rates due to flexible working
  - improved export performance due to improved competitiveness
  - increased economic growth due to rising productivity
  - attracting FDI and both short-run and long-run growth
- explaining the problems of supply-side labour market reforms such as:
  - rising costs to firms due to retraining costs
  - insecurity leading to a lack of investment in human capital and growth
  - welfare benefit cuts leading to a lack of consumption, AD and growth
  - instability for individuals and low real wages
  - possible damages to economic growth through low wages, low skill and low productivity
- considering other factors other than the macroeconomic performance such as effects on standards of living, government finances or inequality
- considering or contrasting with interventionist supply-side approaches
- considering the long-term or short-term effects
- considering impacts on various markets, such as the impact of zero-hours contracts on the housing market.

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

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4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16 – 20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.	**11 – 15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.	**6 – 10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.	**1 – 5 marks**

[25]

4. C

[1]

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5.

Areas for discussion include:

- explanation of the distinction between wealth and income
- the sources of wealth (inheritance, gifts, accumulated earned income, etc.)
- the sources of income (wages, rent, interest, dividends, etc.)
- the trends in wealth and income inequality in the UK
- how useful it is to consider inequality as a snapshot in time rather than looking at inequality across entire lifetimes (eg students are very likely to have low income, but likely to have high social mobility)
- the consequences of wealth inequality
    - unequal distribution of property, causing some to live in low-quality homes, or having to frequently move house
    - asset bubbles and property speculation
    - the hindrance of social mobility via the wealthy affording better education, health, cultural goods
    - impact on poverty, including child poverty and pensioner poverty
    - impact on income inequality, as wealth creates income via interest, rent and dividends
    - the argument that only the wealthy can afford to take big risks as entrepreneurs, so have access to high risk/ high reward opportunities
    - envy and jealousy leading to social problems
    - intergenerational problems arising from (mainly) property inequality, the changing nature of university funding
- the consequences of income inequality
    - a sense of unfairness, especially if associated with discrimination or gender/race-based pay gaps
    - impact on aggregate demand
    - impact on economic growth and performance
    - impact on social indicators, such as crime, education, physical health, mental health
    - several of the factors listed above under wealth inequality
- analysis of policies currently used by the UK government (eg inheritance tax, income tax, capital gains tax, national insurance) and whether these are progressive, proportional or regressive
- analysis of other possible policies such as restrictions on second homes, ‘mansion tax’, forcing independent schools to charge VAT
- analysis of policies to prevent inequality between the top 1%/0.1% and the rest of the population
- the tendency of markets to increase rather than decrease inequality
- the argument that wealth and income inequality are not serious issues because of the trickle-down effect
- the argument that some degree of income and wealth inequality is inevitable in a market economy and perhaps desirable, to provide incentives and allocate resources effectively
- the argument that neither is worse than the other, that they are equally damaging.

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

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[25]

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6.

Areas for discussion include:

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

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[25]

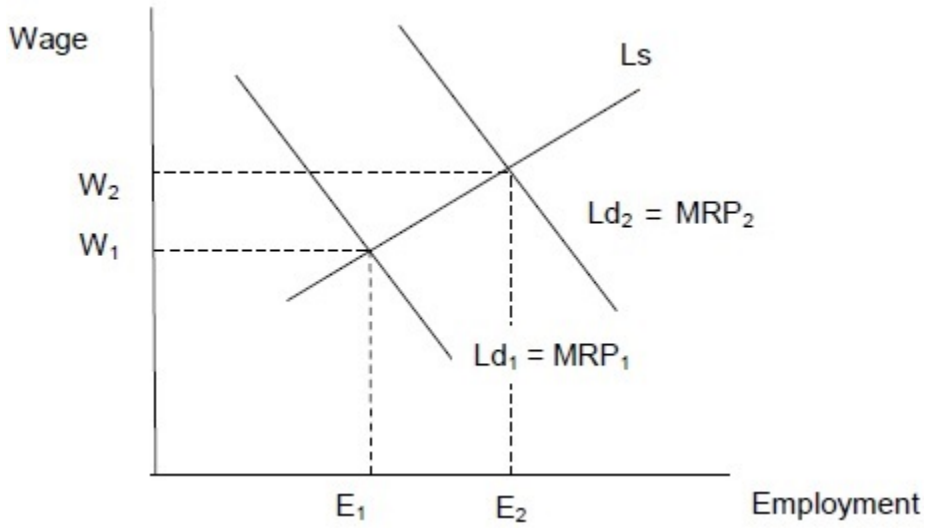
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7.

Level of response	Response	Max 9 marks
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1	• is very brief **and/or** lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles **and/or** data to the question • may include some very limited analysis but the analysis lacks focus **and/or** becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1 – 3 marks**

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A labour market diagram is expected, showing the MRP curve shifting right, as technological progress increases labour productivity.



- other reasonable diagrams are acceptable, eg cost curve diagrams.

Relevant issues include

- how automation and technological progress boost labour productivity within industries and markets
- connection between MPP, MRP and the demand for labour
- why labour productivity is likely to affect the wage rate
- how machines create a derived demand for workers who can maintain the machines, and the impact of this on jobs and wages
- how advances in technology can lead to new products **and/or** lower prices creating derived demand for workers to produce the good and therefore higher wages
- how advances in technology can lead to lower costs and an increase in profits which may lead to an increase in wages.

[9]

8. C

[1]

9. C

[1]

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10.

Level of response	Response	Max 25 marks
Level 5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21 – 25 marks**
Level 4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16 – 20 marks**
Level 3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.	**11 – 15 marks**
Level 2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.	**6 – 10 marks**
Level 1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes analysis which is, at best, very weak • includes attempted evaluation which is weak and unsupported.	**1 – 5 marks**

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Relevant issues and areas for discussion include:

- explanation of the NLW as a legal minimum wage for those over 25
- analysis of the impact of a minimum wage in competitive labour markets
- the significance of the wage elasticities of the demand and supply of labour for the impact on employment/unemployment
- factors which may affect the elasticities of demand and supply of labour
- analysis of the impact of a minimum wage in a labour market where employers have monopsony power
- possible impact of a minimum wage on aggregate demand, given the different propensities to consume of different income groups
- evidence of the impact of minimum wage controls on unemployment in the UK, and possibly in other countries
- the significance of new technologies (eg AI) and how they may impact on workers who are affected by a substantial increase in the NLW
- discussion of the impact of a substantial increase in the NLW on costs, prices, profits and competitiveness
- discussion of ways in which the NLW may affect productivity, offsetting the impact on costs and competitiveness
- the impact on inequality and living standards, perhaps making use of the evidence in **Extract D**
- discussion of whether a substantial increase in the NLW is an effective way to reduce poverty and inequality
- the impact on wage differentials and the implications for the economy
- relevant use of the data to support analysis and evaluation of arguments presented
- normative arguments relating to a substantial increase in the NLW
- impact on tax revenue and government spending on welfare
- discussion of whether the organisation should be promoting other policies to improve living standards rather than focusing its efforts on pushing for a substantial increase in the NLW
- weighing up the arguments on both sides before coming to a well-supported recommendation

Good answers are likely to include arguments both for and against a further substantial increase in the NLW and a well-supported recommendation which could be for or against a substantial increase in the NLW.

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

An answer that does not include any evaluation or a supported recommendation must not be awarded more than 13 marks.

