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Examiners' Report January 2011

GCE Economics 6EC01 01

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Introduction

General Comment

The January 2011 exam paper appeared accessible to the vast majority of candidates, demonstrated by many relevant and detailed answers. The paper also differentiated effectively between the quality of responses. The mean score continued to rise as candidates become more familiar with the new syllabus.

The mean score has increased since last year.

Section A: supported multiple choice questions

Most candidates find this method of testing highly accessible. The mean score for the supported multiple choice questions has increased. The quality of responses varied enormously and a relatively high proportion achieved high marks of 26 or more. The best answered questions were Q1 (positive / normative statements) and Q2 (opportunity cost and the production possibility frontier); the most challenging questions were Q4 (price elasticity of demand) and Q7 (government intervention in healthcare).

The key to success involves defining the main economic concept in the question (usually awarded 1 mark - but it can be up to 2 marks for two relevant concepts) and applying appropriate economic theory and analysis (usually awarded up to 2 marks).

Annotation of the diagrams provided in any question is a good strategy, for example, Q2, and Q3. In a similar vein, Q4 and Q7 also offered scope for candidates to introduce diagrammatic analysis as a means of demonstrating their knowledge and application of the issues at hand.

Some candidates attempted to gain marks by eliminating incorrect options. Up to three marks are available for successfully eliminating three incorrect options (providing that separate reasons are offered). However, mixed success was achieved here. It requires candidates to explicitly state the option key being rejected and then to offer an appropriate explanation. Several examples of how to successfully eliminate incorrect options are provided in the report. A certain skill is required for this and it is important to practise the technique.

Note, it is perfectly acceptable to use a combination of techniques for securing the three explanation marks, for example, explaining the correct answer, diagrammatic analysis and eliminating one or more incorrect answers.

Section B: data response questions

Question 9 (The Price of sugar) was more popular than Q10 (The National Minimum Wage) to a ratio of 2.5 to 1. However, the mean scores for each question were very similar.

The reduction in the number of sub-questions in each data response question from 6 to 5 enabled most candidates to complete the paper in the time provided. The standardisation of evaluation marks in the questions also provided a useful guide for candidates and teachers when preparing for the exam.

Each data response question has a substantial weighting for evaluation marks (16 out of 48 marks). Consequently, it is important that candidates make evaluative comments when instructed by the question.

The 'Quality of Written Communication' Questions offered plenty of scope for candidates to develop their answers into a structured and coherent argument.

Question 1

This was a gentle introduction to the exam with candidates required to distinguish between positive and normative economic statements, making some reference to the information provided. Almost two-thirds of all candidates achieved full marks.

Section A: Answer all the questions in this section

You should spend 35 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 Statement 1: Bonuses to financial sector workers in the City of London exceeded £13 billion in 2009.

Statement 2: A 50% tax on bonuses above £25,000 is fair.

Which of the following best describes the two statements above?

(1)

- A Statement 1 is normative and statement 2 is positive.
 B Both statements are normative.
 C Statement 1 is positive and statement 2 is normative.
 D Both statements are positive.

Answer

C

Explanation

(3)

A positive statement is one that is value-free and can be tested as true or false.

A normative statement is one that is not value-free and cannot be tested as true or false.

Statement 1 is positive because it is a fact and can be tested.

Statement 2 involves a value judgement, whether it is 'fair' or not is a matter of opinion.



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Examiner Comments

This candidate achieved 4 out of 4 marks

Correct option C (1 mark)

Candidate explains the meaning of positive and normative statements (1+1 marks). Application to the information provided - statement 2 is a value judgement due to word 'fair'(1 mark).



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Examiner Tip

Be prepared to define key concepts in the question. Up to 2 marks may be available for two definitions.

Section A: Answer all the questions in this section

You should spend 35 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 Statement 1: Bonuses to financial sector workers in the City of London exceeded £13 billion in 2009.

Statement 2: A 50% tax on bonuses above £25,000 is fair.

Which of the following best describes the two statements above?

(1)

- A Statement 1 is normative and statement 2 is positive.
- B Both statements are normative.
- C Statement 1 is positive and statement 2 is normative.
- D Both statements are positive.

Answer

C

Explanation

(3)

A positive statement is one which can be proved by fact, as statement 1 is. A normative statement however is a value judgement, meaning it is an opinion which is given and can therefore not be proved, as in statement 2.



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Examiner Comments

This candidate achieved 3 out of 4 marks

Correct option C (1 mark)

Outline of positive and normative statements (1+1 marks) but no application.



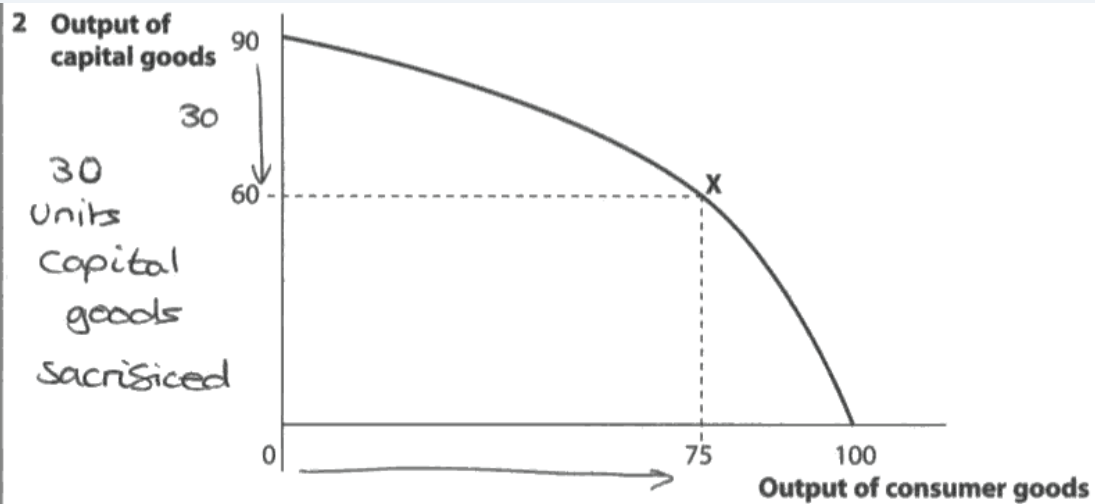
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Examiner Tip

Make use of the information provided in order to gain application mark(s).

Question 2

This question covered familiar ground and almost half of all candidates achieved full marks. However, a significant number of responses selected incorrect option C.



The diagram shows a production possibility frontier for an economy operating at point X. The opportunity cost of producing 75 units of consumer goods is:

(1)

- A 25 units of consumer goods
- B 30 units of capital goods
- C 60 units of capital goods
- D 75 units of consumer goods.

Answer

B

Explanation

(3)

Production possibility frontiers show the maximum combination of output two goods can achieve, if there is a full and efficient use of resources. It also demonstrates opportunity cost which is the next best alternative foregone.

If 0 ^{units} consumer goods, 90 ^{units} capital goods can be produced. If output consumer increases to 75 units output capital decreases to 60. $90 - 60 = 30$ ^{minus}
 So 30 units ~~less~~ capital good sacrificed.
 (Total for Question 2 = 4 marks)


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Examiner Comments

This candidate achieved 4 out of 4 marks.

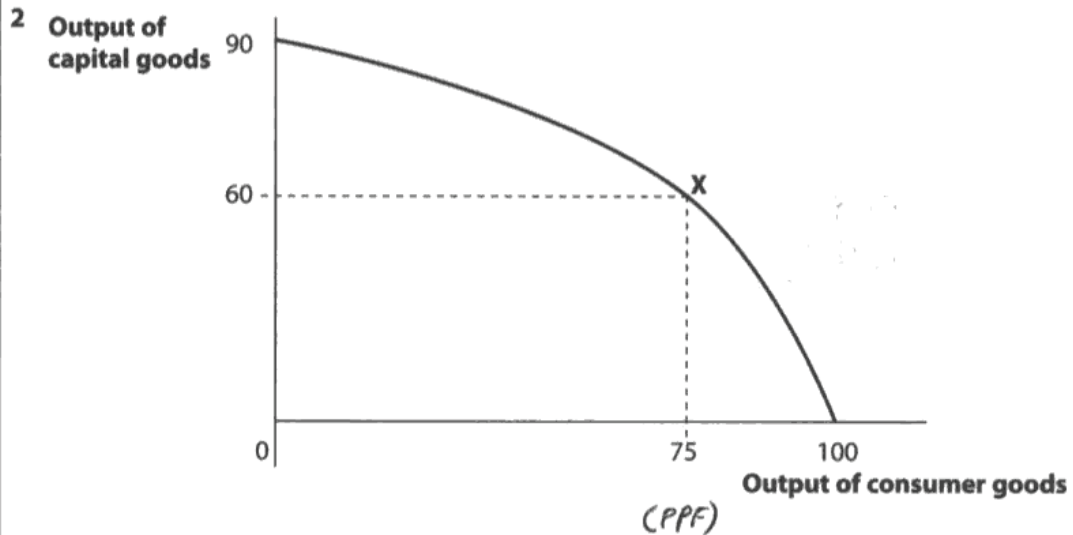
Correct option B (1 mark).

