

A LEVEL

Examiners' report

ECONOMICS

H460

For first teaching in 2015

H460/01 Summer 2019 series

Version 1

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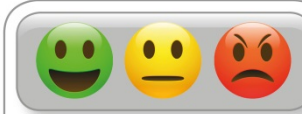
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Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates. The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report. A full copy of the question paper can be downloaded from OCR.

Paper 1 series overview

Candidates displayed good knowledge and understanding of the specification content throughout the three sections of the paper and there is little evidence of timing problems. All questions appeared to be accessible with few candidates not attempting a question at all.

The below comments illustrate the main strength and weaknesses in candidate responses, which may be summarised as follows:

- precise knowledge and understanding of economic concepts, especially those which might generate calculation questions
- use of the data provided would enhance candidate answers to the higher tariff questions in Section A;
- answers to questions in Section B are well supported by relevant diagrams, though these are not always fully labelled or integrated into the response;
- weaker responses tend to be descriptive in all sections of the paper;
- the use of the economist's toolkit of concepts and theories helps candidates to better develop chains of reasoning in both Sections B and C;
- strong analysis in Section C is often supported by the use of relevant diagrams, although not a requirement of the questions;
- candidates need to be aware that a summative conclusion in Sections B and C does not qualify as a judgement and they should try to weigh up arguments, consider the significance of what is written in different market contexts and consider the circumstances in which some arguments are more important than others.

Overall, the quality of the responses reflected that centres they continue to prepare candidates well for this assessment.

Note

We have updated our specification for first teach 2019, please make sure you download our latest version from our website:

<https://www.ocr.org.uk/qualifications/as-and-a-level/economics-h060-h460-from-2019/>

and see the SIU here:

<https://www.ocr.org.uk/administration/support-and-tools/siu/as-a-level-economics-536672/>

Section A overview

The UK labour market in the 21st century

The UK labour market has experienced both a large increase and significant changes in the past 20 years. Data published in the UK's Labour Force Survey in October 2017 shows employment continuing to rise and unemployment falling, as seen in Fig. 1.

Fig. 1 – UK labour market statistics for June to August 2017

	Number ('000)	Change on previous quarter ('000)	Change on previous year ('000)
Employed	30 923	109	363
Unemployed	1 418	-63	-224
Economically Inactive (Aged 16–64)	8 812	-17	-13

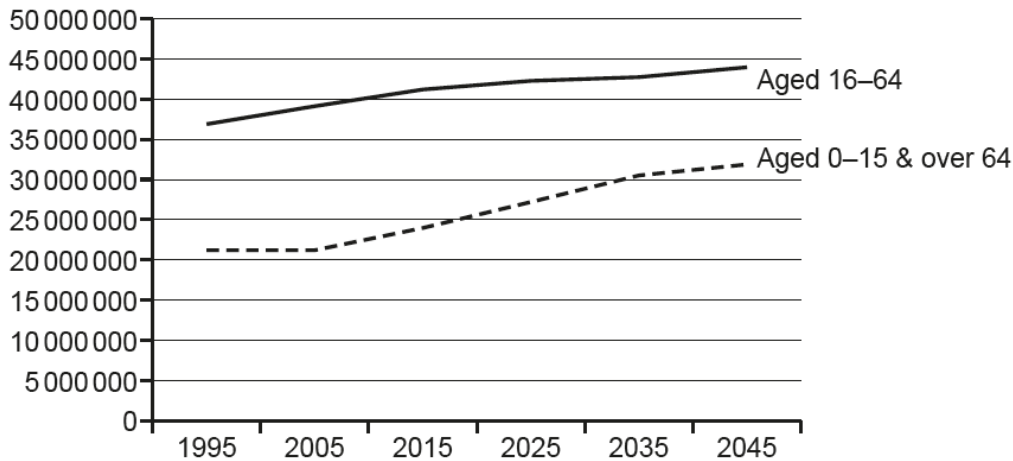
Source: ONS

5 The unemployment rate was at a 42-year low, although there was still some slack in the labour market. Other evidence in the October 2017 data included:

- average weekly earnings for employees increased by 2.2% in nominal terms, compared with a year earlier.
- average weekly earnings for employees decreased by 0.3% in real terms, compared with a year earlier.
- 10 • employment growth was strongest for those aged 25–34 years and 50–64 years.
- employment fell among young people aged 16–24 years.
- growth in employment over the year was greater for women (up by 246 000) than for men (up by 71 000).
- 15 • employment growth was not equal across the country, with the biggest increases in the West Midlands, London, Scotland and the South East but large falls in the South West, East Midlands and Wales.
- the proportion of workers in temporary jobs because a permanent one was not available was 27.6%.
- 20 • the proportion of people working part-time because they could not find a full-time job was 12.3%.