[25]

11. D

[1]

12. A

[1]

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13. **Areas for discussion include:**

- trends in social care since privatisation in the 1990s and how privatisation may have led to lower pay, certainly compared to remaining state care providers
- rising pressures on the sector as a result of an ageing population with increasing care demands
- social care as a merit good and market failure arising from the external benefits of social care
- lack of funding from central government, restricting local government ability to pay for care
- low pay in the care sector, job insecurity and the fact that many are leaving the care sector for jobs in retail and supermarkets for better pay and conditions
- the lack of labour supply is threatening the sector, with high levels of job vacancies (38% of care homes understaffed, 6.6% of roles vacant)
- reports of inadequate care in some care homes and the link between low pay, low motivation and inadequate care
- bankruptcy of care home providers
- ineffective regulation by the Care Quality Commission/risk of regulatory capture
- market failure arising from the low incomes of many of those requiring care
- discussion of the lack of integration between the care sector and the NHS
- discussion of a range of policies to include
    - more generous government funding for local authorities
    - subsidies for private providers
    - nationalisation
    - hypothecated tax for care funding/additional taxation
    - a more generous National Living Wage to encourage labour supply
    - a less generous National Living Wage to ease the pressure on care home companies
    - more investment in training, career development, status, etc
    - promoting union membership
    - professionalisation of workforce to raise standards
    - relaxing immigration policy for care workers to ease recruitment problems
    - providing people in need of care with increased cash welfare benefits to help them purchase their own care
    - introduce a compulsory insurance system providing people with the ability to purchase their own care
- discussion of how the market is likely to develop in the absence of government intervention and whether the low pay of care workers is likely to be rectified by the market itself
- discussion of how care might improve if the private sector were to be given a greater role in the care market
- market failure arguments
- government failure arguments.

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[25]

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14.

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

Relevant issues include:

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

[4]

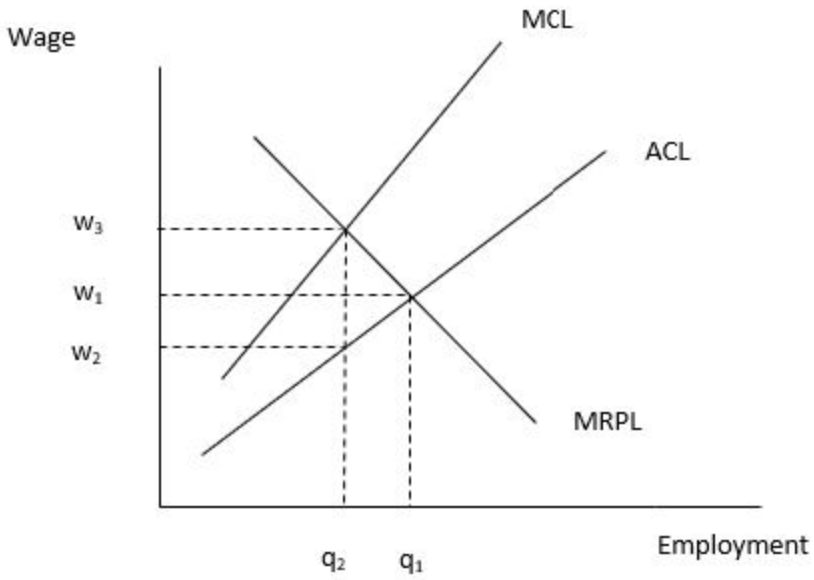
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15.

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A monopsonistic labour market diagram is expected, showing employment of q2 workers at a wage of w2, below the perfectly competitive levels of employment and wage, and below the MRP of the workers who are employed.

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Relevant issues include:

- explain what is meant by monopsony
- explanation of the diagram, showing an equilibrium level of employment below the competitive level, and a wage below the MRP of labour, and below the competitive market wage rate
- the outcomes in the labour market: low pay and low employment
- the nature of government's monopsony power in the care worker labour market prior to privatisation in the 1990s, arising from the fact that almost all care was in the public sector
- the nature of the monopsony power that currently exists in the care sector, as care homes bid competitively for care contracts from monopsonistic local authorities, thus receiving low revenues and being unable to afford higher wages to care workers
- in order to win care contracts, care homes may engage in a competitive tendering process with monopsonistic councils, giving them an incentive to offer a low price and that those firms who win contracts by offering a lower price will find that they have small budgets from which to pay staff
- how privatisation has affected low pay by exposing workers to monopsony labour market power combined with the profit motive of private-sector care homes.

[9]

16. B

[1]

17. B

[1]

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18. **Areas for discussion include:**

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

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5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21 – 25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16 – 20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by argumentsand/or data.	**11 – 15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.	**6 – 10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.	**1 – 5 marks**

[25]

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19. **Areas for discussion include:**

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

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

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgments but these aren't well-supported by arguments and/or data.	**11–15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes attempted evaluation which is weak and unsupported.	**6–10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.	**1–5 marks**

[25]

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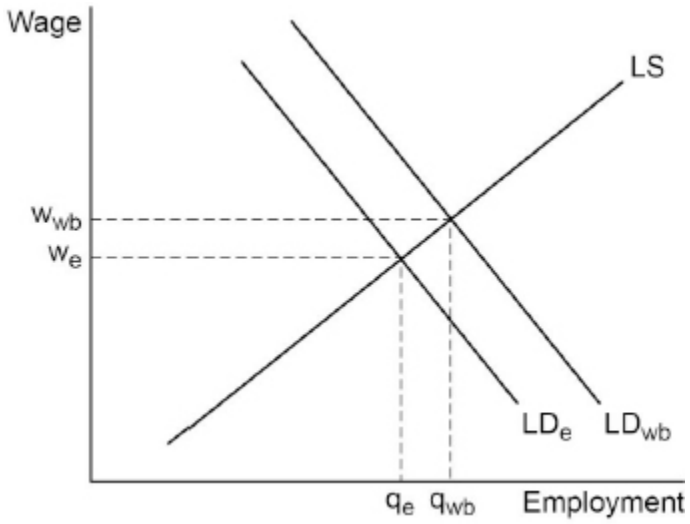
20.

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

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A labour market diagram is expected, showing how market demand for the labour of White British workers (LD_{wb}) may exceed that of ethnic minority workers (LD_e). For a given labour supply curve, this is likely to result in lower wages for ethnic minority workers (and lower employment levels).

However, other appropriate diagrams should be given credit.



Relevant issues include:

- explanation of the diagram
- explanation of the importance of qualifications in applying for positions in the labour market
- types of qualifications which UK employers value, eg GCSEs, A-Levels, degrees, PhDs
- explaining that firms will have different demand for workers if only some qualifications are accepted, even if the workers are otherwise identically qualified
- even if foreign qualifications are legally acceptable, UK employers may not know much about them and thus discount them in recruitment and promotion decisions
- link between not recognising foreign qualifications and perceived MRP of some ethnic groups
- different elasticities of supply between different ethnic groups due to problems with recognition of foreign qualifications
- impact on labour supply of skills and qualifications (NB: students who draw a diagram showing different labour supply curves must justify their choice of diagram by providing analysis of why the labour supply curves differ)
- the failure to recognise foreign qualifications may lead to workers with foreign qualifications working in labour markets where few skills are needed, increasing the supply of labour and reducing the average pay of some ethnic groups.

[9]

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21.