The production possibility frontier and opportunity cost are defined (1+1 marks).
 The data is used to explain why opportunity cost is 30 capital goods (90 - 60) without simply repeating the correct key (1 mark).


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Examiner Tip

Add value to your answer rather than just repeat the statement in the question.



The diagram shows a production possibility frontier for an economy operating at point X. The opportunity cost of producing 75 units of consumer goods is:

(1)

- A 25 units of consumer goods
- B 30 units of capital goods
- C 60 units of capital goods
- D 75 units of consumer goods.

Answer

B

Explanation

(3)
~~If there are~~ The PPF shows the distribution of resources within an economy. The opportunity cost is the ~~item that had next best~~ item that was forgone to produce the chosen item. working at full capital goods is 90. $90 - 60 = \underline{30}$
current state is at 60.

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Examiner Comments

This candidate achieved 3 out of 4 marks.

Correct option B (1 mark).

Definition of opportunity cost (1 mark) and application to the data provided to explain answer ($90 - 60 = 30$) (1 mark).

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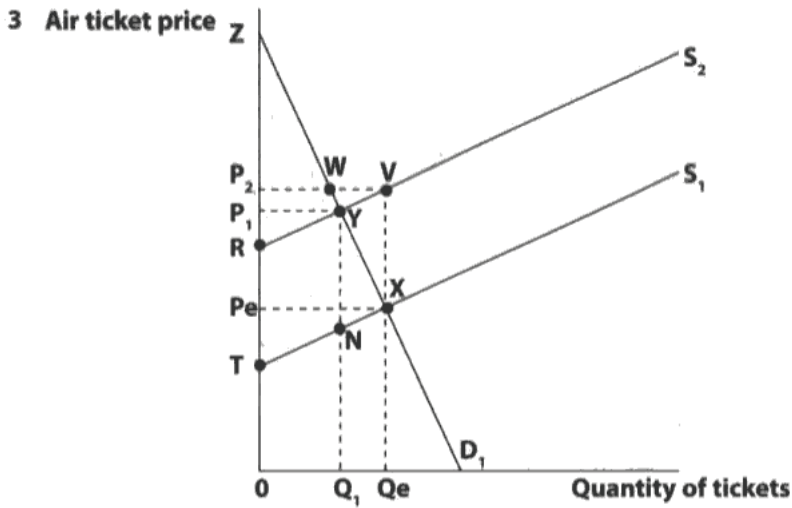
Examiner Tip

Identify key economic concepts and then define them since quite often, 1+1 marks are available.

An alternative approach is to reject an option, for example, option A is incorrect since this is the opportunity cost of producing 60 capital goods.

Question 3

This question was a bit more challenging since it combined the economic concepts of a specific tax with consumer surplus in a diagram. Just over one-third of candidates achieved full marks.



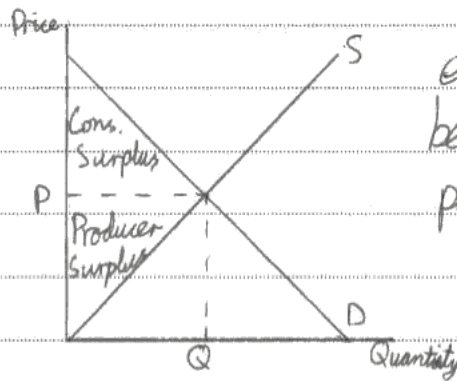
The diagram shows the impact of a specific tax placed on air travel. Which of the following is correct? (1)

- A The total tax revenue is PeP_1YX
- B Producer surplus increases
- C The price of air tickets rises from Pe to P_2
- D Consumer surplus decreases

Answer

D

Explanation



Consumer surplus is the amount (3)
extra that consumers would have
been willing to pay above the
price equilibrium. Consumer
surplus here ~~was~~ decreases from
 $ZPeX$ to P_1YZ .
Producer surplus decrease
from $PeTX$ to P_1RY so (B) is false.


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Examiner Comments

Correct option D = (1 mark)

 Definition of consumer surplus = (1 mark) Original consumer surplus = $ZPeX$
 = (1 mark) New consumer surplus P_1YZ = (1 mark)

 Rejection of option B (producer surplus falls from $PeTX$ to P_1RY so B false)
 = 1 mark NB: Maximum of 3 explanation marks available

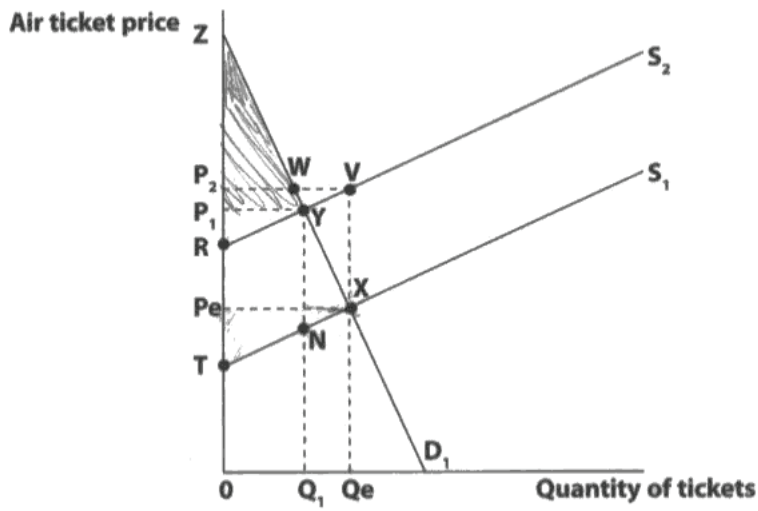
Total = 4 marks


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Examiner Tip

Always state the option key when explaining why a particular answer is incorrect. This candidate has done it to good effect.

3



The diagram shows the impact of a specific tax placed on air travel. Which of the following is correct?

(1)

- A The total tax revenue is PeP_1YX ✗
- B Producer surplus increases
- C The price of air tickets rises from Pe to P_2 ✗
- D Consumer surplus decreases ✗

Answer

D

Explanation

(3)

Consumer surplus is the difference between what a consumer is prepared to pay and the price actually paid. Because the price rises ~~there is a smaller difference~~ from P_e to P_1 , this difference has been made smaller. The new consumer surplus can be shown by the shaded area.


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Examiners' Comments

This candidate achieved 3 out of 4 marks.

Correct option D (1 mark).

Definition of consumer surplus (1 mark) and reference made to the new level of consumer surplus in the diagram (1 mark).

To gain another mark the candidate could have identified the original consumer surplus area (P_eXZ) or the loss of consumer surplus (P_eXYP_1).


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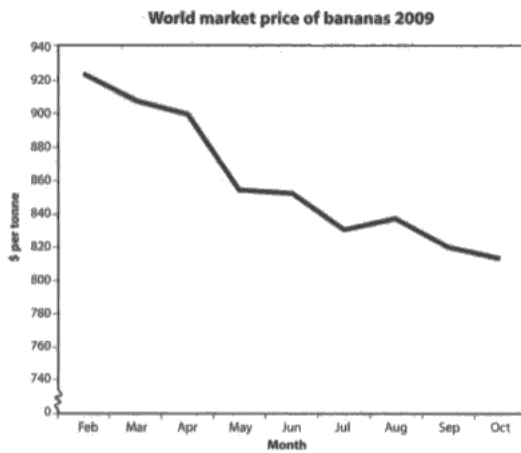
Examiners' Tip

Be prepared to annotate diagrams provided in questions but make sure they are properly labelled. In this case the mark is secured by referring to the area of new consumer surplus in the text.

Question 4

This was the most challenging multiple choice question on the paper and only one-fifth achieved full marks. Many candidates selected incorrect option A.

4



(Source: www.indexmundi.com)

From the graph it can be deduced over the period that

(1)

- A the monthly total revenue for banana producers would have increased if demand was price inelastic
- B there is an excess demand for bananas
- C the monthly total revenue for banana producers would have decreased if demand was price inelastic
- D the trend in banana prices will encourage producers to increase output.

Answer

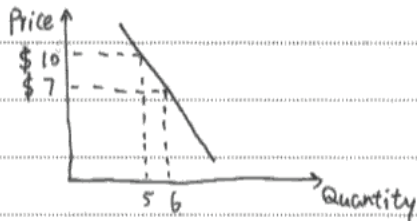
C



Explanation

(3)

Ped is the responsiveness in the demand for a good into a change in its price.



If Ped is inelastic, when price ~~change~~ decrease from \$10 to \$7, the quantity of demand increase from 5 to 6. The total revenue decrease from 50 to 42, ~~so~~ the producers will decrease due to they will earn less.

4 marks)



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Examiner Comments

This candidate achieved 4 out of 4 marks.

Correct option C (1 mark).

Definition of price elasticity of demand (1 mark) followed by relevant numerical application to a diagram (2 marks). The figures are made up here but it does show how total revenue falls as price is decreased when demand is inelastic.

