IGCSE ECONOMICS · 1.2 BUSINESS ECONOMICS · CHAPTER 23 · PAPER 1

Changes in Labour Markets and Trade Unions

Topic question sheet L23 | **Total: 31 marks** | **Time: 35 minutes** | **Student Book pp. 173–180**

Instructions: answer **all** questions. Write your answers on lined paper. The marks for each question are shown in brackets: use them as a guide to how much to write.

Calculators may be used. Show your working. Draw diagrams in pencil and label them fully. The mark scheme starts on a new page: do not look at it until you have finished.

Section A: Multiple choice

One mark each. Choose **one** answer: A, B, C or D.

1 Which of the following will cause wage rates to rise in a labour market? **(1)**

A An increase in the supply of labour
B An increase in the demand for labour
C An increase in supply and a fall in demand
D A fall in the demand for labour

2 Which of the following would reduce the power of trade unions? **(1)**

A More anti-trade union legislation
B Low wages
C Higher union membership
D Favourable media coverage

3 If the retirement age is raised, the most likely effect on a labour market is: **(1)**

A wages rise, employment falls
B wages fall, employment rises
C wages and employment both fall
D no change

4 Which is a main aim of a trade union? **(1)**

A Maximise company profits
B Negotiate pay and working conditions
C Set interest rates
D Reduce membership

Section B: Short answers

Define, state, calculate, draw and explain. Show your working for calculations.

5 Define a **trade union**. **(1)**

6 Calculate the new average weekly wage if the union's demand is met. You are advised to show your working. **(2)**

7 Draw a labour market diagram to show the effect of a trade union raising wages above the equilibrium. **(3)**

8 Explain why the demand for dockers is a derived demand. **(3)**

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Section C: Data response

Read the extract, then answer the questions. Use evidence from the extract in every answer.

Extract: Port Workers in Marisa

Dockers at the fictional port of Marisa earn an average of US$600 a week. Their trade union, with 4000 members, is demanding a 10% pay rise, threatening a strike if it is refused.

The port company says that higher wages would force it to cut 300 jobs. It plans to buy automated cranes that could do the work of 150 dockers. Trade through the port grew 12% last year, and the company made record profits of US$45 million.

Fictional case, written for this sheet.

9 With reference to the extract, analyse how a 10% wage rise could lead to job losses at the port. **(6)**

10 With reference to the extract, evaluate whether the union should continue to demand a 10% pay rise. **(12)**

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Mark scheme: Changes in Labour Markets and Trade Unions

How to mark: Multiple choice, Define, State: 1 mark. **What is meant by** (2): two separate parts to the definition. **Calculate**: working and answer (with units). **Draw** (3): one mark per correct labelled feature. **Explain** (3): 1 for a point, 2 for developing it in context. **Analyse** (6): knowledge 2, application 2, analysis 2. **Assess** (9) and **Evaluate** (12) are marked by levels: choose the level that best fits the whole answer. Indicative content is a guide: credit other valid points.

Section A

1 *Which of the following will cause wage rates to rise in a labour market? (1 mark)*

Answer: B (An increase in the demand for labour). Demand shifts right; wages rise.

2 *Which of the following would reduce the power of trade unions? (1 mark)*

Answer: A (More anti-trade union legislation). Laws restrict union action.

3 *If the retirement age is raised, the most likely effect on a labour market is: (1 mark)*

Answer: B (wages fall, employment rises). Supply of labour shifts right.

4 *Which is a main aim of a trade union? (1 mark)*

Answer: B (Negotiate pay and working conditions). Unions protect workers' interests.

Section B

5 *Define a trade union. (1 mark)*

An organisation representing people in a particular industry or profession that protects their rights (1).

6 *Calculate the new average weekly wage if the union's demand is met. You are advised to show your working. (2 marks)*

Working: 600 × 1.10 (1).

Answer: US$660 (1).

7 *Draw a labour market diagram to show the effect of a trade union raising wages above the equilibrium. (3 marks)*

Axes wage rate and quantity of labour (1); union wage W2 above W1 with horizontal SL section (1); employment falls QL1 → QL2 (1).

8 *Explain why the demand for dockers is a derived demand. (3 marks)*

Point: demand for dockers comes from demand for the port's services/trade (1).

Development: trade grew 12% (1), so more ships must be loaded and unloaded, needing more dockers (1).

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Section C

9 *With reference to the extract, analyse how a 10% wage rise could lead to job losses at the port. (6 marks · K2 · Ap2 · An2)*

Knowledge (2): higher wages raise costs; demand for labour falls as wages rise; substitutes.

Application (2): wage to US$660; company threatens 300 job cuts; cranes could replace 150 dockers.

Analysis (2): labour becomes dearer relative to machines, so the firm substitutes cranes for workers; employment falls (QL1 → QL2).

Knowledge 2 · Application 2 · Analysis 2.

10 *With reference to the extract, evaluate whether the union should continue to demand a 10% pay rise. (12 marks · levels)*

For: record profits US$45m mean the firm can afford it; trade growing 12% (rising demand for labour); strike threat gives bargaining power.

Against: 300 job threats; automation makes labour substitutable; members could lose jobs; strike could lose trade to other ports.

Judgement: a compromise (e.g. smaller rise linked to productivity) may protect jobs; depends on how credible the job-cut threat is and the cost of cranes.

Levels: L1 1–3 · L2 4–6 · L3 7–9 · L4 10–12 (balanced, well-developed arguments using the data throughout, and a justified conclusion that answers the question).

Original practice questions written in the style of the Pearson Edexcel International GCSE Economics (4EC1) papers. This is not an official paper. Unless a source is given, the firms, countries and figures are fictional and made up for practice.

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