The UK economy has created nearly 6 million new jobs in the last 20 years which was necessary given the increase in the UK population over this period (see Fig. 2). Many of these extra jobs were primarily due to an increase in self-employment and employees in part-time work.

Fig. 2 – UK population estimates 1995–2045



Source: ONS

The ‘gig economy’

Each day, just before lunch, couriers dressed in the distinctive green and black uniform of Deliveroo, the online food delivery company, arrive at the end of the street, park their bikes next to a bench and wait. Holding their smartphones, they wait for someone, somewhere in the city, to place an order with one of the nearby restaurants and cafés. When an order comes through, one of the couriers will pick it up and deliver it in exchange for a small fee. They will then return to the bench to wait for another call.

Welcome to the ‘gig economy’ which can be defined as, “a labour market characterised by the large number of short-term contracts or freelance work, as opposed to permanent jobs”.

Plenty of people in early 21st-century Britain can identify with the experience of working for a company like Deliveroo. But even more people are employed on zero-hour contracts in a wide variety of jobs, from stacking shelves to waiting tables to caring for the elderly. According to the Office for National Statistics, around 900 000 workers rely on a job with a zero-hour contract. These people start every week not knowing how much work they will get or how much money they will earn. Informal or casual employment of this kind helps explain why the UK’s unemployment rate has not grown out of control since the financial crash of 2008. This increased labour market flexibility has made it easier and less risky to employ workers, especially for monopolistically competitive firms who will expect to see a fall in their average costs.

However, opponents of the growth in casual employment, including the trade unions, claim that there are underlying problems associated with this labour model. Millions of people are “just about managing” and many are faring much worse. In the 12 months up to March 2017, the UK’s largest food bank charity gave out more than one million emergency food parcels to people in desperate need. At the same time, household debt has grown to 150% of income. This debt has been fuelled by low wage growth and low interest rates which has made credit easily available. But the main issue for the estimated 8.3 million people living with unmanageable debt is needing to borrow money to survive.

- 50 It is no more than a coincidence that these concerns are happening in a year which recognises the 75th anniversary of the founding of the UK welfare state which was set up to focus on, among other issues, a problem that had grown since the early 1800s: that many workers struggled to earn regular and reliable wages throughout the entire year. However, some have come to regard the welfare state simply as a cost to be kept down rather than part of an economic and social strategy that aims to deliver security for all. Successive governments have cut benefits and
- 55 altered the tax system to move the burden away from more progressive direct taxation towards more regressive indirect taxation.

Fig. 3 shows the effect on different groups of households by comparing their original income earned from employment with their final disposable income after benefits and taxation have been taken into account.

Fig. 3 – Average incomes, taxes and benefits of households by decile group, 2015/16

	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	All households
Original income	6286	13988	17410	25754	31424	39293	47963	59622	68968	117960	42867
+ Total cash benefits	6387	7748	8313	6319	4494	3729	2368	2283	2004	1544	4519
Gross income	12673	21736	25723	32074	35918	43022	50331	61905	70972	119504	47386
– Direct taxes	1528	2299	3046	4794	5940	7931	10091	13199	15534	29991	9435
Disposable income	11145	19437	22677	27280	29978	35091	40239	48706	55438	89513	37951

Source: ONS

Question 1 (a)

- 1 (a) Calculate the participation rate in the UK labour market for the period from June to August 2017.


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..... [2]

A common error in the calculation offered by candidates was not to include the unemployed in the size of the economically active population. The size of the population of working age was better understood.

	Misconception	The economically active population is not just the number of people in employment, it also includes those not in employment but actively seeking work (i.e. the unemployed).
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Question 1 (b)

(b) Refer to lines 6–9.