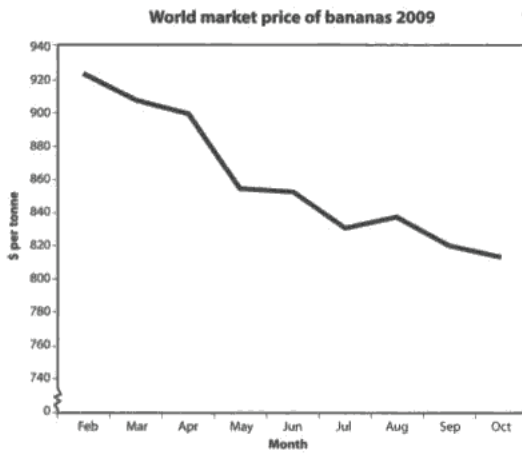


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Examiner Tip

Be prepared to offer diagrammatic analysis when relevant. It is probably the best way of securing explanation marks

4



(Source: www.indexmundi.com)

From the graph it can be deduced over the period that

(1)

- A the monthly total revenue for banana producers would have increased if demand was price inelastic
- B there is an excess demand for bananas
- C the monthly total revenue for banana producers would have decreased if demand was price inelastic
- D the trend in banana prices will encourage producers to increase output.

Answer

C

Explanation

(3)

Total revenue = Sales \times price .

Price elasticity demand = $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$

Revenue would be decreased if demand was inelastic because people would be stopped purchasing them as it isn't necessary to them.


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Examiner Comments

This candidate achieved 3 out of 4 marks.

Correct option C (1 mark).

Definition (formulae) for total revenue and price elasticity of demand (1+1 marks).


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Examiner Tip

When uncertain of how to explain the correct answer, consider explaining why other options are incorrect.

Option B is quite straightforward to reject (an excess demand for bananas would increase price rather than reduce price as shown in the graph).

Option D is also easy to reject (falling prices will reduce incentives to produce bananas since revenue and profits are likely to decrease)

Question 5

This was a familiar question involving calculation of income elasticity of demand. Over half of all candidates achieved full marks.

- 5 Jackie's income decreases from £2 000 to £1 800 per month. As a result, the number of times Jackie goes to the cinema decreases from twice to once per month. Her income elasticity of demand for cinema visits is: (1)

- A -0.5
B 0.5
C -5.0
D 5.0

Answer

D

Explanation

(3)

$$\text{Income elasticity of demand} = \frac{\% \text{ change in demand}}{\% \text{ change in income}}$$



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Examiner Comments

This candidate achieves 4 out of 4 marks.

Correct option D (1 mark).

Formula for income elasticity of demand (1 mark) and correct workings with minus signs in place (2 marks).



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Examiner Tip

Be prepared to comment on the outcome, namely that demand is income elastic, as this is often awarded with a mark. In this example the candidate achieves full marks anyway.

Question 6

More than half of all candidates achieved full marks. However, a significant number selected incorrect option A, confusing complementary and substitute goods.

6 Which of the following pairs of goods is likely to have a positive cross price elasticity of demand between them?

(1)

- A Computer games consoles and computer games
- B Lamb and wool
- C Rail travel and private car use
- D Bus travel and orange juice.

Answer

C

Explanation

(3)

Cross price elasticity of demand is the responsiveness of demand for good A to the changes in price for good B. Substitutes have a positive cross elasticity of demand and complements have a negative cross elasticity of demand. Rail travel is an alternative form of travel to private car use, therefore both forms of transport are substitutes and would have a positive XED. A, is not the answer because both products are complements and so would have a negative cross elasticity of demand.



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Examiner Comments

This candidate achieved 4 out of 4 marks.

Correct option C (1 mark).

Definition of cross elasticity of demand (1 mark) and that a positive relationship means the goods are substitutes (1 mark).
Rejection of option A since complementary goods have a negative cross elasticity of demand (1 mark).



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Examiner Tip

Be prepared to apply properly, for example, 'an increase in the price of rail travel will lead to an increase in demand for private car use'. Fortunately, the candidate achieves full marks through different means.

6 Which of the following pairs of goods is likely to have a positive cross price elasticity of demand between them?

(1)

- A Computer games consoles and computer games
- B Lamb and wool
- C Rail travel and private car use
- D Bus travel and orange juice.

Answer

C

Explanation

Positive cross price elasticity of demand ⁽³⁾ is ~~falls~~ ^{is} as when the two products are substitutes. The higher the number of XED the stronger the substitutes.

Rail travel and private car use are substitutes; because when going on a journey to work you can use either of them.

If petrol prices increase the demand for rail travel increases.


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Examiner Comments

This candidate achieved 3 out of 4 marks.

Correct option C (1 mark).

Identification that a positive cross elasticity of demand mean the goods are substitutes (1 mark) and direct application (if petrol prices increase the demand for rail travel increases) (1 mark).


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Examiner Tip

Define key terms or show the formula. An easy 1 mark was missed in this response.

Question 7

Candidates tend to find market failure questions quite challenging and only one-fifth achieved full marks here. a common theme was to confuse the provision of healthcare with public goods and so misdirect the explanation.

7 Which of the following methods of government intervention could help correct market failure? (1)

- A State provision of healthcare
- B Taxation of goods which yield high external benefits
- C Abolition of the tradable pollution permit scheme
- D Provision of subsidies to goods which yield high external costs.

Answer

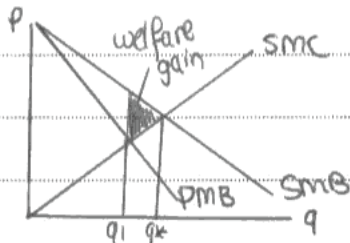
A

Explanation

(3)

Market failure is when the price mechanism fails to allocate resources efficiently to reach socially optimum, leading to net welfare loss.

Healthcare is a positive externality because it is under-consumption so it leads to a welfare gain. If the government provides provisions of healthcare it might reach the socially optimum.



Q_1 = free market

Q^* = socially optimum

(Total for Question 7 = 4 marks)



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Examiner Comments

This candidate achieved 4 out of 4 marks.

Correct option A (1 mark).

Definition of market failure (1 mark) and recognition that healthcare is under-consumed in the free market (1 mark). Sound diagrammatic analysis revealing the positive externalities involved in healthcare (1 mark).



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Examiner Tip

Be prepared to offer diagrammatic analysis when relevant to the answer.

7 Which of the following methods of government intervention could help correct market failure?

(1)

- A State provision of healthcare
- B Taxation of goods which yield high external benefits
- C Abolition of the tradable pollution permit scheme
- D Provision of subsidies to goods which yield high external costs.

Answer

A

Explanation

(3)

Market failure is when the price mechanism fails to allocate resources efficiently, leading to externalities.
 An example is merit goods like healthcare being under-consumed so state provision will help correct this failure.


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Examiner Comments

This candidate achieved 3 out of 4 marks.

Correct option A (1 mark).

Definition of market failure (1 mark) and reference to healthcare being under-consumed and so requiring state provision (1 mark).

The answer requires further development, for example, explanation of the external benefits associated with healthcare such as increased productivity and reduced spread of diseases.


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Examiner Tip

Be prepared to develop answers, especially when they are very brief.

Question 8

Just one-fifth of candidates achieved full marks on this market failure question. A common error was to misread the question confusing 'reduced mobility' with 'mobility' of labour. Consequently, incorrect option C was a fairly popular choice.

8 Which of the following is most likely to **reduce** the geographical mobility of labour? (1)

- A An improvement in the skill level of the workforce
- B A shortage of affordable housing across the UK
- C Relocation grants for key workers
- D A reduction in petrol prices.

Answer

B

Explanation

(3)
 Geographical mobility of labour refers to the willingness and ability of the workforce to find employment across the country. A shortage of affordable housing will mean there is greater geographical immobility of labour because the workforce are less willing and able to move to an area with much higher housing prices because they feel their quality of life may be diminished. Arising from geographical immobility of labour ~~there~~ may be increased unemployment. The answer cannot be A because the skill level of the workforce revolves around the idea of occupational mobility of labour.



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Examiner Comments

This candidate achieved 4 out of 4 marks.

Correct option B (1 mark).

Definition of geographical mobility of labour (1 mark) and explanation that high house prices diminish the ability of the workforce to move location (1 mark).

Rejection of option A since the skill level of the workforce revolves around the idea of occupational mobility of labour (1 mark).



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Examiner Tip

Be prepared to reject an incorrect option when dealing with unusual market failure questions.

- 8 Which of the following is most likely to **reduce** the geographical mobility of labour? (1)
- A An improvement in the skill level of the workforce
 - B A shortage of affordable housing across the UK
 - C Relocation grants for key workers
 - D A reduction in petrol prices.

Answer



Explanation

(3)

Geographical immobility is where people cannot move to areas with new jobs available because of social factors such as high house prices. So a shortage of affordable housing across the UK would make it harder for people to move to get new jobs so the geographical mobility of labour would be reduced.



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Examiner Comments

This candidate achieved 3 out of 4 marks.

Correct option B (1 mark).

Explanation of geographical mobility of labour (1 mark) and explicit recognition that high house prices make housing less affordable in some areas (1 mark).



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Examiner Tip

Further application is required, for example, house prices are much higher in London than elsewhere and so making it difficult for people from outside to move here to take available work.

Be prepared to reject an option when dealing with awkward market failure questions. For example, option C is incorrect since relocation grants for key workers such as doctors, teachers and nurses will reduce the cost of moving house and so increase the geographical mobility of labour.

Question 9(a)

This question differentiated effectively between the quality of responses. As usual, many candidates struggled to understand and apply the determinants of price elasticity of supply from the information provided in Extract 1. A significant number of responses incorrectly focused on determinants of price elasticity of demand or factors which shift the supply curve rather than move along it. However, there were many excellent answers and almost one-quarter of candidates achieved full marks.

