IGCSE ECONOMICS · 1.2 BUSINESS ECONOMICS · CHAPTER 22 · PAPER 1

The Labour Market

Topic question sheet L22 | **Total: 27 marks** | **Time: 30 minutes** | **Student Book pp. 163–172**

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 would help to increase the labour supply in a country? **(1)**

A Reduce the retirement age
B Raise the school-leaving age
C Encourage more people into higher education
D Raise the retirement age

2 Which of the following might be a reason for a business to invest more in training? **(1)**

A Improve labour flexibility
B Increase labour turnover
C Raise recruitment costs
D Reduce productivity

3 A firm replaces workers with cheaper machines. This shows the demand for labour depends on: **(1)**

A the retirement age
B the availability of substitutes
C female participation
D labour mobility

4 The ease with which a worker can change from one type of job to another is: **(1)**

A geographical mobility
B derived demand
C occupational mobility
D productivity

Section B: Short answers

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

5 Define **derived demand**. **(1)**

6 Calculate the percentage increase in nurses' average monthly pay. You are advised to show your working. **(2)**

7 State **two** factors, other than wages, that affect the supply of labour. **(2)**

8 Draw a labour market diagram to show the effect of an increase in the demand for nurses on their wage rate. **(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: Nurses in Freeland

The fictional country of Freeland has an ageing population. The number of people aged over 65 is expected to rise from 1.2 million to 2.0 million by 2040, increasing the demand for nurses.

Freeland trains about 3000 new nurses a year, but 1800 nurses retire each year. The government plans to recruit 1000 nurses a year from abroad and to pay for nursing degrees. Hospitals have already raised average nurses' pay from US$2500 to US$2750 a month.

Fictional case, written for this sheet.

9 With reference to the extract, analyse why the demand for nurses in Freeland is rising. **(6)**

10 With reference to the extract, assess whether recruiting nurses from abroad is the best way to increase the supply of nurses in Freeland. **(9)**

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Mark scheme: The Labour Market

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 would help to increase the labour supply in a country? (1 mark)*

Answer: D (Raise the retirement age). People work for longer.

2 *Which of the following might be a reason for a business to invest more in training? (1 mark)*

Answer: A (Improve labour flexibility). Multi-skilled workers are more flexible.

3 *A firm replaces workers with cheaper machines. This shows the demand for labour depends on: (1 mark)*

Answer: B (the availability of substitutes). Machines are a substitute for labour.

4 *The ease with which a worker can change from one type of job to another is: (1 mark)*

Answer: C (occupational mobility). Occupational = between jobs.

Section B

5 *Define derived demand. (1 mark)*

Demand that arises because there is demand for another good (1).

6 *Calculate the percentage increase in nurses' average monthly pay. You are advised to show your working. (2 marks)*

Working: (2750 − 2500) ÷ 2500 × 100 (1).

Answer: 10% (1).

7 *State two factors, other than wages, that affect the supply of labour. (2 marks)*

Any two (1 each): population size; migration; age distribution; retirement age; school-leaving age; female participation; skills; mobility.

8 *Draw a labour market diagram to show the effect of an increase in the demand for nurses on their wage rate. (3 marks)*

Axes labelled wage rate and quantity of labour (1); DL shifts right with SL unchanged (1); wage rises W1 → W2 and employment QL1 → QL2 (1).

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Section C

9 *With reference to the extract, analyse why the demand for nurses in Freeland is rising. (6 marks · K2 · Ap2 · An2)*

Knowledge (2): derived demand; demand for health care.

Application (2): over-65s rising from 1.2m to 2.0m.

Analysis (2): older people need more health care, so hospitals need more nurses; DL shifts right, raising wages (pay up 10%).

Knowledge 2 · Application 2 · Analysis 2.

10 *With reference to the extract, assess whether recruiting nurses from abroad is the best way to increase the supply of nurses in Freeland. (9 marks · levels)*

For: quick (1000 a year); already trained, so no training cost; fills shortage now.

Against: depends on other countries; language/qualification issues; paying for degrees gives a long-term home-grown supply (3000 trained vs 1800 retiring).

Judgement: best combined with training; immigration short term, training long term; depends on how fast demand grows.

Levels: L1 1–3 (points listed, little use of the data) · L2 4–6 (developed points, some use of the data, limited evaluation) · L3 7–9 (developed points on both sides using the data, with a supported judgement).

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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