



Examiners' Report

June 2023

GCE Economics B 9EB0 01

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Introduction

This paper discriminated well, with candidates accessing a wide range of marks with some very good responses to the questions set. Candidates with sound economic understanding did well, with some excellent and thoughtful responses, particularly for the longer questions. By contrast, there were also some very weak responses that showed little understanding of, or even familiarity with, the specification content. The main reasons for some candidates underachieving were the usual ones of not following the command words and not reading the questions carefully enough. Instructions to 'assess' and 'evaluate' were not followed by some. Some candidates missed out on marks because they did not answer the question that was set; this was a particular problem for Q01(a), Q01(c) and Q01(f), where a failure to read the wording of the question carefully, cost valuable marks. It is worth reminding future candidates of the need to apply proper context to all responses. Repeating generic or stock answers or just copying the extracts will not access the higher levels of the mark scheme. All of the levels-based questions refer to the use of relevant evidence in the descriptor table therefore responses must make good use of relevant evidence (context) to access the higher levels and marks.

Marking Levels – a holistic approach

This specification continues to use marking descriptors for all levels-based questions. It is essential that centres look at these and understand how these are applied. The levels-based mark schemes are applied in a holistic way rather than looking for individual assessment objectives. This means that a candidate who attempts evaluation with some context will not necessarily be placed in the top levels and may only achieve a maximum of level 2 if the evaluation is weak or context is lacking. Far too many candidates are simply copying out large sections of the extracts with an attempt at limited evaluation; this will only achieve lower levels.

Question 1 (a)

This question requires candidates to give one suitable method the CMA could use to research the music industry. Unfortunately, many candidates did not read the question carefully and instead explained the role of the CMA or simply copied out part of Extract A which referenced the use of a market study (which could not be rewarded).

The knowledge mark was only awarded for a suitable method and not for any definitions. This will always be the case so candidates should not waste time defining the key term in the question. Marks are awarded for stating primary or secondary market research or for giving an example of primary or secondary market research methods such as questionnaires, focus groups, market mapping and surveys.

As with all 4 mark 'explain' questions, there are two application marks available. Often candidates only gave one piece of application so could only be awarded 1 mark. This could be in the form of data such as market share figures or context applicable to the industry such as monthly download figures. Just stating 'music industry' is not considered to be application because this is in the question itself. Responses that could apply to any industry or market are likely to be generic and can only score a maximum of 2 marks. Always ensure there are two separate pieces of application used in the response.

The analysis mark is awarded for demonstrating some consequence for the CMA from researching the market such as being able to see the level of market power held by the main firms in the music industry rather than evaluating the method stated. Better candidates were able to properly structure their response rather than writing a series of unconnected sentences.

- 1 (a) Explain **one** method the Competition and Markets Authority (CMA) could use to research the music streaming industry. (4)

One method the Competition and Markets Authority could use to research the music streaming industry is primary research, which is carried out first hand. For example CMA could use surveys to research the music streaming industry and how competitive it is. This would involve asking consumers online or in person questions. Questions could regard how competitive consumers think the market is to help decide if action needs to be taken.



ResultsPlus
Examiner Comments

This first response scores 2 marks and is an example of a generic answer which could apply to any industry so cannot be awarded the application marks. The knowledge and analysis marks are relevant but are not applied to the music industry.



ResultsPlus
Examiner Tip

Do not define any of the key terms and make sure you have two separate pieces of application. Often candidates do not include any context and the response only has knowledge and analysis.

1 (a) Explain one method the Competition and Markets Authority (CMA) could use to research the music streaming industry.

(4)

One method that the CMA could use to research could be conducting secondary research. ~~by viewing already existing statistics about Spotify, such as the number of monthly downloads on app stores.~~

In this case, the CMA can access the Spotify website & see monthly listeners to gauge Spotify's active userbase.

In addition, the CMA can view monthly downloads of streaming platforms like Deezer on app stores to see if some apps are being downloaded more.

As a consequence, they can get a better understanding of which platforms consumers prefer & ensure that leading firms aren't being anti-competitive with marketing strategies.