(a) With reference to Extract 1, explain why the price elasticity of supply of sugar is likely to change over time.

(4)

Price elasticity of supply is the responsiveness of supply to a change in price. Sugar supply is inelastic in the short run as the sugar cane crop has a certain growing time so supply cannot be increased immediately. However extract 1 explains the price elasticity of supply of sugar is more elastic in the long run as it is 'possible to increase production by destroying rainforests'. So in short run, factors of input fixed but in the long run, more land can be cleared to grow sugar so supply can be increased / becomes more elastic. (Factors of input variable in long run - can increase capital spending on seeds with investment, find and activate more land, improve technology ect.)



ResultsPlus Examiner Comments

This candidate achieved 4 out of 4 marks.

Definition of price elasticity of supply (1 mark) followed by idea that supply is inelastic in short run due to time required to grow crop (1 mark). Idea that all factor inputs become variable in the long run and that more land can be cleared to grow sugar, becoming more elastic (1+1 marks). Overall, a simple yet sophisticated answer.



ResultsPlus Examiner Tip

Split the answer into the short run and long run and then comment on each.

(a) With reference to Extract 1, explain why the price elasticity of supply of sugar is likely to change over time.

(4)

Price elasticity of supply is the % change of output supplied divided by the % change in price. For the sugar industry, supply cannot respond immediately to higher prices due to time lags in production. In the short run it is likely to be inelastic as it is not easy to instantly enter this market, but will become more elastic in the long run.



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Examiner Comments

This candidate achieved 3 out of 4 marks.

Definition of price elasticity of supply (1 mark) followed by idea of supply being inelastic in the short run due to time lags but more elastic in the long run (1+1 marks).



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Examiner Tip

Extend the answer, for example, explain why supply could become more elastic in the long run, perhaps due to new entrants attracted by the high price of sugar or further clearing of land in the rain forest to grow sugar.

Question 9(b)

This was well answered and almost half of candidates achieved full marks. It required careful reading of the information provided and its application through the use of a supply and demand diagram. The major reason for not achieving full marks was a failure to shift both the demand and supply curves.

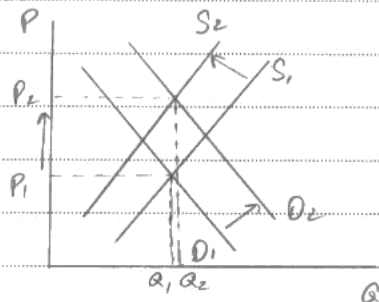
(b) With reference to Figure 1 and Extract 1, explain why the price of sugar 'more than doubled over the last few years'. Use a supply and demand diagram in your answer.

(6)

As can be seen in figure 1, the price of sugar rose from 20 US cents per kilo to almost 50 US cents per kilo during the period between 2007 and 2009.

The supply for sugar had been decreased as Brazil, the world's largest producer, "has been hit by heavy rain". The bad weather reduce the \downarrow output of sugar. Brazil also diverted "part of its sugar cane crop to make ethanol fuel for use by motor vehicles. It reduces supply of sugar even further.

Due to the ~~hardness~~ However, the demand for sugar increased due to the purchase sugar stocks of cash-rich speculators.



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Examiner Tip

Always show original and new equilibrium positions in diagrams - as in this case.

As the demand increases, the demand curve shifts to the right ($D_1 \rightarrow D_2$). The supply decreases, the supply curve shifts to the left ($S_1 \rightarrow S_2$). The new equilibrium is now $P_2 Q_2$ instead of $P_1 Q_1$. Price is much higher.



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Examiner Comments

This candidate achieved 6 out of 6 marks.

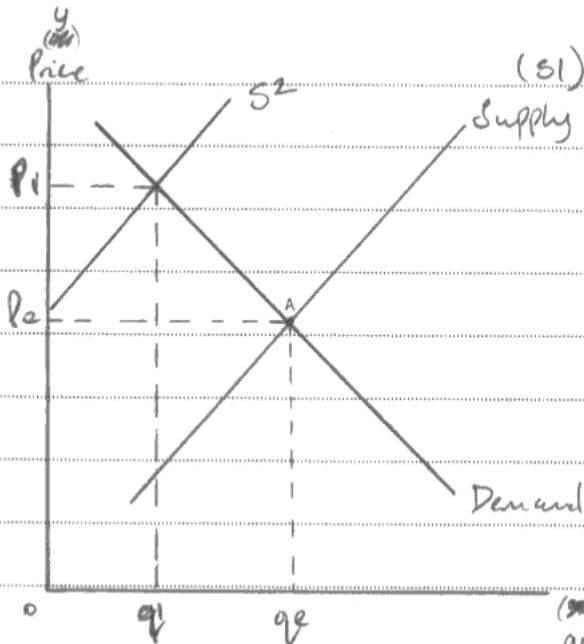
Explicit data reference to Figure 1 (price of sugar rose from 20 cents to almost 50 cents) (1 mark).

Diagram with correct shifts in demand and supply curves and original and new equilibrium price (4 marks).

Explanation of why supply decreases (for example, heavy rain) and demand increases (cash rich speculators purchasing sugar stocks) (1+1 marks).

Note that a maximum of 6 marks are available here.

(b) With reference to Figure 1 and Extract 1, explain why the price of sugar 'more than doubled over the last few years'. Use a supply and demand diagram in your answer.



(6)

The price of sugar would have been determined and set at the market equilibrium price represented at $A = P_2, q_2$. Fluctuations in harvests due to bad weather would cause a shift in the supply of sugar from $S^1 - S^2$, which resets market equilibrium price at P_1 .

With the price re-established, sugar companies would have had to have sold half as much produce to cover costs of factors of production and input costs. From 2007-2009 the price in US cents rose from 20 cents to just under 50 cents per kilo, also suggesting that the above is true.



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Examiner Comments

This candidate achieved 4 out of 6 marks.

Diagram depicting original equilibrium price and an inward shift in the supply curve (2 marks) followed by reason for the shift (bad weather damaged harvest) (1 mark).

Explicit reference to Figure 1 which depicts an increase in price of sugar from 20 cents to around 50 cents (1 mark).



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Examiner Tip

Read the extract information carefully since it is clear that speculative demand has also caused an increase in price of sugar.

Question 9c

This question differentiated well in the quality of responses, ranging from zero to full marks. It was quite easy to secure knowledge, application and analysis (KAA) marks by explaining the meaning of normal and inferior goods. However, gaining evaluation marks proved to be more challenging, though many achieved this by exploring different types of chocolate and confectionery.

Some candidates confused income elasticity of demand with price elasticity of demand and so developed irrelevant answers.

(c) With reference to the last paragraph in Extract 2 and your own knowledge, discuss whether chocolate and other confectionery are likely to be normal or inferior goods.

(10)

A normal good is one with positive YED. So income elasticity of demand positive, as incomes rise, so does demand for that good. A normal good with YED ^(greater than) > 1 is a luxury good with elastic YED. A normal good with YED ^(less than) ≤ 1 is an ~~ess~~ necessity good with inelastic income elasticity. Food is usually a normal good with inelastic YED.

An inferior good has negative YED, therefore as incomes rise, the demand for the product decreases. This is usually because people switch to better quality / more expensive products.

decreasing incomes) demand for chocolate rises as people try to cheer themselves up i.e. comfort food.

A recession is likely to cause unemployment or decrease in real income due to cuts by businesses. As incomes fall people may switch to lower quality ~~from the~~ chocolate e.g. tesco basic. Therefore it is an inferior good as as incomes decrease, demand rises. ~~As chocolate is~~ However chocolate may be seen as an essential good, as people are ~~buying~~ buying it for comfort. This implies they are almost addicted to it so will continue to buy it despite change in income. Therefore is seen as a necessity it is a normal good.

~~As incomes were to rise, people~~ More data is needed like ^{by} how much have sales increased. Are there alternative reasons like increase in price of fresh bakery products so people switch to processed sweets and chocolate. However depends on percentage of ^{income} spent on chocolate. As a small proportion of income is spent on chocolate it is likely to be a normal good, with inelastic YED.



ResultsPlus

Examiner Comments

This candidate achieved 10 out of 10 marks.

The full 6 knowledge, application and analysis marks were awarded (KAA) for defining and explaining normal and inferior goods, making use of the extract.

The full 4 evaluation marks were awarded for discussion of different brands of chocolate and how people might switch to lower quality brands in a recession (2 marks). Also, discussion of idea that alternative fresh bakery products could have increased in price, so causing the switch to chocolate (2 marks).

There is even some credibility in suggesting chocolate is an addictive good and that people may buy for comfort reasons.

- (c) With reference to the last paragraph in Extract 2 and your own knowledge, discuss whether chocolate and other confectionery are likely to be normal or inferior goods.

$\frac{\% \text{ change in quantity demanded (10)}}{\% \text{ change in income}}$

Income elasticity of demand = $\frac{\% \text{ change in quantity demanded (10)}}{\% \text{ change in income}}$.

An inferior good is a good that has an increase in demand as income decreases therefore having a negative elasticity of demand.

A normal good is a good that has an increase in demand as income rises causing a positive elasticity of demand.