Response	Max 4 marks
• includes evidence that the ethnic pay gap is more significant for older ethnic minority employees • clearly explains how this data is evidence that the ethnic pay gap is more significant for older ethnic minority employees.	**4 marks**
• includes evidence that the ethnic pay gap is more significant for older ethnic minority employees • explanation of how this data is evidence that the ethnic pay gap is more significant for older ethnic minority employees.	**3 marks**
• includes some evidence that the ethnic pay gap is more significant for older ethnic minority employees • limited explanation of how this data is evidence that the ethnic pay gap is more significant for older ethnic minority employees.	**2 marks**
• includes evidence that does not clearly show that the ethnic pay gap is more significant for older ethnic minority employees • no explanation of how this data is evidence that the ethnic pay gap is more significant for older ethnic minority employees.	**1 marks**

Relevant issues include:

- explanation of what is meant by the ethnic pay gap
- in all ethnic groups shown where there is a negative pay gap, the gap is greater for those aged 30+ than those aged 16–30
- Bangladeshis have the biggest difference in pay gap by age (27.9% for over 30s vs 3.1% for 16–30s)
- very small difference in pay gap by age for 'Any other Asian' though the gap still exists
- In all ethnic groups shown where there is a positive pay gap, the gap is less for those aged 30+ than those aged 16–30
- workers of Chinese ethnicity earn more than White British workers, but the gap is less for over–30s (30%) than 16–30s (42%).

[4]

22.

Calculation: £28 677 × 0.798 = £22 884.25

Answer: £22 884

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

[2]

23.

A

[1]

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24. **Areas for discussion include:**

- definition of disposable income, pre-tax income
- explanation of why incomes differ in a market economy, for example through differences in supply and demand for labour in different labour markets
- understanding that incomes can include not solely wages, but also other sources of income such as rent, interest and dividends
- advantages and disadvantages of policies that can be used to reduce inequality in pre-tax incomes
    - improving social mobility
    - ensuring equal opportunities in terms of education, health, labour market access and other determinants of incomes
    - minimum wages and maximum wages
    - tackling labour market monopsony power to prevent exploitation of workers
    - tackling product market monopoly power to prevent excessive dividends from large firms
- advantages and disadvantages of policies that can be used to redistribute income after incomes have been received such as income tax, national insurance and the provision of welfare benefits
- evaluation of policy impacts on government finances, social mobility, incentives to work and take risks, social capital
- discussion of how inequalities in the distribution of wealth can lead to inequalities in the distribution of income, and therefore policies to reduce wealth inequality may help reduce inequalities in income
- considering the extent to which inequality is undesirable and whether the government should intervene
- an assessment of the relative merits of polices to reduce inequality in pre-tax incomes compared to using the tax-benefit system to reduce inequality in disposable income.

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

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgments but these aren't well-supported by arguments and/or data.	**11–15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes attempted evaluation which is weak and unsupported.	**6–10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.	**1–5 marks**

[25]

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25. **Areas for discussion include:**

- explanation of inequality and how it can relate both to pre-tax and post-tax incomes
- how market incomes include wages, rent, interest and profit dividends
- how labour markets can lead to a wide range of wages as a result of differences in labour demand, marginal revenue product (MRP), labour supply
- how discrimination affects wages and inequality
- how wealth inequality can lead to income inequality as rent, interest and profits tend to accrue to those who are wealthy
- how inequality in income can be the result of inequalities in opportunities from an early stage, including education, health, nutrition and regional disparities
- how other labour market imperfections might lead to rising inequality
  - monopoly and monopsony power
  - information asymmetry
  - externalities
  - immobile factors of production
- use of examples.

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

Level of response	Response:	Max 15 marks
3	**A good response provides an answer that:** • is well organised and develops a selection of the key issues that are relevant to the question • shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning.	**11–15 marks**
2	**A reasonable response provides an answer that:** • focuses on issues that are relevant to the question • shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places.	**6–10 marks**
1	**A weak response provides an answer that:** • has identified one or more relevant issues • has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • has very limited application of relevant economic principles to the given context and/or data to the question • might have some limited analysis but it may lack focus and/or become confused.	**1–5 marks**

[15]

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1.

For relevant definitions, eg

- marginal product
- marginal revenue product
- wage rates.

Employment: In a perfectly competitive labour market the wage rate is the price of labour and the employer is a price taker MRP falls as a firm takes on more employees; as long as wage rate < MRP it is worth taking on more staff; where WR = MRP the employer stops taking on more employees.

Wage rates: determined on the labour market; within a firm the above theory suggest that each worker receives MRP; conditions for a perfect labour market.

- Wider arguments: elasticity of demand for labour, MRP considers demand side; must also consider supply side of labour; can argue that MRP is of limited use, due to market 'imperfections', bilateral monopoly, collective bargaining etc.

[15]

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2. **Issues and areas for discussion include:**

Introduction	• Definitions/descriptions of eg trade union, collective bargaining.
Developing the response to the question (application)	• Relevant use of theory, eg effects of collective bargaining • Evidence from the data, eg reference to ◦ British trade unions **(Extracts A, B)** ◦ Chinese experience **(Extract C)** ◦ multinational behaviour, eg Walmart **(Extract C)** ◦ candidate's own knowledge, eg relevant application of 'minimum wage' concepts to this particular context.
Developing the response to the question (analysis)	• Possible 'negative' effects of trade unions, eg ◦ slow down productivity gains ◦ reduce competitiveness, by, eg ▪ increasing costs of production ▪ reducing flexibility ▪ creating barriers to exit from a market • Possible positive effects, eg ◦ protect members' earning power ◦ fight discrimination in the workplace ◦ improve working conditions, eg ▪ health and safety of employees ▪ working hours and holiday entitlement ◦ may <u>reduce</u> costs (easier to negotiate with a single entity) • Use of the perfect competition model in the labour market • Use of the imperfect competition model in the labour market.
Evaluation	• positive versus negative aspects • consideration of the value-laden word 'exploitation' in the question • challenging basic assumptions, e.g. that employers do not want to be part of a high wage industry, or that unions are not interested in flexibility or efficiency, e.g. through multi-skilling or training • consideration of when is a union not a union (critical view of the Chinese model) • role of government in general in trade union matters • role of UK government in particular • question the implication contained in the data **(Extract C)**, that workers rights are incompatible with investment in and growth of businesses. *Examiners should note that, for some of the weaker or average students, parts of the above represent quite sophisticated evaluation and so it is important to ensure that more basic evaluation is adequately rewarded where a genuine effort has been made to display that skill.*

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Also give credit for	• relevant diagrams • an overall judgement on the issues raised.

It will only be possible for students to consider a few of the above. They may also discuss issues not discussed above.

[25]

3.

Issues and areas for discussion include

Introduction	• Functions of trade unions • Impact of collective bargaining
Developing the response to the question:	• Factors affecting union power, e.g: ◦ Membership levels ◦ Militancy ◦ Industrial legislation • Unions and: ◦ Competitive labour markets ◦ Monopsony labour markets • Likely effects of unions on: ◦ Female wages ◦ The level of female employment ◦ Types of jobs available to women ◦ Working conditions, e.g: ◦ Health and safety ◦ Employment practices, e.g. status and protection of part-time staff
Evaluation	• discussing whether unionisation is the best method of closing the gender gap, or whether other methods would be more effective, e.g: ◦ government legislation ◦ directing education and training at women ◦ leaving it to market forces

[25]

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4.