ResultsPlus
Examiner Comments

This response scores 4 marks and is an example of a perfectly structured answer. It starts off with a correct method (secondary) and gives two separate uses of context/application specific to the music industry. The last sentence starts off well by giving a consequence for the CMA of carrying out the market research in terms of checking the leading firms are not being anti-competitive. Four sentences = 4 marks.



The best way to structure this type of question is to try and answer this in four sentences in the order it appears in the mark scheme: start off with the knowledge mark and then follow this with your two separate pieces of application and then the analysis mark.

Think of the 4 mark 'explain' question as a sandwich: the knowledge and analysis represent the bread with the application making up the filling inbetween the bread!

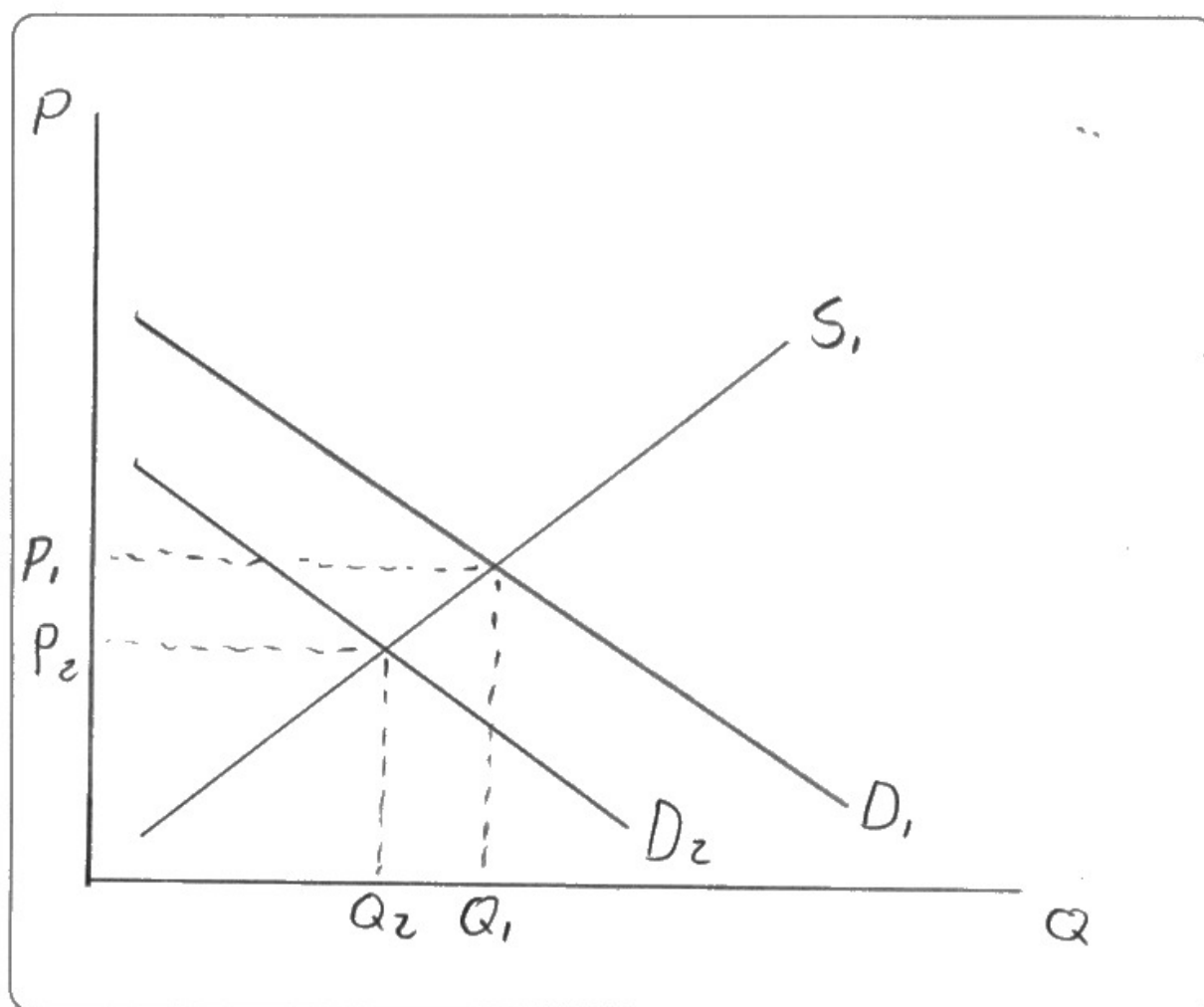
Question 1 (b)