Chocolate and other confectionary goods are inferior goods as explained how the recession hits therefore decreasing job security and income there has been a rise in quantity demanded for chocolate as people attempt to cheer themselves up by consuming sugary treats.



ResultsPlus

Examiner Comments

This candidate achieved 6 out of 10 marks.

Definition of income elasticity of demand, an inferior good and normal good (1+1+1 marks). Identification that normal goods have a positive and inferior goods a negative income elasticity (1+1 marks). Reference to the extract which suggests chocolate is an inferior good as quantity demand increased during the recession (1 mark).

A maximum 6 KAA marks achieved. However, no evaluation offered.



ResultsPlus

Examiner Tip

The term 'discuss' means candidates are required to evaluate. Be prepared to offer up to two evaluation points in a 10 mark base question.

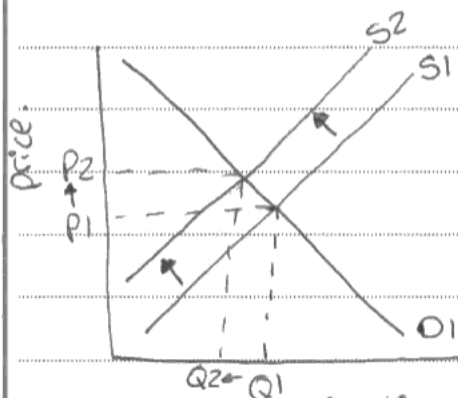
Question 9(d)

This question proved to be accessible for the vast majority of candidates and about one-quarter achieved 10 or more marks. The best answers made effective use of the information provided in Extract 2 to secure both KAA and evaluation marks.

However, some candidates made the mistake of focusing their efforts on the sugar market rather than the chocolate and confectionary market.

*(d) With reference to Extract 2, evaluate the likely effects of the increase in the price of sugar on the producers of chocolates and other confectionery. Illustrate your answer with a supply and demand diagram.

(14)



An increase in the price of sugar would mean an increase in production costs for companies making chocolate. This means a decrease in supply and the supply curve shifting left from S_1 to S_2 . We can see that this means an increase in price from P_1 to P_2 and a fall in demand from Q_1 to Q_2 .

An increase in production costs would mean a loss of profits for chocolate producers. This may mean some firms exit the market due to profits being low. This would mean an increase in unemployment because factory workers would lose their jobs.

However for the companies which stay in the market this means less money will be available to improving recipes, advertising, fairtrade etc.

However sugar is only a small percentage of production costs. Things such as rent, equipment, wages etc are much larger cost to companies therefore a rise in sugar may not affect companies greatly.

A rise in sugar may also cause business to become more productively efficient. This is because as the fixed cost of ingredients rises and profits fall companies will have more incentive to become more efficient a lower other costs such as wages. This may be through cutting hours etc.

As chocolate is fairly price inelastic producers may pass these extra costs on to the producers consumers. This would help keep profits from falling.

However there are many different brands of chocolate so companies could not raise prices too high.

This may also cause mergers and

takeovers due to companies exiting the market or wanting to improve efficiency and costs. This would lead to an

However as sugar is only a small cost some companies may just absorb this into their profits and carry on producing. When sugar costs decrease again these companies will see an increase in profits.

**ResultsPlus**

Examiner Comments

This candidate achieved 14 out of 14 marks.

The full 8 KAA marks were gained by explaining the impact of higher sugar prices on chocolate in the first two paragraphs, using a relevant diagram.

The full 6 evaluation marks came from the rest of the answer, namely: discussion on quality of chocolate, the importance of sugar as a percentage of production costs, the possibility of reducing wage costs, the possibility of raising prices as (demand) is inelastic and even broader issues such as mergers.

Examiners are usually looking for up to three evaluation points (2+2+2 marks) but in this case the range of ideas is sufficient to justify full marks.

**ResultsPlus**

Examiner Tip

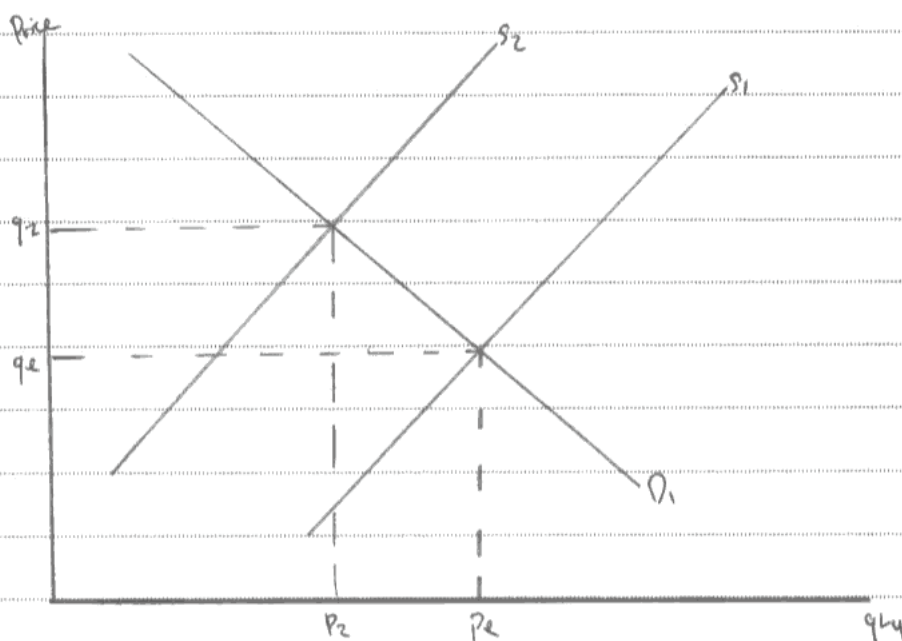
Label the diagram and make explicit what the market actually is.

* (d) With reference to Extract 2, evaluate the likely effects of the increase in the price of sugar on the producers of chocolates and other confectionery. Illustrate your answer with a supply and demand diagram.

(14)

The likely effects of the increase in the price of sugar may have on producers will be production costs will increase so producers will receive an overall increase in costs which will result in a ~~loss~~ reduction of profits, however the level of reductions to profits may be minor because chocolate companies ~~don't~~ don't consider ~~chocolate~~ ^{sugar} the main ingredients like milk and cocoa. So if the chocolate companies have low priced milk and cocoa this can be used to offset the increase in sugar costs.

Another likely effect of the increase of sugar prices would be, some confectionery companies produce more of the goods that contain less sugar, or produce other ~~goods~~ diversify and produce completely new different goods.



Increased price of sugar will lead to a decrease in supply, as well as the shortage of sugar will lead to a decrease in supply. Creating a new equilibrium of P_2, Q_2 , where quantity has lowered and price has increased. So firms to cover their costs may increase prices of their goods, although if chocolate and other confectionary goods are seen as treats they and are used for joy then they may be price inelastic so an increase in price may not result in an increase in revenue.

In conclusion there are many different effects that increased sugar prices can have on chocolates producers, such as higher costs resulting in ^{less} higher revenue, although firms can use low prices from other ingredients to offset sugar costs.



ResultsPlus

Examiner Comments

This candidate achieves 10 out of 14 marks.

4 KAA marks secured by diagram (2 marks), recognition that production costs increase and there are lower profits (1+1 marks).

6 evaluation marks secured by discussion of other more expensive ingredients such as milk and cocoa as well as the falling price of milk (3 marks); also discussion on whether confectionary companies could reduce the sugar content or diversify into other goods (2 marks); reference to price inelastic (demand) so revenue may not fall (1 mark).



ResultsPlus

Examiner Tip

Label the diagram and make explicit what the market actually is.

Question 9(e)

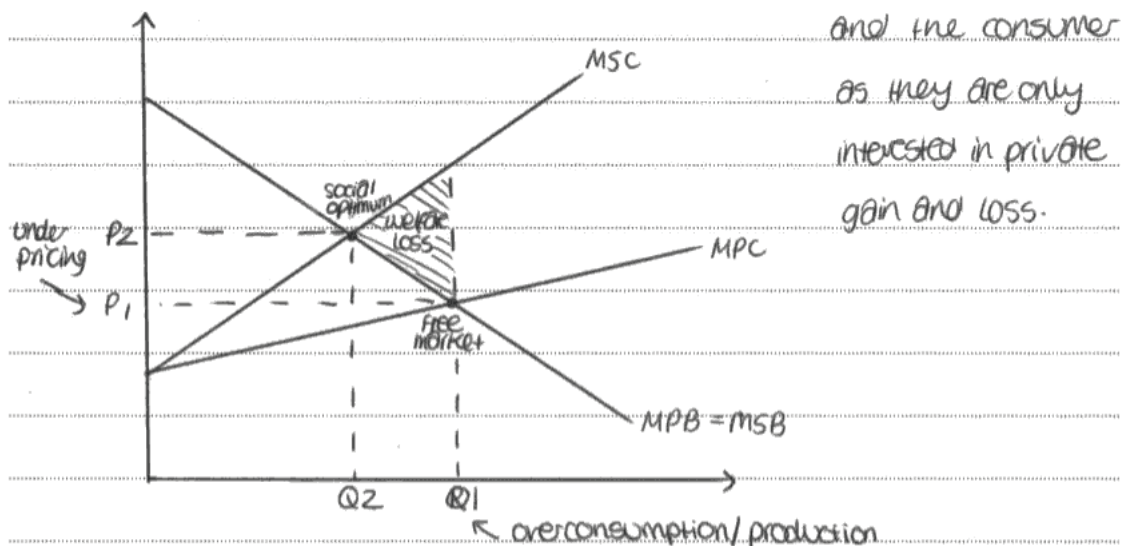
This question proved to be quite challenging since it required consideration of market failure in both the consumption and production of sugar. The best answers offered comments on both and made use of prompts in the extracts. Although full marks could be secured without diagrammatic analysis, the best answers tended to show a negative externality production diagram.