Explanation:

For candidates who:

- Define or explain ‘earnings’ eg wage is the ‘price’ of labour, and relate this to the supply of labour (monetary rewards, non-monetary rewards) and its demand (derived demand, marginal revenue product).
- Argue that the labour market is not a perfect market, and/ or that wage discrimination is a form of price discrimination, and identify key factors in the gender pay gap, e.g:
  - Human capital differences (educational levels, experience, breaks from paid work, etc.) which lead to differences in marginal revenue product
  - Part time working (more likely for women than men)
  - Travel patterns/ commuting distance differences
  - Occupational segregation (some jobs regarded as ‘women’s work’, especially in retail and caring professions)
  - Workplace segregation (differences in job-grading, appraisal, promotion prospects, etc)
  - Women less likely to be unionised (leads on to part (b)

Human capital is a factor in gender discrimination. In the past, men and women have had different life chances in terms of educational qualifications, work experience and family expectations) While these differences have lessened due to more equal opportunities women are still more likely than men to take a career break for children and other dependents. This takes women out of the promotion ladder and might lead to employers preferring male to female employees.

[15]

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5.

The issues identified below are intended to provide an indication of some of the areas which might be discussed. Candidates can only be expected to consider a few of these and/or other issues in the time available.

Issues and areas for discussion include:

Introduction	• distinction between mobility and flexibility • mobility: occupational, geographical • flexibility: hiring and firing, skills, etc.
Developing a response to the question:	• Costs to UK economy, eg ◦ Wages depressed by cheap influx of labour ◦ Shortages re-appear when migrants return home ◦ Loss of spending power when earnings are repatriated • Benefits to UK economy, eg ◦ Better information ◦ Recognition of UK qualifications in EU ◦ Job opportunities in EU for UK workers ◦ Possible harmonisation of working conditions, tax rates, pension rights, health services ◦ Skills gaps filled ◦ Labour shortages alleviated
Evaluation:	• benefits versus costs • discussion of the 'proper' role of government / NHS / other bodies • Consideration of monetary / non-monetary factors (Extract F suggests that a 'scheme' was considered necessary to attract dentists) • complications arising from cross-border movements, eg ◦ 'British jobs for British workers' ◦ Difficulty of long-term stability, when workers can leave as easily as they can arrive ◦ Effects on economic welfare in the countries that dentists / other workers leave (the question is UK centric, but there is such a thing as 'interdependence' − what if other countries respond by trying to 'poach' key UK workers?) • Other considerations ◦ Pressure on housing / schools and benefits ◦ Possible multiplier effects ◦ Implications for government tax revenues ◦ Impact on wage inflation and economic growth

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	◦ Significance of 'flexibility' in general. *Examiners should note that it may be possible to award some marks for basic evaluation such as consideration of a number of pros and cons. However, this must be considered as lowlevel evaluation and rewarded accordingly. Stronger evaluation would prioritise the benefits and costs, and / or give economic reasons for justifying a judgement on, for example, whether benefits generally outweigh costs, or whether large firms on balance benefit more than small firms.*
Also give credit for:	• relevant use of evidence and examples not contained in the data • diagrams • an overall judgement on the issues raised • use of data

[25]

6.

Explanation:

Explain (eg define / describe) wage differentials

- eg in terms of the payment of a different wage rate (or price of labour) to different groups of workers, and / or between individual workers within the same occupational group

Analysis:

Analyse **two** reasons for wage differentials, for example:

- differences in the supply of labour such as inter-occupational skills, training, responsibilities and elasticity of supply
- differences in the demand for labour (derived demand)
- differences in inter-industry marginal revenue productivity
- growth rates/competition between industries (eg the media are a growth industry, the DG of the BBC claims he could earn more elsewhere)
- regional differences/differentials encourage mobility
- non-market factors, eg government intervention, trade unions, professional groups
- discrimination.

[9]

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8. **Issues and areas for discussion include:**

Introduction	• the characteristics of government intervention • distinction between product and labour markets • meaning of market failure, government failure • meaning of market failure in the fishing industry
Developing the response to the question: **Application**	Discussion based on information from the data related to, for example, • product market, e.g. price and quantity of fish, effects of quotas • labour market, e.g. collapse of employment in the trawler industry • wider fishing industry, e.g. processing.
Developing the response to the question: **Analysis**	• marginal cost and marginal private benefit of fishing: an overfishing equilibrium • types of government intervention, e.g. taxes, subsidies, quotas • effects of government intervention on prices and quantities • the possibility that the CFP actually encourages large-scale fishing and therefore defeats the conservation objective (there are strong hints in the data pointing to this conclusion) • links between product markets and labour markets, eg. the concept of derived demand • market failures in the fish product market, e.g. lack of information, externalities • higher fish prices do not incentivise further supply from 'producer', as the producer is nature not man • higher prices incentivise even more over-fishing for the profits available • market failures in the fishing labour market, e.g. occupational immobility, geographical immobility • the inefficiency of EU bureaucracy • government failure in the fishing market, e.g. bureaucracy, irrational policies (waste of dumping the 'wrong' fish), information failure • regional downward multiplier effects.
Evaluation	• need for international action • rationale for EU intervention • possibility that EU and national governments act out of step, or even in conflict with each other • possibility that a policy can benefit a product market while harming a labour market, or vice versa • the option of non-intervention; argument that product markets work • arguments that labour markets work, e.g. the data mentions

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	diversification in the Grimsby area • depends on what is done over what time period, to what extent, and state of the UK economy. *Examiners should note that, for some of the weaker or average candidates, parts of the above represent quite sophisticated evaluation and so it is important to ensure that more basic evaluation is adequately rewarded where a genuine effort has been made to display that skill.*
Also give credit for	• relevant use of evidence and examples not contained in the data • diagrams • an overall judgement on the issues raised.

[25]

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Mark schemes

1. D

[1]

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2. **Issues and areas for discussion include:**

Introduction	• meaning of 'differentials' • measurement of inequality • types of intervention (eg min/max wage).
Developing the response to the question Application/ Analysis	**Application** • candidate knowledge of, eg • inequality in the UK • recent issues, eg 'bonus culture' • the argument that inequality is economically dysfunctional. **Analysis** • arguments in favour of differentials, eg ◦ incentive arguments ◦ trickle-down ◦ encouraging enterprise ◦ encouraging work rather than welfare promoting efficient resource allocation • arguments for government action ◦ market failure ◦ counter-arguments to trickle-down ◦ general disadvantages of inequality (micro/macro). • examples of government action affecting equality, eg ◦ income/wealth taxes ◦ encouraging/discouraging a bonus culture ◦ minimum/maximum wages/ratios between top and medium pay • effects of government action, eg on patterns of spending (synoptic macro point: mpc and mps of low/high income groups) • the role of the government as an employer.
Evaluation	• overall assessment of whether inequality is 'good' for the economy • possible economic disfunctions of inequality (eg negative externalities, social costs, inflationary pressures, recession) • costs versus benefits of government action/inaction • equality of opportunity versus equality of outcome • equity, efficiency • market failure versus government failure • long run versus short run. *Examiners should note that, for some of the weaker or average students, parts of the above represent quite sophisticated evaluation and so it is important to ensure that more basic evaluation is adequately rewarded where a genuine effort has been made to display that skill*.
Also give credit for	• diagrams • an overall judgement on the issues raised. • examples.