Identify and explain why the change in average weekly earnings in nominal terms is greater than in real terms.

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..... [2]

Most candidates understood that earnings in real terms accounted for the impact of inflation. Better response explained why inflation causes real earnings growth to be slower than nominal growth or used the data to explain that if nominal earnings had risen by 2.2% and real earnings had fallen by 0.3%, then inflation had been around 2.5%.

Question 1 (c)

(c) What does Fig. 2 suggest will happen to the dependency ratio in the UK between 2015 and 2045?

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..... [2]

Most candidates recognised that the dependency ratio in the UK is likely to rise between 2015 and 2045 and referred to the difference in the growth rates of the dependent population and the population aged 16 – 64.

Question 1 (d)

(d) A firm in a monopolistically competitive market decides to introduce more casual employment practices, such as zero-hour contracts.

Explain, using a diagram, the effect of this decision on the firm's equilibrium position in the short run.

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..... [4]

Some candidates produced labour demand and supply diagrams rather than a monopolistic competition diagram but were able to pick up 2 marks for an explanation that mentioned average costs, output and profit. Monopolistic competition diagrams which showed either a decrease in fixed or variable costs were able to access the 2 diagram marks.

Question 1 (e)

(e) Evaluate whether income inequality in the UK is a cause for concern. [8]

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There were some detailed answers on why income inequality may or may not be a cause for concern. Better responses made effective use of the data and / or their own knowledge to put their response clearly in the context of the UK. Such responses were able to reach the highest level of the mark scheme.

Exemplar 1

Income inequality is the difference between levels of income (the highest relative to lowest) in an area, in this case the UK.
Figure 3 shows how regional income has massive inequality across the UK population with the most off 10% receiving \$6786 compared to \$117960 income of the top 10%. This is concerning because such a huge

difference can lead to excessive relative poverty. This is
twins or less than 60% of the median income.
Low income can cause people to not be able
to afford necessities such as food and shelter. This is
an issue because it can lead to poor health
and even homelessness for those on low incomes. There is
the possibility of social problems arising from those
on low incomes getting jealous or it seems
unfair the difference in standards of living.

However, the worst possible consequences of income
inequality are likely to be avoided in the UK
because of the significant impact of the welfare
state. The welfare state has reduced effects of
income inequality by giving a much greater
amount to those on lower incomes, than otherwise.
Total cash benefits for the bottom 10% actually exceeds
gross income compared to a much lower amount
of benefits given to top decile of incomes.
Direct taxes are also much greater for
households with a higher income, £2000 compared to
£1578. These measures and help given to low households
on low income help to reduce relative income
inequality and as a result mitigate the worst
of the possible effects of significant income inequality.

This response shows an answer which makes effective use of the data to provide UK specific context about income inequality. There is good knowledge, strong analysis and good evaluation and a mark at the top end of Level 2 was awarded. The inclusion of a judgement would have allowed this candidate to access full marks. The responses were awarded a mark of 7 out of 8.

Question 1 (f)

(f)* Evaluate, using evidence from the stimulus material, the impact of an increase in labour market flexibility in the UK. [12]

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This question was well handled by candidates, who had a good understanding of the arguments for and against greater labour market flexibility. Arguments supported and developed by strong analysis and evaluation were able to access Level 3 of the mark scheme. Chains of reasoning offered were important in differentiating between strong, good and reasonable analysis and evaluation with more able candidates offering more than a list of valid arguments. As in Question 1 (f), responses which provided specific use of UK context in this case through explicit use of the stimulus material, were awarded marks in the top Level of the mark scheme.

Exemplar 2

An increase in labour market flexibility ~~too to~~ could mean that ~~workers would mean that~~ it is easier for and less risky for employers to employ workers according to the ~~of~~ case study. This is because ~~they~~ employers labour costs become way more variable and dependent on output. This would mean that firms would not overpay for labour and would only pay for the ~~at~~ the labour provided. However, this could mean a rise in unemployment because firms may be less ~~reluctant to hire~~ willing to hire people. However, this seems to not be the case. According to the stimulus

material, many of the extra jobs that were created by the UK economy were due to an increase in self-employment and employees in part-time work.