Note that some responses offered a negative externality consumption diagram which is not required by the specification - however, suitable marks were awarded in line with those available for the production diagram.

*(e) To what extent is market failure likely to result from the consumption **and** production of sugar?

(14)

Sugar is ultimately a demerit good as it has significant negative externalities. Although it may ~~comprise of food~~ make food items that benefit us, it is also responsible for a lot of health problems. The health problems to the consumer are a private ~~benefit~~ ^{cost}, but they then put pressure on the National Health Service which is an external cost. External costs are often ignored producer



As seen on the diagram, when left to the free market there is an overconsumption / production of the good and an under-pricing. This means that there is a welfare loss as external ~~benefits~~ costs outweigh external benefits.

This constitutes market failure as there is a miss allocation of resources.

The extent to which this is true, though, depends on the magnitude of the external costs. There are clearly more costs than benefits as society, except those consuming/producing sugar get little from it. However are the costs that bad to constitute market failure? Some people, for example, do consume sugar in reasonable amounts and thus don't cause themselves health problems. Also how large is obesity, or other issues concerning sugar, a problem compared to other illnesses? Unless it becomes such a large problem that supply of health care, and thus taxes, need to be increased, it may not be the most pressing issue. There are other problems, like an ageing population, that may be putting more strain on health care and the government than diet related problems.

Furthermore it is people's own free will and choice that enables them to consume ~~so~~ sugar. As long as they have symmetric information, people should be consuming in moderation and thus not constituting market failure.

To an extent, then, the production and consumption of sugar constitutes market failure. But it does have some benefits, keeping people employed (and the multiplier effects of this), 'cheering people up' (ex 2) etc. So really it should not be seen as a significant problem that needs to be corrected.



ResultsPlus

Examiner Comments

This candidate achieved 14 out of 14 marks.

The full 8 KAA marks were awarded (4 for diagrammatic analysis and explanation; 1 for definition of external cost, 1 for definition of market failure, 1 for outlining pressure placed on national health service, 1 for over-consumption and under-pricing).

Note the negative production externality diagram provides sufficient reference to market failure in the production of sugar to avoid mark cap.

The full 6 evaluation marks were awarded in discussion (magnitude of consumption - some consumers eat sugar in moderation; other factors could be putting strain on healthcare such as an ageing population; benefits of sugar in terms of employment and cheering people up). There is even reference to symmetric information when discussing the extent of market failure.



ResultsPlus

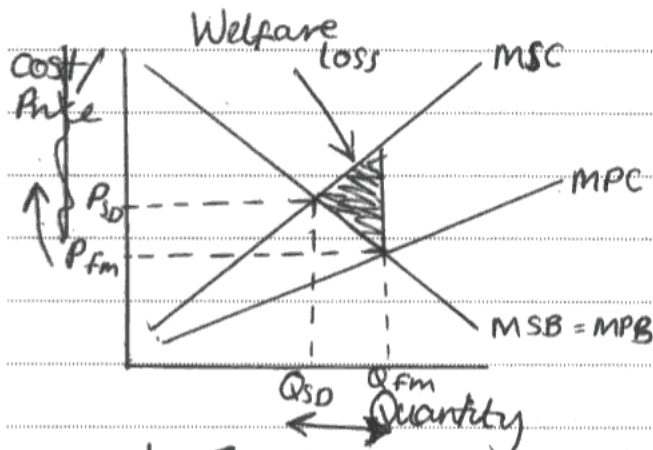
Examiner Tip

Always consider the question requirements - namely the consumption and production of sugar. This candidate just about achieves the full 8 KAA marks available, but a brief reference to destruction of the rainforests and the reduction bio-diversity would have made it a more balanced answer.

*e) To what extent is market failure likely to result from the consumption and production of sugar?

(14)

Market failure is when the market fails to allocate resources efficiently.



The consumption and production of sugar have external costs and therefore resulting in it being a demerit

good. In the free market it would be over consumed at Quantity Q_{fm} and the price would be P_{fm} . The socially desirable level of Output would be Q_{sd} and Price would be P_{sd} .

The production of sugar has negative externalities because the production of this good involves the destruction of the rainforest which would reduce biodiversity and possibly lead to the extinction of certain animals. Furthermore, sugar is a key ingredient in many unhealthy foods and as a result, Obesity.

The government could impose ^{greater} taxes on the consumption of goods containing Sugar ~~to~~ which would act as an incentive for people to purchase less of it however, it may be hard to quantify the ^{negative} effects of producing Sugar and putting a monetary value on it.

**ResultsPlus**

Examiner Comments

This candidate achieved 10 out of 14 marks.

The full 8 KAA marks were awarded in the first page (4 for diagram and explanation; 1 for definition of market failure, 2 for explanation of impact on rainforests and biodiversity, 1 for impact on obesity since sugar is key ingredient in unhealthy food).

2 evaluation marks were awarded for discussion of problems in quantifying and placing a monetary value on the effects of sugar consumption if a government was to consider taxing it.

**ResultsPlus**

Examiner Tip

For the 14 mark base questions, try and offer two or three evaluation points.

Question Q10(a)

This was a relatively straight forward introduction to the data response but many candidates missed out on marks by not defining a national minimum wage or making use of the information provided. Less than one-fifth of candidates achieved full marks.

(a) Explain **one** reason why the government intervenes in labour markets by imposing a National Minimum Wage.

(4)

The national minimum wage is imposed by the low pay commission, controlled by the government. It sets a minimum hourly rate which employees must pay to employers and therefore increases very low incomes to a minimal level. The NMW therefore reduces poverty aims to reduce poverty, as workers are guaranteed a wage which will allow them to buy necessities such as food & accommodation. Without NMW workers could be paid extremely low wages forcing them to live in desperate poverty.



ResultsPlus

Examiner Comments

This candidate achieved 4 out of 4 marks.

Definition of NMW (1 mark) and stating its aim to reduce poverty (1 mark).

Development of idea that workers will be able to buy necessities such as food and accommodation and that without it they might be paid extremely low wages, forcing them into extreme poverty (2 marks).



ResultsPlus

Examiner Tip

Make use of the data, for example, state the level of NMW.

(a) Explain **one** reason why the government intervenes in labour markets by imposing a National Minimum Wage.

(4)

One reason why the government intervenes in labour markets is to improve standard of living. By increasing the national minimum wage it means that people that were on the lower wage can now afford to purchase more goods.



ResultsPlus

Examiner Comments

This candidate achieved 2 out of 4 marks.

Reference to the idea of the NMW improving the standard of living (implies for low paid) and that people on the lower wage can afford to purchase more goods (1+1 marks).



ResultsPlus

Examiner Tip

Define the NMW and refer to actual values from the information provided.

Question 10(b)

This was a question that many candidates did not answer properly due to ignoring the instructions. The key point was to refer to the last paragraph in Extract 2 and consider how government failure might arise through tax-evading activities, following an increase in the NMW.

(b) With reference to the last paragraph of Extract 2, analyse why government failure might result from an increase in the National Minimum Wage.

(6)

Government failure is when government intervention causes a misallocation of resources. By increasing NMW a firm's costs will rise as they are paying their workers more. If a good or service is price elastic then the firm cannot shift the extra costs of the rise in wages onto consumers as demand will fall if price increases. Therefore firms will look for ways to cut costs elsewhere and this could cause government failure. A firm may carry out illegal actions such as tax-evading as stated in Extract 2. If a firm starts to not record all cash payments they are able to claim lower revenue and profits and therefore paying lower taxes like corporation tax. An increase in NMW may also cause firms to not declare everyone who is working for them and therefore does not have to record wage payments and may pay them less than national minimum wage.



ResultsPlus

Examiner Comments

This candidate achieved 6 out of 6 marks.

Definition of government failure (1 mark) and identification of illegal tax evading activities following the increase in NMW (1 mark).

This involves not recording all cash payments and so firms end up paying lower taxes like corporation tax (1+1 marks).

It also involves firms not declaring everyone who works for them and so not recording wage payments, leading to pay at a rate below the NMW (1+1 marks).



ResultsPlus

Examiner Tip

Follow the question instructions which directs candidates to tax-evading activities in the last paragraph of Extract 2.

(b) With reference to the last paragraph of Extract 2, analyse why government failure might result from an increase in the National Minimum Wage.

(6)

Government failure is when government intervention leads to an inefficient allocation of resources/a net welfare loss.

An increase in the National Minimum Wage will mean higher costs of production for hair salons and depleting profit margins. Therefore salons may evade tax by paying employees unrecorded cash payments instead of taxed wages. This is an inefficient allocation of resources and this represents a government failure.

Also, salons may ~~pp~~ take unrecorded cash payments from customers, and this money may not be taxed and therefore represents a growth of the informal sector. This too represents government failure.



