



Mark Scheme (Provisional)

Summer 2021

Pearson Edexcel International

Advanced Level

In Economics (WEC13)

Unit 3: Business behaviour

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

## Section A

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

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

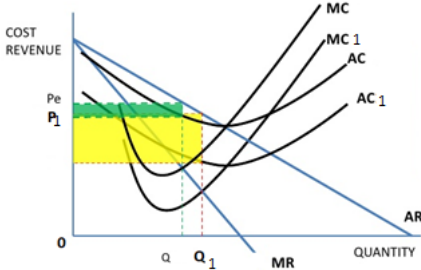
**Section B**

Question Number	In 2018 total car sales in China were 23.7 million.  With reference to Figure 2, calculate the 4-firm concentration ratio for the car market in China 2018. You are advised to show your working.  Answer	Mark
7(a)	<p><b>Application 2</b></p> <p><b>Quantitative skills assessed:</b></p> <p><b>QS2:</b> Calculate, use and understand percentages, percentage changes and percentage point changes.</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Up to 2 marks for calculation:</b></p> <ul style="list-style-type: none"><li>• <math>2.07\text{m} + 2.04\text{m} + 1.97\text{m} + 1.66\text{m} = 7.74\text{m}</math> <b>(1)</b></li><li>• <math>(7.74 \text{ million} \div 23.7 \text{ million}) \times 100 = 32.66\%</math> <b>(1)</b></li></ul> <p><b>NB: Award full marks for correct answer regardless of working.</b></p> <p><b>Also allow: 32.65%/32.67%/33%</b></p> <p><b>Award 1 for 32.66/32.65/32.67/33</b></p>	<b>(2)</b>

Question Number	With reference to the third paragraph of Extract B, explain what is meant by a 'takeover'.  Answer	Mark
7(b)	<p><b>Knowledge 2 Application 2</b></p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge</b>  <b>1 mark for definition</b></p> <ul style="list-style-type: none"> <li>• Definition of takeover- the acquisition of one business by another <b>(1)</b></li> </ul> <p><b>Plus one mark for development</b></p> <ul style="list-style-type: none"> <li>• A business may decide to undertake a takeover as part of its strategy e.g. to increase market share/reduce competition/entry into new markets <b>(1)</b></li> <li>• A takeover is an example of inorganic growth <b>(1)</b></li> <li>• Can be friendly or hostile <b>(1)</b></li> </ul> <p><b>Any other valid knowledge point - 1 mark</b></p> <p><b>Application - up to 2 marks for application to context of China's car industry</b></p> <ul style="list-style-type: none"> <li>• Geely has taken over Lotus/Geely bought a majority share in Lotus <b>(1)</b></li> <li>• Geely hopes the takeover will increase its European sales <b>(1)</b></li> <li>• Geely is trying to expand internationally through takeovers <b>(1)</b></li> <li>• Horizontal integration as both are car manufacturers <b>(1)</b></li> </ul> <p><b>Any other valid application point - 1 mark for each</b></p>	(4)

Question Number	With reference to Figure 1 and Extract A, analyse <b>two</b> reasons for the fall in car sales in China since 2017.  Answer	Mark
7(c)	<p><b>Knowledge 2 Application 2 Analysis 2</b></p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge and Analysis</b></p> <p><b>Up to 2 marks for identifying 2 reasons for the fall in car sales and 1 mark for linked expansion of each reason e.g.</b></p> <ul style="list-style-type: none"> <li>• China’s economic slowdown <b>(1K)</b> caused a fall in the demand for expensive goods such as new cars <b>(1AN)</b></li> <li>• Increased availability of taxis <b>(1K)</b> which are a low-cost substitute for new cars so consumers are switching to taxis causing a fall in demand for new cars, reducing sales <b>(1AN)</b></li> </ul> <p><b>Application</b></p> <p><b>1 mark for reference to Figure 1</b></p> <ul style="list-style-type: none"> <li>• Car sales decreased <b>(1)</b></li> <li>• 24.7 million in 2017 to 23.7 million in 2018/21.4 million in 2019 <b>(1)</b></li> <li>• 13% decrease between 2017 to 2019/4% decrease between 2017 and 2018 <b>(1)</b></li> </ul> <p><b>NB data must relate to 2017 and after</b></p> <p><b>1 mark for reference to Extract A</b></p> <ul style="list-style-type: none"> <li>• Economic growth rate was 9.4% in 2009 and decreased to 6.6% in 2018/</li> <li>• 100 different car-hailing platforms/</li> <li>• Chinese car buyers are increasingly looking for low-cost alternatives <b>(1)</b></li> </ul>	<b>(6)</b>