Also an increase in labour flexibility could result in less people suffering from occupational immobility. If people partake in gig economies such as deliveries which require low skill, then it could be argued that occupational immobility is less apparent in society. However, some may argue against this because the people working in these part-time shift jobs did not actually gain any extra skills.

Exemplar 3

Labour market flexibility can be increased in several ways. Occupational labour mobility is the ease with which workers can switch between occupations to meet changing labour demands. This can be increased with a greater quantity and quality of education. Labour market flexibility can also be improved by deregulation of the labour market, making it easier and cheaper for firms to hire and fire workers. An increased ability to do so will reduce average cost of production. Increased labour market flexibility is good for the UK because of a greater number of people with

often to an increase. Increased flexibility caused by a larger number of 'informal' jobs or zero hour contracts means the demand by firms of labour has risen. This ~~creates~~ demand ^{for} jobs that previously couldn't have existed has meant people previously with no work can take up these jobs. These jobs have been made available because of improvements in technology. Jobs such as delivery rider are now possible. This has increased flexibility of labour market and the ease with which jobs can be undertaken.

Increased labour market flexibility does have a significant number of negative impacts, ~~especially~~ especially on the workers. The flexibility often arises from reduced regulation, ~~rather~~ this can often lead to exploitation of workers by firms. Workers have no guarantee of work because firms are allowed to provide work as and when they decide. This means workers can be left with no income at very short notice. These people are then likely to have to turn to the government for help by way of benefits. It would be better for the economy for people to be in full time guaranteed work where they are contributing to the economy rather than being left jobless.

The impact of increased flexibility in the labour market will depend on the percentage of workers in part time work. Evidence from October 2017 shows 17.3% of people couldn't find a full time job. This meant they had to accept a lower income and lower standard of living than they want. ~~because~~ Labour market flexibility has meant more part time and temporary jobs on offer rather than the traditional full time permanent employment.

How much increased flexibility of the labour market increases quantity of zero hour and short term work will determine whether the impact on society and the economy is positive or not. The lack of a guaranteed income and lead to great stress to an individual and social tensions if people are seen to be mistreated by firms. This reduces standard of living and happiness.

Exemplar 2

- Structure of the response does not allow for full development of arguments – candidate 'jumps' from analysis to evaluation and back
- Reasonable analysis of one benefit of labour market flexibility which is linked to the stimulus material but no developed chain of reasoning
- Some confused and limited evaluation, again with reference to the stimulus material
- Level 2 mark of 6 out of 12 was awarded.

Exemplar 3

- Clear structure allows full development of the arguments raised
- Wide ranging understanding of different forms of labour flexibility offered
- Strong analysis of one benefit of labour market flexibility using chains of reasoning and the stimulus material
- Developed evaluation through consideration of disadvantages for workers of flexibility
- Level 3 mark of 12 out of 12 was awarded.