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It will only be possible for students to consider a few of the above. They may also discuss issues not discussed above.

[25]

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3. **Issues and areas for discussion include:**

Introduction	• Definitions/descriptions of eg trade union, collective bargaining.
Developing the response to the question (application)	• Relevant use of theory, eg effects of collective bargaining • Evidence from the data, eg reference to ◦ British trade unions **(Extracts A, B)** ◦ Chinese experience **(Extract C)** ◦ multinational behaviour, eg Walmart **(Extract C)** ◦ candidate's own knowledge, eg relevant application of 'minimum wage' concepts to this particular context.
Developing the response to the question (analysis)	• Possible 'negative' effects of trade unions, eg ◦ slow down productivity gains ◦ reduce competitiveness, by, eg ▪ increasing costs of production ▪ reducing flexibility ▪ creating barriers to exit from a market • Possible positive effects, eg ◦ protect members' earning power ◦ fight discrimination in the workplace ◦ improve working conditions, eg ▪ health and safety of employees ▪ working hours and holiday entitlement ◦ may <u>reduce</u> costs (easier to negotiate with a single entity) • Use of the perfect competition model in the labour market • Use of the imperfect competition model in the labour market.
Evaluation	• positive versus negative aspects • consideration of the value-laden word 'exploitation' in the question • challenging basic assumptions, e.g. that employers do not want to be part of a high wage industry, or that unions are not interested in flexibility or efficiency, e.g. through multi-skilling or training • consideration of when is a union not a union (critical view of the Chinese model) • role of government in general in trade union matters • role of UK government in particular • question the implication contained in the data **(Extract C)**, that workers rights are incompatible with investment in and growth of businesses. *Examiners should note that, for some of the weaker or average students, parts of the above represent quite sophisticated evaluation and so it is important to ensure that more basic evaluation is adequately rewarded where a genuine effort has been made to display that skill.*

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Also give credit for	• relevant diagrams • an overall judgement on the issues raised.

It will only be possible for students to consider a few of the above. They may also discuss issues not discussed above.

[25]

4.

Relevant issues/logical chains of analysis include:

- relevant definitions eg differentials, market failure, labour market
- explanation of reasons why a labour market may be imperfect (or may not be a "perfect" market)
- Labour is not homogeneous, people have different abilities,and qualifications, there are different attitudes to work some people are hard-working, others lazy some are more skilled eg at using technology and therefore more productive than others
- Collective bargaining as opposed to individual bargaining, membership of trade unions, professional associations; monopolistic supply of labour; monopsonistic demand for labour; collusion among employers
- Role of government; employment law, wage legislation
- Mobility/immobility of labour; geographical, occupational; imperfect information
- diagrams to help support explanations, eg supply of and demand for labour

[15]

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5.

Level of response	Response	Max 15 marks
3	**A good response provides an answer that:** • is well organised and develops a selection of the key issues that are relevant to the question • shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning.	**11-15 marks**
2	**A reasonable response provides an answer that:** • focuses on issues that are relevant to the question • shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places.	**6-10 marks**
1	**A weak response provides an answer that:** • has one or more relevant issues identified • has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • has very limited application of relevant economic principles and/or data to the question • might have some limited analysis but it may lack focus and/or become confused.	**1-5 marks**

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Relevant issues include:

- likely to increase the pay of the lowest paid employees
- the effect on the distribution of income
- the effect on employment and unemployment
- the effects on different types of workers
- the effects in a competitive labour market
- the effects in a non-competitive labour market
- the effect on firms' costs, profits and competitiveness
- the effect on productivity
- the effect on growth
- the effect on motivation, absenteeism and labour turnover
- the effect on inflation
- the effect on competitiveness and the balance of payments
- diagrammatic representation of the likely effects

[15]

6.

Issues and areas for discussion include:

- Relevant definition/explanation of eg a trade union, monopsonistic demand for labour, eg a labour market in which there is only one 'buyer', in terms of a single firm or group of employers of people with particular skills or qualifications, or in a particular locality.
- Analysis of trade union influence, for example:
  The trade union could shift the supply curve of labour to the left by restricting the supply of labour, eg by insisting on a barrier to entry such as minimum qualifications. Supply elasticity also reduced. This will raise the price of labour (the wage rate) above the market equilibrium but could reduce the number employed.
  - the union could turn a monopsonistic labour market into a bilateral monopoly
  - a union-negotiated wage above the market equilibrium
  - single-union agreements
  - no-strike deals
  - 'closed shop'
  - strikes.
- Appropriate use of diagrams, eg labour market S/D; diagram with the wage rate above the market equilibrium, bilateral monopoly diagram.

[9]

7.

The calculation:

Acceptable answer is 8.4 or 8.5	**2 marks**
Another answer between 8 and 9 (inclusive) irrespective of decimal places.	**1 mark**

[2]

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10.

Relevant issues/logical chains of analysis include:

- defining/distinguishing, for example between monopsony (a single buyer) and oligopoly (competition among a few sellers)
- monopsony: profitability depends on costs and revenues while firms face rising costs changing with market forces, revenues may be depressed by uncompetitive practices by dominant buyers in the supply chain. Perfect competition theory assumes a large number of buyers and sellers buyers and sellers reach an equilibrium price through market forces and no individual buyer or seller is able to influence price by their own actions. Monopsony swings the balance of power from the sellers to buyers who are able to bid down the price since buyers know that sellers have fewer alternatives
- oligopoly: Price seeking behaviour, price stickiness, etc on the part of supermarkets, and their effects on producers further along the supply chain
- the power exerted by a handful of supermarket buyers
- the answer can address the profitability of farms or dairies (processors) or both
- appropriate use of diagrams, eg demand curves related to monopsony/oligopoly

[9]

12.

Relevant issues/logical chains of analysis include:

- **relevant definitions** eg infrastructure, investment, product markets, labour markets, general technical
- **explanation** of effects on labour and product markets
- The short run (construction phase) will create a demand for the labour of workers directly involved in making the new railway, and also spin-off jobs in firms supplying components and materials
- In the long run (operational phase) reduced journey times for commuters will increase viable travel-to-work distances However, the increased demand might be London based rather than based in the northern cities, so might increase the north-south labour market divide
- Short run (construction phase) the demand for raw materials, components, rolling stock, etc.
- Long run (operational phase): more efficient HS2 line takes pressure of conventional lines, so all lines help get goods and freight to market, more quickly.
- diagrams to help support explanations, eg supply of and demand for labour, and/or goods and freight.

[15]

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14.

For relevant definitions eg differentials, fairness, earnings/wages.
For explanation of differentials.
Examples include • Economic theory considers a perfect labour market. There is a supply of labour from the employees, and a demand for labour form the employers. There is an absence of monopoly, so no place for trade unions or collective bargaining; and an absence of monopsony so no place for employer's associations. Wages are the 'price' of labour. The supply of nurses is relatively larger than the supply of high-level bankers, and their demand is weaker; nurses are demanded by a cash-strapped public service; bankers are demanded by investors with billions at their disposal. • Consideration of the relative price elasticities of supply and demand • Importance of such factors as aptitude, length of training, qualifications, working conditions, non-monetary considerations, 'incentives', the bonus culture • Influence of Marginal Revenue Product on the demand for labour • Accept generic points/examples other than nurses and bankers • Accept differentials based on whether the worker is employed in the public or private sector.
Use of diagrams to help support explanations, eg supply of and demand for skilled and unskilled labour
Relevant real world examples and/or relevant reference to the UK and/or other economies.