Question Number	With reference to Extract A, examine the likely effects of the Chinese Government's subsidy on the profits of an electric car manufacturer. Illustrate your answer with an appropriate diagram.	Mark
7(d)	<p><b>Knowledge 2 Application 2 Analysis 2 Evaluation 2</b></p> <p>Quantitative skills assessed:  <b>QS4:</b> Construct and interpret a range of standard graphical forms.  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge</b>  <b>Up to 2 marks for drawing a diagram that shows knowledge of:</b></p> <ul style="list-style-type: none"> <li>• Original AR, MR, AC<sub>1</sub>, MC and profit-maximising equilibrium <b>(1)</b></li> <li>• Subsidy would cause downward shift in AC and MC curves to AC<sub>1</sub> and MC<sub>1</sub> <b>(1)</b></li> </ul>  <p><b>Analysis</b>  <b>Up to 2 marks for explanation of impact on Chinese electric car manufacturers, e.g.:</b></p> <ul style="list-style-type: none"> <li>• Manufacturers face lower costs and if demand is unchanged then supernormal profits will increase <b>(1)</b></li> <li>• Diagram showing increase in output at new MC=MR <b>(1)</b> with new profit area shown <b>(1)</b></li> </ul> <p><b>Application</b>  <b>Up to 2 marks for application to context of electric car market from Extract A e.g.:</b></p> <ul style="list-style-type: none"> <li>• The government are giving up to 90 000 yuan of subsidy per car <b>(1)</b></li> <li>• To encourage more production <b>(1)</b></li> <li>• Government is incentivising consumers to purchase electric cars <b>(1)</b></li> <li>• Explicit reference to data in diagram <b>(1)</b></li> </ul>	

**Evaluation**

**Up to 2 marks for evaluative comments (1+1 or 2+0) e.g:**

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

**(8)**

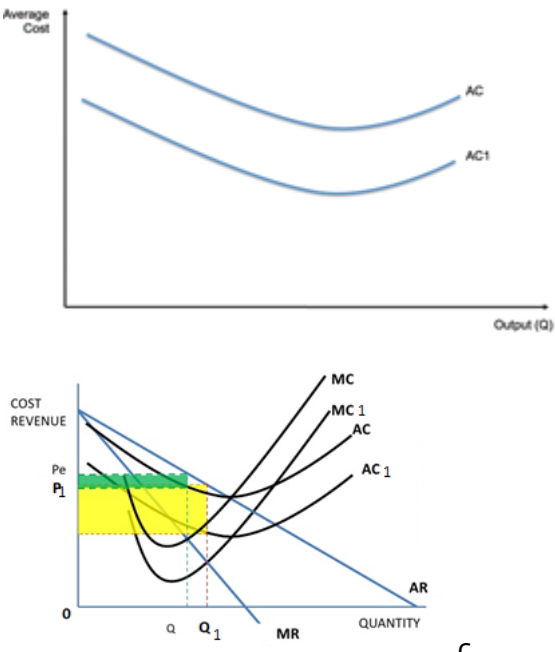
Question Number	With reference to Extracts A and B and your own knowledge, discuss the types of non-price competition that could be used by car manufacturers to increase the sales of cars.  Indicative content	
7(e)	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Quantitative skills assessed:  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge, Application, Analysis (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Non-price competition involves ways to increase sales and attract custom through methods other than price</li> <li>• Methods of non-price competition include: product differentiation, advertising and branding, quality, endorsement, product placement, after sales service</li> <li>• Car manufacturers operate in an oligopolistic market with high levels of interdependence</li> <li>• Innovation and quality are important to the Chinese consumer</li> <li>• 79% of consumers plan to purchase a connected-car in the future</li> <li>• Chinese consumers are highly influenced by reputation of the firm and social media when choosing to purchase a car</li> <li>• Younger consumers are attracted to cars with a more modern design</li> <li>• Non-price competition is important as it increases demand and revenue</li> <li>• Non-price competition can increase the profits for Chinese car manufacturers</li> <li>• Number of joint-ventures able to offer product differentiation e.g. Alibaba and BMW</li> </ul> <p><b>Maximum L2 if no reference to car manufacturers</b></p>	
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.