Section B overview

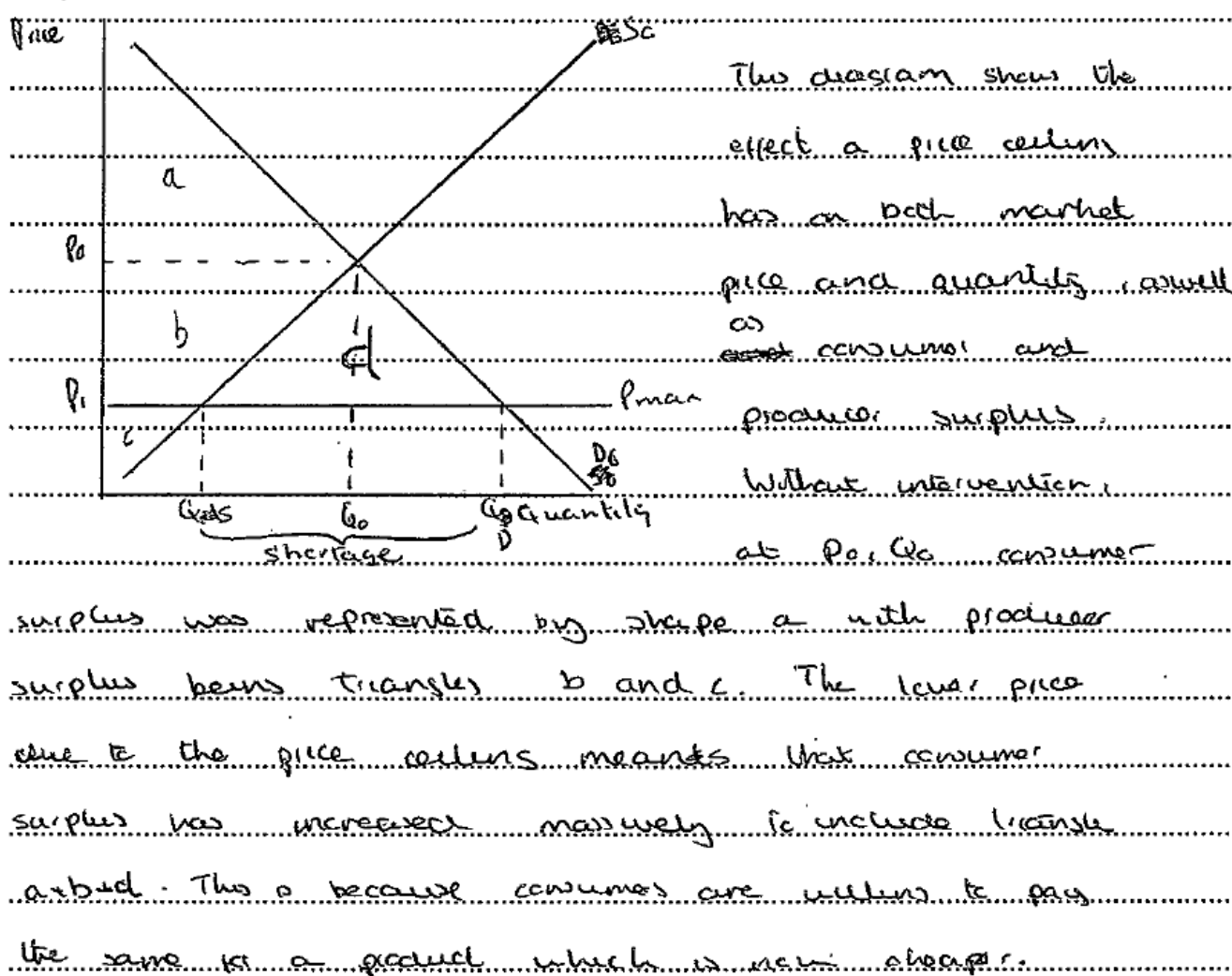
Question 2

- 2* Price ceilings have been used in a number of different markets, ranging from rented housing in New York to food in Venezuela and the cap on energy bills in the UK.

Evaluate, using an appropriate diagram(s), the impact a price ceiling may have on the level of consumer and producer surplus in a market. [25]

Most candidates showed a good understanding of price ceilings, consumer surplus and producer surplus in their responses. The ability to link these separate parts of the specification to show the likely impact of a price ceiling on levels of consumer and producer surplus was difficult for many, however. A common error in the diagrammatic analysis offered was not recognising that the increase in consumer surplus would be limited by the fact that a price ceiling would reduce available supply. So, many candidates correctly identified that consumer surplus would increase but showed an incorrect area of increased consumer surplus on their diagram. This meant that the analysis was good rather than strong.

Exemplar 4



Exemplar 4 shows a response which is a typical example of this error in diagrammatic analysis.

In contrast, many candidates were able to identify a reduction in producer surplus in their analysis and correctly illustrate this on a price ceiling diagram.

Evaluation was mixed. Weaker responses focused on general disadvantages of price ceilings and not on the levels of consumer and producer surplus. Such evaluation was, at most, reasonable because it did not focus on the question set. Higher ability candidates wrote about the impact on consumer and producer surplus in different markets (often related to issues of price elasticity of demand and supply), the ways in which governments might overcome market shortages arising from the price ceiling or how the emergence of black markets might change the impacts on consumer and producer surplus from that analysed earlier in their response.

Question 3

3* Netflix is the world's largest online video subscription service. By 2018, after only 10 years in existence, it had 137 million worldwide subscribers. 65% of online video viewers in the USA watch Netflix at least once a month.

Evaluate, using an appropriate diagram(s), the advantages and disadvantages of a perfectly contestable market. **[25]**

Question no.