[15]

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15. **Issues and areas for discussion include**

Introduction	• Definitions, examples: ◦ Incentives ◦ Disincentives ◦ Labour market
Developing the response to the question: **Application / Analysis**	Application • Ways of assessing 'fairness' • Equity and equality • Equity and efficiency • Ways of intervening in labour markets, eg ◦ Incomes policies ◦ Minimum and maximum wage rates ◦ Progressive, proportional, regressive taxation ◦ Anti-discrimination legislation ◦ Supply side policies ◦ 'Thatcherite' ◦ Third Way' ◦ Measures for occupational and geographical mobility **Analysis** • Fairness in terms of ◦ Income distribution ◦ Wealth distribution • Relationships between income and wealth • Horizontal and vertical equity • Taxes and benefits • Reasons for taxation ◦ Allocation (revenue raising) ◦ Stabilisation (macro objectives) ◦ Distribution (Progressive/proportional/regressive taxation).
Evaluation	• Difficulties of defining fairness • Are economists qualified to assess justice and fairness • Are unequal societies necessarily unfair (is fairness the same thing as equality?) • Is unfairness economically functional or dysfunctional (drip-down versus 'all in this together') • Possibility of labour market failure, and government failure in labour

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	markets • Relative efficiency of different types of intervention. *Examiners should note that, for some of the weaker or average candidates, parts of the above represent quite sophisticated evaluation and so it is important to ensure that more basic evaluation is adequately rewarded where a genuine effort has been made to display that skill.*
Also give credit for	• Diagrams ◦ An overall judgement on the issues raised ◦ Examples.

It will only be possible for students to consider a few of the above. They may also discuss issues not discussed above.

[25]

16. D

[1]

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17.

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21-25 marks**
4	**Sound, focused analysis and some supported evaluation that** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16-20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't wellsupported by arguments and/or data.	**11-15 marks**

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2	**A fairly weak response with some understanding that** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.	**6-10 marks**
1	**A very weak response that** • includes little relevant knowledge and understanding of economic terminology, concepts and principles is shown • includes analysis which is, at best, very weak • includes attempted evaluation which is weak and unsupported.	**1-5 marks**

Relevant issues and areas for discussion include:

- the impact on youth unemployment, e.g. does having a minimum wage for young workers encourage firms to substitute older, more experienced workers?
- the significance of elasticity of demand for labour
- productivity of young workers, especially trainees and apprentices
- the cost of training young workers
- impact on skill acquisition and investment in human capital
- the significance of the level at which the minimum wage is set for apprentices and young workers
- young workers who are living at home, may not be 'in poverty'
- equity issues
- short-run versus long-run effects
- regional differences in the cost of living
- differences in regional unemployment rates
- variations in the demand for labour and the supply of labour in different regions
- regional variations in types of employment
- the role of wage differentials in a market economy, e.g. the signalling and incentive functions
- wage differentials and labour mobility
- the significance of labour market imperfections
- the relevance of the level of welfare benefits, the replacement ratio and 'voluntary' unemployment
- costs of implementing and enforcing regional differences in the minimum wage and the risks of government failure

An answer that does not include any evaluation must not be awarded more than 13 marks.

[25]

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18.

Level of response	Response	Max 10 marks
3	**A good response** • is well organised and includes at least three relevant, well-developed issues • makes effective use of the numerical/statistical data in Extract C • shows some appreciation of the limitations of the data • includes a supported final judgement concerning the extent to which the NMW affects the international competitiveness of the UK economy	**8-10 marks**
2	**A reasonable response** • is fairly well organised and includes at least two relevant and fairly well-developed issues • includes some satisfactory use of the numerical/statistical data in Extract C • may show some limited appreciation of the limitations of the data • at the top of the level, is likely to include a final judgement concerning the extent to which the NMW affects the international competitiveness of the UK economy but the judgement is not very well supported.	**4-7 marks**
1	**A weak response** • is very brief and/or lacks coherence • contains very limited or poor use of the data in Extract C • doesn't show any appreciation of the limitations of the data • may include an unsupported judgement concerning the level of the NMW and international competitiveness	**1-3 marks**

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Relevant issues include:

- what is meant by 'competitiveness'
- the relationship between wages, productivity and costs
- the relationship between costs and prices
- the minimum wage in the UK compared to other countries; using the data in the table showing minimum wages at PPP exchange rates and perhaps the data for China
- the extent to which the minimum wage reflects the overall level of wages and hence competitiveness; using the data showing minimum wages relative to full-time median earnings in different countries
- differences in productivity and the relevance of unit labour costs and competitiveness; using the data showing 'GDP per hour worked in a selection of countries'
- the limitations of the data, e.g. only covers a limited range of countries, the productivity data only covers the G7 countries, there isn't any data for a variety of factors that affect competitiveness
- the relevance of other factors that affect competitiveness such as the exchange rate and nonprice factors

[10]

24. B

[1]

25. C

[1]

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Mark schemes

1. C

[1]

2. Calculation: 348/5 = 69.6%

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

[2]

3. **Areas for discussion include:**

- criteria upon which 'the economic welfare of society' may be judged
- general discussion of the role of trade unions
- how trade unions can 'protect the interests of workers'
- trade unions as monopoly suppliers of labour
- trade unions and collective bargaining
- trade unions help to restore the balance of power between an individual worker and a dominant employer
- trade unions in an otherwise competitive labour market
- trade unions bargaining with employers who have monopsony power
- ways in which a trade union can influence the outcome of collective bargaining, e.g. thorough negotiation, working-to-rule, strike action
- influence of trade unions on government social and labour-market policies
- evidence from the data, eg reference to British trade unions, Chinese experience, the behaviour of multinational companies, eg Walmart
- possible 'negative' effects of trade unions, eg slow down productivity gains, reduce competitiveness, increase costs of production, reducing flexibility, create barriers to exit from a market
- possible positive effects, eg protect members' earning power, fight discrimination in the workplace, improve working conditions, health and safety of employees, working hours and holiday entitlement, may reduce costs (easier to negotiate with a single entity, contribute to improvements in productivity)
- challenging basic assumptions, e.g. that employers do not want to be part of a highwage industry, or that unions are not interested in flexibility or efficiency, e.g. through multi-skilling or training
- consideration of when is a union not a union (critical view of the Chinese model)
- role of governments in general in trade union matters, e.g. through legislation

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

[25]

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4.

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

If the response does not include a relevant diagram, the candidate cannot be awarded more than 5 marks.

Relevant issues include:

- what is meant by monopsonistic demand for labour
- monopsonist is likely to reduce the demand for labour to force down wages and maximise profits – not possible where employers do not have monopsonistic power
- profit maximising level of employment is where $MRP_L = MC_L$
- leads to a lower wage and a lower level of employment than in a competitive labour market.

[9]

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6.