This question requires candidates to illustrate the impact on the market for traditional music formats following an increase in music streaming, therefore testing understanding of substitute goods. Unfortunately, this micro diagram did cause problems for some candidates, with some incorrectly shifting the demand curve to the right. As always, some responses had incorrect labels for the axes and instead used macro labels. It is essential that candidates understand the difference between micro and macro diagrams and when to use each one. If a question is asking about an industry or specific firm, a micro diagram will be required. If a question is asking about the impact on an economy, it is likely that a macro diagram will be more appropriate.

Correctly labelled diagrams are an essential part of the course and candidates should use past examination papers to practice them and ensure the correct curve is shifted with new equilibrium price and quantities drawn on the x and y axis. A ruler would also help.

- (b) Using a supply and demand diagram, illustrate the impact on the market for traditional music formats following the increase in music streaming.

(4)





This response scores 4 marks and correctly shifts the demand curve to the left and has the correct labelling.



Only use Price and Quantity or P and Q for the axes for micro diagrams. Do not use Quantity Demanded for the y axis. Always label the equilibriums on the axes. Use a ruler and make sure the diagram is large enough to fill the box provided.

Question 1 (c)

This question tests simple quantitative skills and is designed to be a straightforward percentage calculation question. However, many candidates did not read the question properly and instead calculated the percentage change in spending on R&D by Spotify which scores 0 marks.

The question did ask for the answer to be given to two decimal places and some candidates did not do this so consequently could not achieve all 4 marks. Again, some responses did not include the percentage sign and this meant only 3 marks could be awarded.

The question does tell candidates to show working and it is essential that this instruction is followed particularly when an incorrect answer is given because marks can still be awarded for a correct formula and correct workings.

- (c) Using the data from Extract B calculate, to two decimal places, the percentage of revenue spent on research and development (R&D) by Spotify in 2021. You are advised to show your working.

(4)

$$\text{Percentage of revenue spent on R\&D} = \frac{\text{R\&D cost}}{\text{total revenue}} \times 100$$

$$\frac{912}{9668} = 0.094 = 9.4\%$$



ResultsPlus
Examiner Comments

This response scores 3 marks and could not be awarded 4 because the answer is not given to two decimal places. However, marks are awarded for a correct formula (knowledge) and correct placement of figures into the formula (application).



ResultsPlus
Examiner Tip

Always write out the formula no matter how simple a calculation appears. Show your working. Check the decimal places and correct units have been used.

(c) Using the data from Extract B calculate, to two decimal places, the percentage of revenue spent on research and development (R&D) by Spotify in 2021. You are advised to show your working.

(4)

R&D = 912m.

Revenue = 9668m.

$$\frac{\text{Research and Devel.}}{\text{Sales revenue}} \times 100$$

$$\frac{912\text{m}}{9668\text{m}} \times 100$$

9.43%



ResultsPlus
Examiner Comments

This second response scores 4 marks. The correct formula is given (including $\times 100$) to gain the knowledge mark and the two application marks for the correct placement of the figures. The analysis mark is awarded for the correct answer of 9.43%.



ResultsPlus
Examiner Tip

You do not need to include units in the working but do check you have used the correct units with the final answer.

Question 1 (d)

This question requires candidates to analyse two separate reasons why Spotify increased its spending on R&D. Many different reasons were rewarded such as to gain a competitive advantage, product innovation and to increase market share. It was very pleasing to see some excellent responses for this question.

Each reason was marked separately out of three possible marks with one knowledge, one application and one analysis mark available for each reason. One thing to note is that R&D and market research are two very different concepts and some candidates did not give reasons for R&D but instead gave reasons for Spotify to carry out market research which could not be rewarded with any marks.