		<p>Use of generic material or irrelevant information or inappropriate examples.</p> <p>Descriptive approach which has no chains of reasoning.</p>
<b>Level 2</b>	4-6	<p>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.</p> <p>Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.</p>
<b>Level 3</b>	7-8	<p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question.</p> <p>Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.</p>
<p><b>Evaluation (6 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Some types of non-price competition are likely to be more expensive than others e.g. advertising at prime time on TV may be more expensive than branding</li> <li>• Some types of non-price competition may be more effective (in increasing demand and making demand less price elastic) than others e.g. connected-cars; high quality may be more effective than branding</li> <li>• The most significant factor when buying a car for many young Chinese consumers is the environment. Therefore, other forms of non-price competition may not as significant</li> <li>• Price is the most important factor as new cars are expensive and this is causing their demand to fall</li> <li>• New car sales have declined in China as consumers seek low-cost alternatives</li> <li>• There are lots of available substitutes to cars</li> <li>• Consumers are using car-hailing apps instead of cars as they are more price competitive</li> <li>• Electric cars are becoming more price competitive as the government is subsidising them and other car manufacturers will need to lower their price to compete.</li> </ul>		

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

**Section C**

Question Number	<p>In 2019 the Indian Government announced plans to privatise up to 25 airports across India. These airports are not the largest in India, but they each have annual passenger numbers between 1 million and 1.5 million.</p> <p>Evaluate the possible benefits of privatisation for the consumer.</p> <p>Illustrate your answer with an appropriate diagram(s).</p> <p>Indicative content</p>
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8	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Knowledge, Application, Analysis (12 marks) – indicative content</b></p> <p>Privatisation is the transfer of assets from public to private ownership</p> <ul style="list-style-type: none"> <li>•Privatised firms have an incentive to cut costs in order to maximise profits and the firm moves closer to productive efficiency/reduce X-inefficiency</li> </ul>  <ul style="list-style-type: none"> <li>• Reduced costs as privatised firms will increase efficiency (falling MC and AC), leading to lower prices and increased output</li> <li>• Lower costs may be reflected in lower prices for consumers of flights, increasing consumer surplus</li> </ul>
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<ul style="list-style-type: none"> <li>• If privatisation increases competition there is an incentive for firms to deliver more choice and quality in order to boost sales. An increase in choice improves consumer welfare</li> <li>• Incentive to innovate in order to boost sales and, therefore, profit. Firms may become more dynamically efficient, improving the quality of products produced</li> <li>• Increased quality of goods and increased innovation increases consumer choice e.g. better quality airports or more flights</li> <li>• Wider share ownership – consumers may be able to buy shares in privatised firms to spread the rewards of capitalism to more people</li> </ul> <p><b>Restrict to a maximum of Level 3 if no appropriate diagram provided</b></p>		
Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1–3	<p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Use of generic material or irrelevant information or inappropriate examples.</p> <p>Descriptive approach which has no chains of reasoning.</p>
<b>Level 2</b>	4–6	<p>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Limited application of knowledge and understanding to economic problems in context.</p> <p>A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.</p>
<b>Level 3</b>	7–9	<p>Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.</p> <p>Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.</p>
<b>Level 4</b>	10–12	<p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.</p>

		Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	<p><b>Evaluation (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Competition may not be increased if state-owned airports become privately owned by a private sector monopolist</li> <li>• Some public monopolies become private monopolies, with the objective of profit maximisation causing prices to increase and resulting in a reduction in consumer surplus and welfare</li> <li>• They may become X-inefficient if there is a lack of competition in the private sector</li> <li>• Market forces may not ensure greater efficiency</li> <li>• State-owned firms may provide loss making services that private firm would not, reducing choice and consumer welfare</li> <li>• Choice may be reduced if service becomes unprofitable</li> </ul>	
Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



<p>Question Number</p>	<p>In the UK for any given rail journey, there are usually more than five different ticket prices depending on the time and day of travel.</p> <p>Evaluate the view that price discrimination is always beneficial for producers.</p> <p>Illustrate your answer with an appropriate diagram(s).</p> <p>Indicative content</p>
<p>9</p>	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Quantitative skills assessed:</b></p> <p><b>QS4:</b> Construct and interpret a range of standard graphical forms.</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge, Application, Analysis (12 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Price discrimination occurs when a firm charges different prices for the same product in different segments of the market e.g. business travellers and tourists</li> <li>• Conditions necessary for price discrimination - monopoly power, different PED's in sub-markets, able to separate different consumer groups e.g. age, students and travelcard holders</li> <li>• A firm gains higher profits from price discrimination when it charges a higher price to consumers with inelastic demand and a lower price to consumers with elastic demand</li> <li>• REWARD MARKS FOR RELEVANT DIAGRAMS - showing separation of markets</li> </ul>

<p><b>Benefits to the producer</b></p> <ul style="list-style-type: none"> <li>• Greater overall revenue and profits</li> <li>• Producer is able to extract consumer surplus and turn it into producer surplus</li> <li>• Lower prices in the market segment in which demand is elastic, makes the market less contestable, reducing the threat of competition</li> <li>• Cross-subsidies may allow all areas of the business to survive</li> <li>• Increase in economies of scale because of higher output</li> <li>• Higher dividends to shareholders</li> <li>• Increased profits would enable the firm to increase investment or could be distributed to the owners of the firms</li> </ul> <p><b>Restrict to a maximum of Level 3 if no appropriate diagram provided</b></p> <p><b>Accept reverse argument for KAA</b></p>		
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
<b>Level 2</b>	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
<b>Level 3</b>	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.

<b>Level 4</b>	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p><b>Evaluation (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• The increase in cost of keeping markets separate could exceed the additional revenue from price discrimination</li> <li>• Firms are exploiting consumers in markets where demand is inelastic who may not have an alternative which could lead to negative publicity or government action e.g. to price caps</li> <li>• Exploitation of consumers might attract the attention of regulatory authorities who might take action e.g. heavy fines</li> <li>• Higher prices are allocatively inefficient</li> <li>• Difficulty in discriminating between 5 or more markets</li> <li>• Businesses may not use additional profits to improve quality</li> <li>• Price discrimination might be difficult to maintain if it leads to the entry of new firms into the market</li> <li>• Price discrimination might be difficult to maintain if the PEDs are fairly similar in each of the sub-markets</li> </ul>		
Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question Number	<p>In New Zealand in 2018, it was estimated that the average worker employed in the private sector earned 30% less than the average worker in the public sector.</p> <p>Evaluate the reasons why wage differences exist.</p> <p>Illustrate your answer with an appropriate diagram(s).</p> <p>Indicative content</p>
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**10**

**Indicative content guidance**

Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.