Response:	Max 4 marks
• includes evidence that shows the declining importance of trade unions in the UK labour market • clearly explains how this data is evidence of the declining importance of trade unions in the labour market.	**4 marks**
• includes evidence that shows that the trade unions are less important in the UK labour market • unclear explanation of how this data is evidence of the declining importance of trade unions in the labour market.	**3 marks**
• includes evidence that shows that the trade unions are less important in the UK labour market • limited or no explanation of how this data is evidence of the declining importance of trade unions in the labour market.	**2 marks**
• includes evidence that does not clearly show the declining importance of trade unions • weak or no explanation of how this data is evidence of the declining importance of trade unions in the labour market.	**1 mark**

Relevant issues include:

- the data show a fall in the number of employees who are union members, i.e. the number of unions members fell by 0.6 million between 1995 to 2012
- the % of workers in unions, or union density, also fell by almost 20% between 1995 to 2012
- why the above might indicate that unions are likely to have less direct influence over wage bargaining and conditions of employment
- why the above suggest that unions may also have less importance in the determination of wages and conditions of employment in industries where unions are not directly involved, e.g. through the impact on wage differentials
- the decline in union membership and density may also mean that governments pay less attention to the views of the union movement when determining labour-market policies

[4]

9. A

[1]

10. B

[1]

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11. In this part of the question, candidates will need to demonstrate that they are able to evaluate issues and arguments to support a conclusion if they are to be awarded **more than 15 marks**.

Where there is no **explicit** reference to the data, award a maximum of **21 marks**.

Level 5	**Good analysis and good evaluation**	**22 to 25 marks** *Mid-Point 24 marks*
Level 4	**Good analysis but limited evaluation** **OR** **Reasonable analysis and reasonable evaluation**	**17 to 21** *Mid-Point 19 marks*
Level 3	**Reasonable including some correct analysis but very limited evaluation**	**10 to 16** *Mid-Point 13 marks*
Level 2	**Weak with some understanding**	**4 to 9** *Mid-Point 7 marks*
Level 1	**Very weak**	**0 to 3** *Mid-Point 2 marks*

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Refer also to the issues and areas for discussion on the next page.

Issues and areas for discussion include

Introduction	• Definitions of minimum wage, living wage, earning power • Distinction between income and wealth
Developing the response to the question: **(Application)**	• Comments from own economic knowledge or based on the data, e.g. • EU context (Extract E) • Discussion of differences between NMW and living wage (Extract E) • Levels and comparisons (Extract F)
Developing the response to the question: **(Analysis)**	• Who are the low paid? • Possible effects of NMW on output and employment • Benefits of a living wage, e.g. reduced labour turnover, increased productivity, reduced government subsidies for low wages • Increased costs of living wage, effects on sectors / general economy • Other methods of raising wage levels, e.g. productivity enhancement, skills, education and training • Benefits and welfare to work • Impact of taxes • Short and long run considerations • Money costs of NMW • Opportunity costs of government subsidies for the low paid • External costs of inequality • The economic disfunctionality of inequality
Evaluation	• General arguments for and against government intervention in labour markets • Market failure versus government failure • Consideration of the issues from different points of view, e.g. employers, employees, taxpayers • Consideration of the affordability of NMW • The government's own position as a major employer (local and national government) • Efficacy of NMW compared with other policies • Efficacy of NMW compared with other policies • Consideration of the definition of living wage (how to define 'decent' standard of life) • What is the value of a NMW if it is not a 'living' wage? • A high-wage economy versus a low-wage economy *Examiners should note that, for some of the weaker or average candidates, parts of the above represent quite sophisticated evaluation and so it is important to ensure that more basic evaluation is adequately rewarded where a genuine effort has been made to display that skill.*
Also give credit for	• Diagrams • An overall judgement on the issues raised

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It will only be possible for candidates to consider a few of the issues and areas noted. They may also discuss issues not mentioned in the table.

[25]

12.

Areas for discussion include:

- what is meant by inequality, eg income, wealth, health, social background
- inequality in the UK
- causes of inequality, eg differences in innate or acquired skills, differences in the marginal revenue product of individuals, inheritance, social factors
- inequality and incentives to work and enterprise
- inequality, resource allocation and the operation of the price mechanism
- the trickle-down effect
- inequality as a consequence of market failure
- inequality as a cause of market failure
- inequality and poverty are likely to result in a waste of human talent
- inequality resulting from and leading to the concentration of economic power
- how inequality might contribute to 'asset price bubbles' and macroeconomic instability
- impact of inequality on people's well-being and social factors such as crime, life expectancy and obesity
- why and how the consequences of different types of inequality may vary
- the impact of measures designed to reduce inequality
- the degree of inequality as a determinant of whether inequality is 'good for us all'
- is inequality good for any of us?
- the importance of value judgements, including fairness and justice.

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

[25]

13.

The anticipated diagram would make appropriate use of diagrams, e.g. S & D for labour; MRP.

Relevant issues include:

- For defining / describing equity, in terms of fairness and equality, in terms of distribution of income or wealth.
- Wages can be considered the price of labour; the demand for labour comes from employers; the supply of labour comes from employees.
- The basic reason for low pay in certain occupations is that demand is low and/ or supply is high. Low skilled labour, for example, requiring no qualifications has a large potential supply, and demand is weak, for various reasons, e.g. since this kind of labour can often be easily automated.
- Other influences, e.g. marginal revenue product, price elasticity of demand for and supply of labour, imperfections in the labour market, immobility, discrimination, collective bargaining (or the lack of trade unionisation).

[9]

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15.

Response	Max 2 marks
For the correct answer **50%**. The 'unit' (per cent or %) **must** be shown.	**2 marks**
For the correct answer **without** a unit shown. Any other answer between 49 and 51 (inclusive), **with** unit shown.	**1 mark**

[2]

16. In this part of the question, candidates will need to demonstrate that they are able to evaluate issues and arguments to support a conclusion if they are to be awarded **more than 15 marks**.

Where there is no **explicit** reference to the data, award a maximum of **21 marks**.

Level 5	**Good analysis and good evaluation**	**22 to 25 marks** *Mid-Point 24 marks*
Level 4	**Good analysis but limited evaluation** **OR** **Reasonable analysis and reasonable evaluation**	**17 to 21** *Mid-Point 19 marks*
Level 3	**Reasonable including some correct analysis but very limited evaluation**	**10 to 16** *Mid-Point 13 marks*
Level 2	**Weak with some understanding**	**4 to 9** *Mid-Point 7 marks*
Level 1	**Very weak**	**0 to 3** *Mid-Point 2 marks*

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Issues and areas for discussion include

Introduction	Definitions of • wage levels • working conditions • differentials.
Developing the response to the question: **(Application)**	• Comments from own economic knowledge or based on the data, e.g. further comments on wage rates and differentials, and wages increasing and recently flat-lining (**Extract D**) • EU context (**Extract E**) • Discussion of other aspects, such as bonus caps, wealth tax, fixed ratios between higher and low paid workers (**Extract F**) • Other possible policies, e.g. minimum wage, living wage
Developing the response to the question: **(Analysis)**	• Possible effects of government intervention/market forces on output and employment • Benefits of a government intervention, e.g. reduced inequality, higher morale • Increased costs of NMW / other policies, effects on sectors / general economy • Other methods of raising wage levels, e.g. productivity enhancement, skills, education and training • Taxes, benefits and welfare to work • Short and long run considerations • Opportunity costs of government subsidies for the low paid • The economic disfunctionality of inequality • The case for market forces in resource allocation
Evaluation	• General arguments for and against government intervention in labour markets • Market failure versus government failure • Consideration of the issues from different points of view, e.g. employers, employees, taxpayers • Consideration of the affordability of government intervention • Arguments to do with competitiveness • The government's own position as a major employer (local and national government) • Efficacy of NMW compared with other policies • A high-wage economy versus a low-wage economy *Examiners should note that, for some of the weaker or average candidates, parts of the above represent quite sophisticated evaluation and so it is important to ensure that more basic evaluation is adequately rewarded where a genuine effort has been made to display that skill.*
Also give credit for	• Diagrams • An overall judgement on the issues raised

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It will only be possible for candidates to consider a few of the above. They may also discuss issues not discussed above.