ResultsPlus

Examiner Comments

This candidate achieved 4 out of 6 marks.

Extended definition of government failure (1+1 marks).

This was followed by reference to tax evading activities such as unrecorded cash payments to employees (1 mark) and unrecorded cash payments from customers (1 mark).



ResultsPlus

Examiner Tip

Develop the points further since up to 6 marks are available. The obvious matters to discuss is the impact on total government tax revenue and the exploitation of labour.

Question 10(c)

There were many excellent answers and over one-third of candidates achieved eight or more marks. Indeed, maximum marks was quite a common occurrence. The application of division of labour to hairdressing was most impressive in many instances. It also differentiated well with the best responses offering good evaluative points whereas average answers offered none.

(c) Assess the likely benefits of division of labour to hairdressing salons.

(10)

Division of labour is a special particular type of specialisation where an individual specialises in the production of a particular good or service. Work is divided up into different tasks which are carried out by different workers. For example, home construction is divided up between architect, surveyors, electricians, etc.

~~There will be various~~ One benefit of the division of labour to hairdressing salons is that individuals will over time become highly skilled in the task they are doing. For example, ~~as~~ someone specialising in extensions or highlights. Such specialisation will lead to higher output per worker and this will increase productivity and profits and revenues for the firm.

Another benefit is that ~~people~~ workers in the salon can work in areas that best suit them. For example, someone who is good at men's haircuts can do this, or someone who is good at doing ~~men's haircuts~~ ^{straightening hair (a hair style)} can do this. In this way, the salon benefits as the workers have more choice in what they do and can do what they are best at - thus increasing efficiencies.

Another benefit is dividing up labour

is that less time is required in training. For example, it will save time and money if someone has to be trained in one specific task, ie. mens hair, than having to teach someone how to cut mens and womens hair.

On the other hand, there is a disadvantage to the salons in that women may find their specific tasks highly monotonous and repetitive. This could be bad for the firms as it could lead to a high turnover of staff, meaning increased recruitment costs and ~~the~~ potentially smaller profits.

There is also the disadvantage in that workers in the salon may be ^{too} interdependent. This means that the absence of one member may halt ~~customer service and~~ the whole productive process, leading to a fall in profits.



ResultsPlus

Examiner Comments

This candidate achieves 10 out of 10 marks.

Explanation of division of labour (1 mark) and application to hairdressing (1 mark).

Explanation of benefits such as becoming more skilled at a particular task and so increasing productivity (2 marks), less time and money to train staff (2 marks). Even the idea that workers have more choice in what they do leading to increased efficiency is linked back to benefits to the salon and worth marks. However, all 6 KAA marks are already secured.

Evaluation marks are gained in the last two paragraphs by considering the limitations of the division of labour. The candidate refers to monotony from repetition of tasks, leading to high staff turnover (2 marks) and then considers the problem of interdependency which might halt the production process through staff absence (2 marks).



ResultsPlus

Examiner Tip

To evaluate, consider the costs (as well as the benefits) with these type of questions.

(c) Assess the likely benefits of division of labour to hairdressing salons.

(10)

~~If there~~ There are many likely benefits of division of labour for salons.

If there are different workers for each part such as one for styling and one for cutting then many things will improve.

One of them will be efficiency, if there is only one person doing every single part for a customer then the process would be much slower than if everyone had their own specialty and they could be doing theirs whilst say the colouring was in the process of working. This would also then increase revenue and profits.

If more customers can be fit in, in one day then inevitably more money would be made for the salons.

Another benefit would be a reduction in cost and the time taken of training the employees. If they only had to be trained in one section

than less time would be taken which consequently reduces costs. And finally, quality of the service would increase. If workers were only trained for one thing, then they would become a specialist in this area, resulting in a better quality and efficiency due to the sheer amount of experience and practice.

**ResultsPlus**

Examiner Comments

This candidate achieves 6 out of 10 marks.

Explanation of division of labour (1 mark) and application to hairdressing (1 mark).

Explanation of benefits such as increased efficiency (speed) in production and so fitting in more customers and possibly raising revenue and profits; reduction in cost and time to train employees; improved quality of service through workers becoming specialists in particular tasks and gaining more experience in what they do. This section is worthy of 2+2+2 marks on its own but only 6 KAA marks are available overall.

**ResultsPlus**

Examiner Tip

Offer evaluative comments when instructed by the question. Large mark base questions are typically marked in two parts - for KAA and then for evaluation.

Question 10(d)

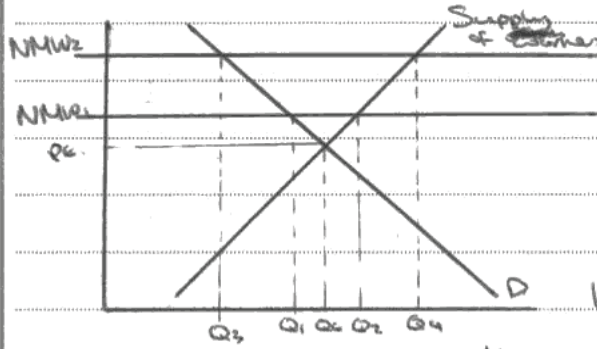
This was another question which differentiated well between the quality of responses. Over one-fifth of candidates achieved ten or more marks. The vast majority of answers included a NMW diagram as instructed by the question and up to five marks were available for this. However, some did not show the increase in NMW from one level to another level.

As usual, the best responses made use of the information in the extracts and also introduced further ideas for developing their evaluation.

*d) With reference to Extract 2, to what extent might an increase in the National Minimum Wage lead to job losses in hairdressing? Illustrate your answer with an appropriate labour market diagram.

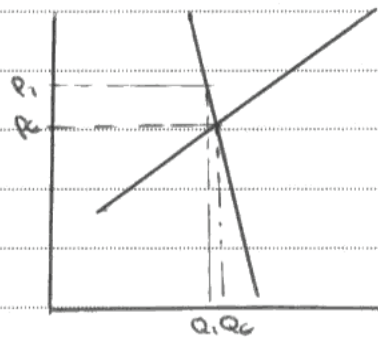
(14)

The increase in the NMW could lead to unemployment in hairdressing. Firms who are already pushed for cash could struggle to cope with the increased costs incurred by an increase in the NMW. In the diagram below we can see



has an increase in the National Minimum Wage from NMW1 to NMW2 would increase the supply of workers from Q_2 to Q_4 , but reduce the demand for them from Q_1 to Q_3 . This could mean that unemployment would rise from $Q_1 Q_2$ to $Q_3 Q_4$. Clearly this would be a large problem. However would this actually happen? From the evidence it looks unlikely. Firstly, as the extract shows - hairdressing is a growing industry - in 2008 employment rose by 5,000 people. This could show that actually even with higher minimum wages, more and more workers are needed for it so job losses are unlikely. Another key point is the fact that 27% of employees are paid the NMW. The fact that only a quarter of the workers are

paid this amount means that it is unlikely to have a huge effect on the industry. ~~As~~ Further more, many staff are trainees - therefore the NMW doesn't apply to them. A final point is that the increase is only by 7p an hour! This could easily be covered by adding another 50p to a haircut, and as many haircuts cost in the region of £20-£30 an added 50p wouldn't make a huge difference to the consumer - hairdressing is ^{a relatively} inelastic industry, people need to have haircuts, so a tiny price increase would have little effect on demand as shown on the diagram.



ResultsPlus

Examiner Comments

This candidate achieved 14 out of 14 marks.

An impressive diagram with effective explanation (5 marks) and identifying that increased labour costs could lead to unemployment in the industry (1+1 marks). Data reference made to the size of the increase in NMW (1 mark). In total, eight KAA marks are secured.

Good use is made of the text to evaluate for example, the extract suggests that hairdressing is a growing industry with 5000 more workers in 2008 (2 marks) and that just 27% of staff are paid the NMW anyway, so the increase will have a limited effect (2 marks).

The candidate explores other limitations such as many staff being trainees where the NMW does not apply and discussion of the actual increase in NMW (1+2 marks). Clearly, all the evaluation marks are achieved even before considering the issue of elasticity of demand at the end of the answer which is worthy of awarding up to 2 marks. In total, six evaluation marks are secured.



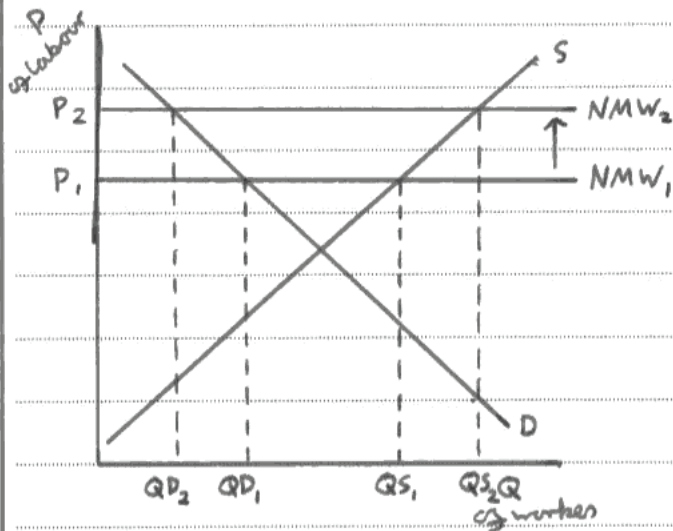
ResultsPlus

Examiner Tip

Be prepared to use the extract information in helping to develop your answer. This candidate has done it to good effect.