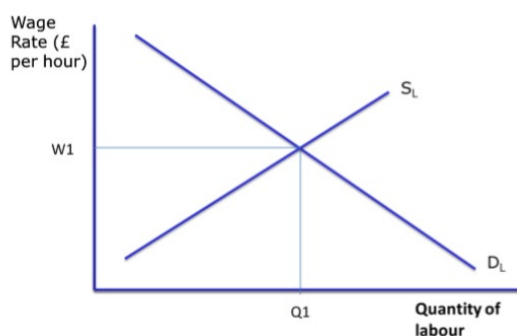
**Quantitative skills assessed:**

**QS4:** Construct and interpret a range of standard graphical forms.

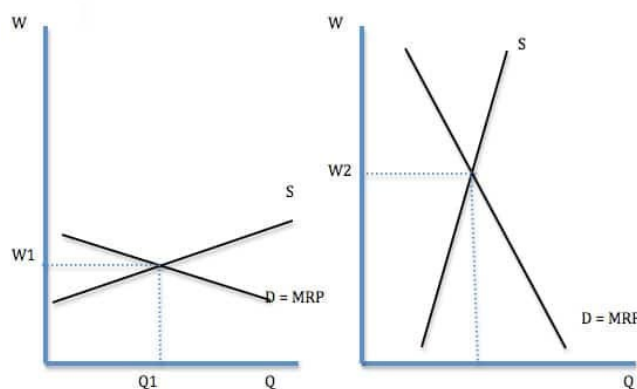
**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

**Knowledge, Application and Analysis (12 marks) – indicative content**

- This labour market equilibrium may differ between markets and this will cause the wage rate to differ as the equilibrium determines the wage rate



Or



- If the supply or demand for labour changes in a market, this will also change the equilibrium price of labour. Therefore, the supply or demand of labour in a market will cause the wage to differ
- The level of education/skill required for the job. Jobs which require more training and education offer higher wages because the supply of workers with this training and skills will be lower than the supply of unskilled workers
- Wages in the private sector could be lower than the public sector because public sector pay is funded from taxation and not dependent on profit
- In some parts of the private sector firms may have monopsony power and so be able to pay lower wages than firms in other sectors
- Other factors such as age, gender and ethnic background may account for wage differences
- A monopoly/trade union may be able to increase the wage rate through collective bargaining
- Workers may have non-financial benefits that account for some of the difference e.g. hours of work, holidays, security
- Workers may have financial benefits that account for some of the difference e.g. pensions, private healthcare, longer holidays
- If the demand for labour is inelastic wages would be higher than if elastic
- Wages tend to be higher in the sector that has more inelastic demand and /or inelastic supply

**Restrict to a maximum of Level 3 if no appropriate diagram provided**  
**Accept reverse argument for KAA**

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1-3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
<b>Level 2</b>	4-6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
<b>Level 3</b>	7-9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.

		<p>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.</p> <p>Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.</p>
<b>Level 4</b>	10–12	<p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.</p> <p>Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.</p>
	<p><b>Evaluation (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• If labour is homogenous wage differences may not be different</li> <li>• If workers and employers have perfect knowledge of the labour market wages will be more similar</li> <li>• High mobility of labour enables workers to move between jobs and areas keeping wages stable</li> <li>• If there is no (age/gender/ethnic) discrimination in the market, everyone should be paid the same for the same job</li> <li>• Relative significance of relevant reasons</li> <li>• Private sector in some countries may be able to offer higher wages due to higher levels of profit</li> <li>• In the public sector, the government may have monopsony in the labour market and so can drive down the price of labour as workers have a lower price setting ability</li> <li>• The wage differential in NZ between workers in the public and private sectors may be temporary e.g. due to a downturn/recession</li> <li>• Government may limit pay rises for public sector workers e.g. to reduce budget deficit</li> </ul>	
Level	Mark	Descriptor
	0	No evaluative comments.
<b>Level 1</b>	1–3	<p>Identification of generic evaluative comments.</p> <p>No supporting evidence/reference to context.</p> <p>No evidence of a logical chain of reasoning.</p>
<b>Level 2</b>	4–6	<p>Evidence of evaluation of alternative approaches.</p> <p>Some supporting evidence/reference to context.</p> <p>Evaluation is supported by a partially-developed chain of reasoning.</p>

<b>Level 3</b>	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.
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