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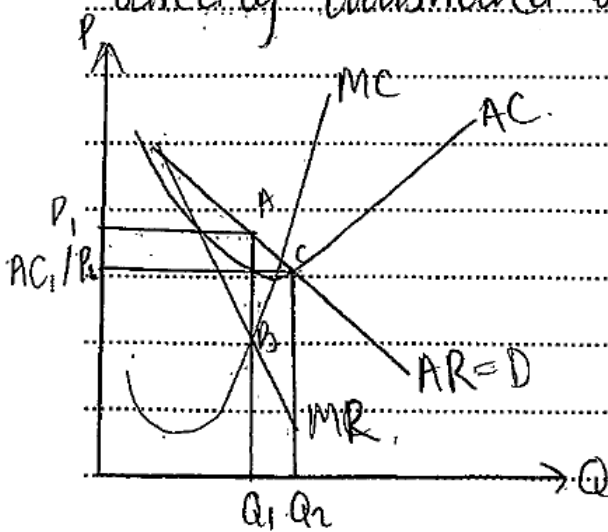
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Responses to this question were mixed. Lower ability candidates did not have an accurate understanding of contestable markets. The result was that their analysis of the advantages and disadvantages of such markets was confused, often mistaking contestability for competition and using perfect competition diagrams as the basis for their response. Higher ability candidates clearly understood the characteristics of a perfectly contestable market and began their response with a statement of these. They offered fully labelled and accurate diagrams showing the impact of a contestable market on a firm's price output and profits which was fully integrated into their response and showed sustained chains of reasoning. Extended analysis often considered issues related to efficiency, clearly distinguishing between allocative, productive and dynamic.

Exemplar 5

A perfectly contestable market is a market to which there are no barriers to entry, whether they be sunk costs, knowledge about the industry, regulation by government or brand loyalty; none of these ~~costs~~ ^{barriers} exist. Perfectly contestable markets have many benefits, primarily being increases in efficiency. This is directly illustrated by a monopoly industry.



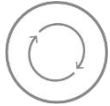
In a monopoly industry, if a monopoly industry is perfectly contestable, then the monopoly will be more efficient. This is because the monopoly does not want to produce abnormal

profits, as this would attract new entrants to the market. This means the monopoly does not produce at the profit max output Q_1 where $AR > AC$ but instead produces at the sales max output of Q_2 where $AC = AR$. The contestability makes the monopoly more allocatively efficient: the new price of P_2 is closer to MC than it was before. It is also more productively efficient: P_2 is closer to the min of AC than P_1 was, meaning less resources are being used more productively. The increase in efficiency also benefits consumers as their consumer surplus is protected / increased.

Overall, contestability has huge benefits because DWL to society has decreased (was previously ABC) and the market has become more allocatively and productively efficient. Contestability, defined as the threat of competition, reduces monopoly power and has many advantages.

In Exemplar 5, the candidate makes a good start to this question showing a clear understanding of a perfectly contestable market, an accurate and fully integrated diagram and strong analysis of the advantages using developed chains of reasoning.

Consideration of the disadvantages of a contestable market was awarded as evaluation. A common approach was to consider the impact on dynamic efficiency of lower levels of profit. This followed naturally from the diagrammatic analysis and, so, was well supported by chains of reasoning. Strong evaluation needs to include a reasoned judgement at some point in the response. Often this is attempted at the end of a response in the form of a conclusion. Lower ability candidates tend to repeat the arguments raised in their response rather than make a judgement on the balance of the arguments. Higher ability candidates are able to draw upon their arguments to show under what circumstances some arguments may be more significant than others.

	<p>AfL</p>	<p>Centres can help candidates to see the difference between a summative conclusion and a judgement by getting them to think about:</p> <ul style="list-style-type: none"> • what the advantages and disadvantages of a particular economic issue depend upon; • how the advantages and disadvantages might be different in different real world market; • how government intervention might reduce the disadvantages.
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Exemplar 6

In conclusion, the perfectly contestable market does lead to both advantages and disadvantages in the market. But depends on whether the anti competitive behaviour will take place or the competition market authority able to stop it and whether the new firm entering the market able to take the employees and have enough capital to compete with the existed firm.