*d) With reference to Extract 2, to what extent might an increase in the National Minimum Wage lead to job losses in hairdressing? Illustrate your answer with an appropriate labour market diagram.

(14)



In the diagram above the national minimum wage rate has increased from NMW_1 to NMW_2 . This has therefore increased the price of labour ~~from~~ ^{from} P_1 to P_2 . This increase in price causes the quantity demanded of labour to fall from QD_1 to QD_2 as the salons demand less workers because they have to be paid more. However the quantity supplied increases from QS_1 to QS_2 as the higher wage rate attracts more workers to the market.

The problems faced by the hairdressing industry are that people do not want to pay more for their haircuts therefore they cannot increase prices to compensate for the increase in labour costs. This means that the salons have to absorb the cost of the wage rate rise. This

will lead to unemployment because to cover extra costs the salons will have to cut jobs. The job losses will equal the difference of $QD_1 - QD_2$. The fact that there is also much more supply than before also contributes to a rise in unemployment. The extra workers entering the market is equal to the difference of $QS_2 - QS_1$.

But as stated in paragraph 2 many things are business and are therefore not paid which means that the overall rise in unemployment will be smaller than if every worker was paid. The demand for workers in the hairdressing industry is also likely to be inelastic as you have to have people cutting hair in a salon so therefore they will have to absorb those extra costs. Also the demand price inelasticity of customers is likely to change in the long run as the economic situation improves they will be more willing to pay the higher prices for a haircut. There may be loss of skills from the unemployed which will mean that there will be an increase in people claiming benefits in the long run as they have no skills to work.



ResultsPlus

Examiner Comments

This candidate achieves 12 out of 14 marks.

An impressive diagram with effective explanation (5 marks) and identifying that higher labour costs might force firms into cutting other costs such as staffing and so some hairdressers become unemployed (1+1 marks). In total, seven KAA marks are secured.

Good use is made of the text to evaluate, for example, many staff are trainees and so the NMW does not apply (2 marks); then a new idea is discussed concerning the wage elasticity of demand for labour - linked to the demand for the final product (3 marks). In total, five evaluation marks are secured.



ResultsPlus

Examiner Tip

Always label diagrams and provide a simple explanation of them.

Question 10(e)

Many candidates struggled with explaining economic factors that influence the supply of labour. Some responses also misread the question, discussing demand factors whilst others went on to consider determinants of supply to various occupations rather than sticking to one occupation as instructed in the question. Evaluation also proved to be a challenge to many. Just over one-tenth of candidates achieved ten or more marks.

* (e) Apart from the National Minimum Wage, discuss the factors which might influence the supply of labour to hairdressing or to another occupation of your choice.

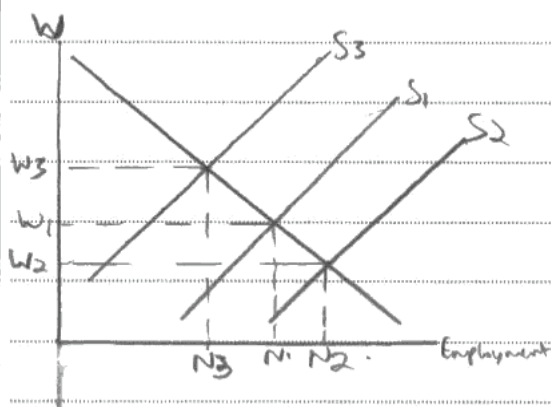
(14)

The National Minimum Wage is the legal minimum pay employers must give to workers.

Another factor which influences the supply of labour is the income tax. An increase in income tax will mean that workers' will have less disposable income as more goes in tax to the government. This may result in demotivation to work as unemployment seems preferable.

This will shift the supply of labour left from S_1 to S_3 causing the wage rate to increase from w_1 to w_3 and the quantity supplied to decrease from N_1 to N_3 .

This will be very significant for hairdressing because ~~27%~~ 27% are on minimum wage and others on low incomes, and therefore an increase in income tax will significantly reduce the supply of labour.



Also, an increase in training courses and apprenticeship that leads hairdressing will mean that more people are

qualified and able to handover. This also increases the supply of labour into the handovering market. Supply shifts from S_1 to S_2 and the quantity supplied therefore increases from N_1 to N_2 . However, there is a lengthy time lag attached to this. It may take over 2 years of training before people ~~are~~ have completed their apprenticeships or training courses. Therefore, they will only represent an increase in future supply of labour.

An increase in the influence of trade unions will mean that working conditions and hours may improve in salons. ~~Leading to an increase~~ This will therefore encourage more people to become handovers, and supply of labour will therefore shift right from S_1 to S_2 causing the quantity of labour supplied to increase from N_1 to N_2 . However, this is far less significant in the market for handovers, as few trade unions exist due to the niche nature of salons.

Also, migration patterns will affect the supply of labour. An increase in immigration may lead to ~~reach~~ reaching able

hairdressers from abroad moving to the UK and thus increasing the supply of labour in the hairdressing market. However, this ~~is~~ may be less significant in the market for hairdressers as immigrants represent a small proportion of UK hairdressers.

To evaluate further, ~~relating the~~ the proportion of people in higher education affects the supply of hairdressers. If more people are ~~is~~ going into higher education, less people will be becoming hairdressers. Therefore, the supply of hairdressers may decrease.


ResultsPlus

Examiner Comments

This candidate achieved 14 out of 14 marks.

Explanation of factors which influence supply of labour to hairdressing for example, an increase in income tax, an increase in provision of training courses, the impact of trade unions and migration flows (2+2+2+2 marks). In total, all eight KAA marks are secured.

Evaluation points include discussions on the length of the training period to qualify as a hairdresser, the limited influence of trade unions, the low proportion of migrants entering the trade and finally the high take up of people into higher education (2+2+1+1 marks). In total, all six evaluation marks are secured.


ResultsPlus

Examiner Tip

Integrate evaluation points into the explanation of each factor since the overall answer reads much better and it is easier to recall the argument.

* (e) Apart from the National Minimum Wage, discuss the factors which might influence the supply of labour to hairdressing or to another occupation of your choice.

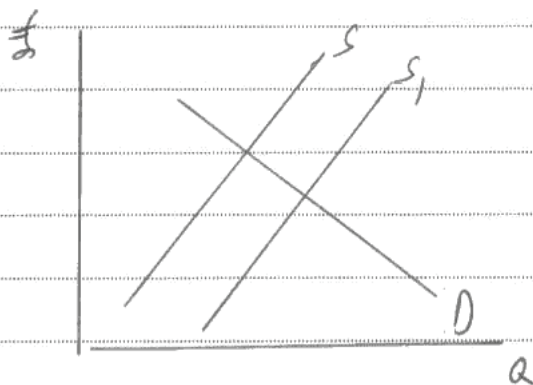
(14)

In ~~addition~~ in car production there would be many factors that affect the supply of labour.

The amount of education/training would have a direct influence. If the overall education/training of the workforce is increasing then the supply of labour ~~will~~ to the car manufacturing market would fall.

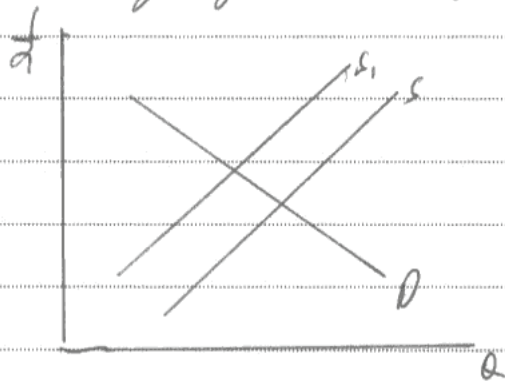
Many of the jobs in this market require unskilled labour to do maintenance tasks. If education/training is increasing more of the labourforce would be interested in higher paid more skilled jobs.

Income tax would also have an effect.



Low income tax would have the above effect. Supply would increase as workers are more incentivised to work as they would get to keep more of their income.

this would reduce the price of labour and lower costs of production for firms, helping firms move to productive efficiency. High income tax would constrict the supply of labour (from S to S_1).



The extra amount of work is not worth giving the ~~extra amount~~ amount they could earn or up leisure time in ~~order~~ order to enjoy as much of it would be taxed away, if income tax were raised.

The amount of benefits also has an effect. Low benefits for the unemployed would lead to an increase in supply for car manufacturing as workers are incentivised to work as they earn less through benefits than through working. If benefits were high supply would be constricted as it ~~becomes~~ becomes easier to earn more off unemployment benefit than going to work.

Finally, if there are many parts of involved in

Working for a car ~~company~~ manufacturer than the supply of labour may increase for that job market. For example, offering a sizable pension would incentivise workers to work for that firm.

**ResultsPlus**

Examiner Comments

This candidate achieved 8 out of 14 marks.

Explanation of factors influencing supply of labour to car manufacturing, for example, education and training required, income tax, benefits and perks such as a pension (2+2+2+2 marks).

No evaluation offered.

**ResultsPlus**

Examiner Tip

Offer evaluative comments on high mark base questions.

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