[25]

17. **The anticipated diagram would make appropriate use of MRP and market wage, in a price taking situation.**

Relevant issues include:

- For defining / describing marginal revenue product in terms of the amount added to the total revenue of a firm by the output of an additional worker.
- It might be assumed that labour markets are 'perfect' and that there is individual bargaining.
- The wage rate is the price of labour.
- This price is determined by the labour market and the employing firm acts as a price taker.
- The employer will take on extra units of labour as long as the value of its output is greater than the market wage.
- It follows that once the marginal cost of the last worker employed is equal to their MRP, no more will be employed.
- A similar explanation, assuming an imperfect market, e.g. monopsonistic demand for labour.

[9]

18.

Response	**Max 2 marks**
For the correct answer, 357:1, or 357/1, or 357 to 1. The ratio ":1" or "/1" or "to 1" **must** be shown.	**2 marks**
For the correct answer (357) **without** ratio, or wrongly expressed as "1:" or "1/" or "1 to". Any other answer between 356 and 358 (inclusive), **with** ":1" or "/1" or "to 1".	**1 mark**

[2]

19. D

[1]

20. A

[1]

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21.

Areas for discussion include:

- discussion of whether relative poverty is a problem, whether it is inevitable and insoluble.
- discussion of market forces
- the argument that some relative poverty has been created or reinforced by the state, through, for example the unemployment trap or a culture of benefits dependency
- discussion of the fact that the individual people defined as being in relative poverty have not always been so, and that the UK has reasonably good levels of social mobility with people moving in/out of relative poverty
- market forces can lead to job creation, providing one of the strongest routes out of poverty
- low labour taxes and low welfare spending provide stronger incentives for workers to escape poverty by their own means
- many problems associated with housing are linked to failures of policy rather than the market (eg lack of new homes resulting from Green Belt planning law, etc.)
- trickle down effects
- the need for government intervention to prevent wealth from being excessively concentrated in the hands of the rich
- why market forces are unlikely to deal adequately with some causes of poverty, e.g. poverty amongst the sick, disabled, the old and infirm
- arguments in favour of progressive direct taxes rather than regressive indirect taxes
- policies that retain an element of incentives, such as working tax credit
- the need for government intervention to establish a minimum level of essential human capital and physical capital investments (eg education and transport infrastructure)
- the tendency of markets to increase rather than decrease poverty
- the distinction between the impact of market forces on absolute, as opposed to relative, poverty.

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

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21 – 25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16 – 20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these are not well-supported by arguments **and/or** data.	**11 – 15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context **and/or** data to the question • includes some limited analysis but it may lack focus **and/or** become confused • includes some evaluation which is weak and unsupported.	**6 – 10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which, at best, is very weak • includes attempted analysis which is weak and unsupported.	**1 – 5 marks**

[25]

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22.

Relevant issues include:

- definitions/explanations: unemployment, government policies, the natural rate of unemployment
- linking the natural rate to equilibrium in the labour market
- identifying the natural rate as being caused by mainly “voluntary” unemployed workers
- linking the natural rate to structural, frictional or real wage unemployment
- explaining the nature of the supply and demand for labour
- explaining the role of supply-side policies in reducing the natural rate
- considering interventionist or laissez-faire approaches to reducing the natural rate
- explaining the role of wage and inflationary expectations in altering the natural rate
- explaining any of the following:
    - the level of JSA
    - the level of taxation
    - the NMW
    - training schemes
    - transferable skills
    - occupational mobility
    - geographical mobility
    - trade union reform
    - labour market flexibility
    - childcare assistance
    - reducing hysteresis/long-term unemployment
    - reducing wage expectations
    - or any other valid reason.

The use of relevant diagrams to support the analysis such as a long-run Phillips curve or a labour market diagram should be taken into account when assessing the quality of the candidate’s response to the question.

Level of response	Response	Max 15 marks
3	**A good response provides an answer that:** • is well organised and develops a selection of the key issues that are relevant to the question • shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning.	**11 – 15 marks**
2	**A reasonable response provides an answer that:** • focuses on issues that are relevant to the question • shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places.	**6 – 10 marks**
1	**A weak response provides an answer that:** • has identified one or more relevant issues • has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • has very limited application of relevant economic principles to the given context **and/or** data to the question • might have some limited analysis but it may lack focus **and/or** become confused.	**1 – 5 marks**

[15]

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23.

Areas for discussion include:

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

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

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21 – 25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16 – 20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these are not well-supported by arguments **and/or** data.	**11 – 15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context **and/or** data to the question • includes some limited analysis but it may lack focus **and/or** become confused • includes some evaluation which is weak and unsupported.	**6 – 10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which, at best, is very weak • includes attempted analysis which is weak and unsupported.	**1 – 5 marks**

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24.

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

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

Relevant issues include

- explanation of MRP / MPP
- relationship between marginal productivity and the demand for labour
- why labour productivity is likely to affect the wage rate
- women are more likely to work in so-called 'lower productivity industries', such as the care sector, than men
- the tendency of men to work in occupations where marginal revenue is higher
- women tend to be under-represented in more senior roles in many organisations
- some employers may **perceive** women as less productive than their male counterparts within the same firms/roles, for reasons such as time out of work to have children, discrimination, physical attributes, working hours inflexibility, etc. In sectors where physical productivity is hard to measure, employer perceptions will be critical to labour demand.

[9]

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25.

Response	Max 4 marks
• includes evidence that shows that the degree of inequality between the pay of male and female workers is falling. • clearly explains how the data show that the degree of inequality between the pay of male and female workers is falling.	**4 marks**
• includes evidence that shows that the degree of inequality between the pay of male and female workers is falling. • unclear explanation of how the data show that the degree of inequality between the pay of male and female workers is falling.	**3 marks**
• includes evidence that shows that the degree of inequality between the pay of male and female workers is falling. • limited explanation of how the data show that the degree of inequality between the pay of male and female workers is falling.	**2 marks**
• includes evidence that does not clearly show that the degree of inequality between the pay of male and female workers is falling. • no explanation of how the data show that the degree of inequality between the pay of male and female workers is falling.	**1 mark**

Relevant issues include:

- explanation of the degree of inequality / gender pay gap
- evidence that women are paid less than men, but this percentage is increasing over the period (70.1% in 2000, 78.1% in 2008, 80.7% in 2015)
- evidence that women's pay has risen 65.6% over the period, but men's has risen by only 43.7%.
- credit should be given to candidates who quote changes in absolute differences (e.g. £6238 in 2000 £5763 in 2015) in male and female earnings, but to earn 4 marks they should recognise that the 'degree of inequality' is measured by the relative pay of male and female workers, as indicated for example, by bullet points 2 and 3

[4]

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