Exemplar 6 is an example of a response which was awarded strong evaluation because of the judgement made. Here the candidate shows clearly what the balance of advantages and disadvantages depend on. The judgement could be even better if the candidate had chosen to focus on just one of the factors given and developed it with chains of reasoning that addressed 'how' or 'why' the factors determines the outcome.

Section C overview

Question 4

- 4* Within any economy there is a great deal of specialisation by firms in the production of particular products, such as manufacturing of cars by BMW, Nissan and Toyota in the UK. Each manufacturer employs the division of labour. So some workers design cars, some test them, others market them and the assembly itself is divided into many different tasks.

Evaluate the extent to which specialisation and the division of labour might help in addressing the basic economic problem. [25]

Knowledge and understanding of specialisation, the division of labour and the basic economic problem were all good. As with Question 2, the ability to link these separate parts of the specification to show the likely impact on the basic economic problem was a key discriminator in assessing candidate's responses. Better responses explained how the division of labour should result in higher output at lower unit costs, how specialisation should result in a greater variety and quality of products produced in markets and increase the size of the market through international trade and drive down prices to consumers. Linked to the how these things help address the basic economic problem enabled more able candidates to show strong analysis. Typically, evaluation focused on the limits to and disadvantages to the division of labour. There were some excellent comments on how greater specialisation and the division of labour could be seen as making the basic economic problem worse as it increased pressure on scarce resources by encouraging greater production and consumption. Although not required by this Section C question, the inclusion of PPF and other diagrams did enhance the quality of analysis and evaluation offered by higher ability candidates.

Exemplar 7

In Consumer Specialisation and the division of labour ~~two~~ may reduce the costs of a firm, this can be passed onto customers through lower prices or even benefit the firm through economies of scale. This will all contribute to the reduction of the economic problem as there will be more choice of things. This may be hard to achieve if workers are bored of their jobs but they can be motivated through things like higher wages. This shows that the basic economic problem can be reduced through the ~~best~~ division of labour and specialisation.

To show strong evaluation, candidates are expected to offer a judgement on the question asked. Exemplar 7 is an example of a response in which the candidate summarises the advantages and disadvantages of specialisation and the division of labour, but then suggests one of the disadvantages might be reduced. Development of this idea, rather than repetition of previous arguments, would have produced a more developed judgement.

Question 5

5* From 2007 to 2016, nearly 1000 international mergers took place involving a UK business. Many of these were examples of horizontal integration. One of the largest was between British Airways and the Spanish airline, Iberia.

Evaluate the potential economic consequences for economic agents of a horizontal merger. **[25]**

Question no.

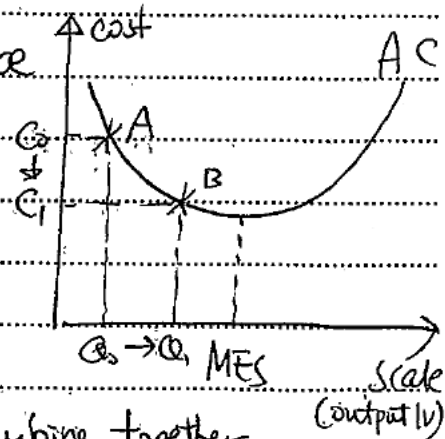
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This question was handled confidently by many candidates, who not only had good knowledge and understanding of horizontal merger but were also to focus their analysis and evaluation of a range of different economic agents. A common approach was to analyse the negative impacts on consumers of increased market power followed by the benefits for firms in terms of economies of scale and increased profit. Where used, diagrams were accurate and fully integrated into the response. Little use was made of the context given in the stem of the question, though more able candidates used their own context which added to the quality of the response and opened up avenues for evaluation and judgement. Efficiency issues were used well, both to explain the benefits and costs to economic agents of horizontal merger. Weaker responses did not develop chains of reasoning sufficiently. Integration of diagrams might help them to do this as they can 'say what they see' in the diagram to support the arguments they make. It is not a requirement for full marks to use diagrams in Section C of the paper but it does help some candidates to show stronger analysis rather than relying on a series of undeveloped points.

Exemplar 8

Horizontal merger ~~is~~ refers to the integration of ^a firms buying another firm which operates in the same industry at the same stage of production, which impacts economic agent including the producer, consumer and the government.

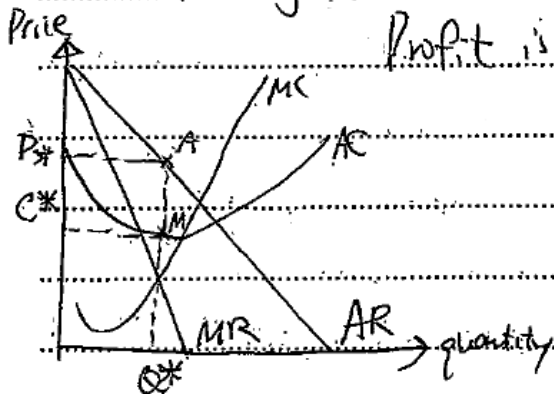
The first benefit is that firms can be benefitted from the economies of scale. By increasing the scale through merging two or more firms, the production average cost can be lowered in various ways. First is the



marketing EOS, as the merged firm combine together ~~they~~ it can have a smaller average fixed cost for advertisement and promotion. Second is the managerial economies of scale. As a firm merge to a bigger scale, firm can employ a group of management specialist to improve

to the coordination of department through specialisation and a better division of labour. Thirdly, firm after merger can negotiate for a better interest rate at bank borrowing, which reduce the ~~the~~ interest payment and cost of borrowing as banks tends to have a bigger confidence on large firm. This is known as the Financial Economies of scale. The fourth benefit is ~~that~~ the technological economies of scale. Merged firms with more capital & cash flow can invest into better and more specialised machinery, which decrease the time of production and reduce the cost of labour. By doing so the cost decrease. As a firm gets larger, it can also benefit from the Fifth economies of scale feature, the purchasing ~~the~~ economies of scale through bulk buying. Imagine if

Apple & Samsung merge together, they can buy the largest amount of processor from Intel. This allows them to negotiate for a better price because of the enormous market power they have. The five economies of scale benefit can reduce the production cost from C_0 to C_1 , as the scale increase through increasing of return to scale. MES can possibly be achieved which means firms (producer) can earn more profit, as a dividend for return or as a funding for reinvestment through dynamic efficiency.



For consumer, they can be benefitted from the fall of production cost through a

lower price. For example, Ford is the first car manufacturer which started a mass scale production of cars, this decrease the average cost and benefit consumer in the form of a lowered price compared to Mercedes at that time. Consumer's affordability is improved.

Exemplar 9

An ~~an~~ economic consequence for the firms, which is an economic agent, is that horizontal merging costs a lot of money to set up properly and is very difficult to do so if it has never been done before. For example, there was a horizontal merge between Sainsbury's and Argos in 2010, which was done so that Sainsbury's could gain the delivery expertise that Argos had already mastered. This was ~~diffic~~ difficult as both sets of staff have been trained in different methods, using different systems so therefore, the workers needed to be re-trained to use the new systems that were created which takes a lot of money and time. This results in the firms making a significant ^{inference} loss in the short run but if done relatively quickly and efficiently, it would allow Sainsbury's to generate much more revenue and increase their market share in the long run.

For households, which is another economic agent, they may see a rise in the price of goods in the short run as Sainsbury's ~~with~~ will be trying to make as much revenue as possible during the time of merging. This may result in a lot of customers that aren't brand loyal seeking out cheaper alternatives but the ~~as~~ customers that are

brand loyal will be paying a higher price, which reduces their opportunity cost of other products not available at Sainsbury's, as they may not have as much disposable income left after they shop at Sainsbury's.

Exemplar 8	Exemplar 9
<ul style="list-style-type: none"> The candidate chooses to structure the response around the economic effects of merger, linking this to the benefit to the firm Economic concepts are used from the outset and supported and developed by diagrams Even without the diagrams, the analysis would be strong because it is developed by considering different examples of economies of scale, by chains of reasoning and a clear explanation of the benefit for the firm in terms of lower unit costs of production. 	<ul style="list-style-type: none"> The candidate chooses to structure the response around different economic agents There is very little use of economic concepts to support the analysis / evaluation There is relevant context about a recent proposed merger, but it treated descriptively There are few chains of reasoning and those that are provided are not developed The analysis offered is, therefore, only reasonable.

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