Candidates should ensure that they do give separate reasons and use different application and analysis points otherwise marks cannot be awarded for repeating the same information but in separate reasons. In addition, there is no point giving more than two reasons and try to structure the response starting with the reason (knowledge) followed by the use of context (application) and the consequence (analysis).

Again this question can score all 6 marks with six well-structured sentences.

(d) Analyse **two** possible reasons why Spotify might have increased its spending on R&D.

(6)

One reason why Spotify may have increased their spending on research and ~~design~~ development is to make product improving innovations. In 2021 Spotify spent €912m on R&D clearly prioritising the improvement of their service in terms of quality. Spotify could do this through making their interface more accessible or introducing new features. ^(perhaps making it easier to use) Both of these may lead to improved quality of Spotify as a service. This will lead to higher customer satisfaction and increase loyalty as customers are more likely to keep using Spotify & may feel ~~that~~ it is a good quality product.

A further reason why Spotify may have increased its spending on R&D is to improve the efficiency of the production process by reducing costs. In 2020 Spotify had an operating loss of €293m. Research and design can lead to innovations in the production process which can lead to less waste and lower operating costs for maintenance of the platform. This will mean that Spotify can charge lower prices to consumers & may choose to pass on those lower costs, while maintaining profit margins. This will lead to Spotify becoming more price competitive.



This response scores 6 marks. This is a great answer which gives two separate reasons in terms of product improving innovations and to improve efficiency. Each reason has used a separate piece of application to support the reason and then consequences for Spotify in terms of higher customer satisfaction and becoming more price competitive. Both reasons are really detailed and use different data/context to support each reason with different analysis.



Do not define the key terms in the question. Make sure you are giving two separate reasons supported by context and a consequence.

Question 1 (e)

This was the first levels-based question and discuss is the lowest of the evaluate commands words used in this qualification. This question requires candidates to evaluate the benefits for Spotify of using price discrimination for different groups of consumers and needs a two-sided response.

On the whole, this was very well answered with many candidates being able to give some benefits in terms of increasing market share, increased revenue and being able to target a wider range of consumers. Better responses used economic concepts such as PED rather than common sense answers. Some candidates used price discrimination diagrams to illustrate the benefits in terms of gaining additional revenue but this was not required to access the higher levels. Use of context was good with many candidates able to use the different prices Spotify charge to illustrate this economic concept. For the counter argument, some answers suggested some of the drawbacks of price discrimination with many focusing on the unfairness of this pricing strategy for full paying adults and how some may decide to use alternative music streaming services with just one flat rate for all. Some candidates suggested alternative pricing strategies such as skimming but this was not what the question was asking for in terms of evaluation.

(e) Discuss the benefits for Spotify of using price discrimination.

(8)

One benefit for Spotify of using price discrimination is that Spotify have maximised their total revenue when compared to if they charged the same price for everyone. By using third degree price discrimination, this means that Spotify have segmented the market into students, individuals, couples, and family. The impact of this is likely to be a greater volume of sales, with more people using the service by having a family package of £10.99. Furthermore, students may have a lower PED than other individuals, so by Spotify charging them £4 less to listen to music, it is more likely students will sign up to the premium service. As a result, Spotify has increased their market share to 32.77% by penetrating segments of the market using their probable income levels.

However, one limitation for Spotify using price discrimination is that some listeners may think it is unfair that some people are being charged more to listen to the same music as others. This means that individuals who pay £9.99 have a lower consumer satisfaction as they may feel they are being "ripped off". The impact of this is likely to be that some customers may explore other streaming options such as Apple Music where they could be charged a lower

price. This is likely to lead to a poorer reputation for Spotify. Consequently, Spotify could lose their loyal customers to its competitors such as Apple.



ResultsPlus
Examiner Comments

This response scores 7 marks and demonstrates a balanced evaluation of Spotify using price discrimination. There is context used on both sides of the response and good use of economic concepts such as PED. The main argument is stronger than the counter argument but this is still a very good response.



ResultsPlus
Examiner Tip

Discuss is an evaluative command word and therefore requires a two-sided response even if the question asks for the benefits. A conclusion is not required for the discuss question.

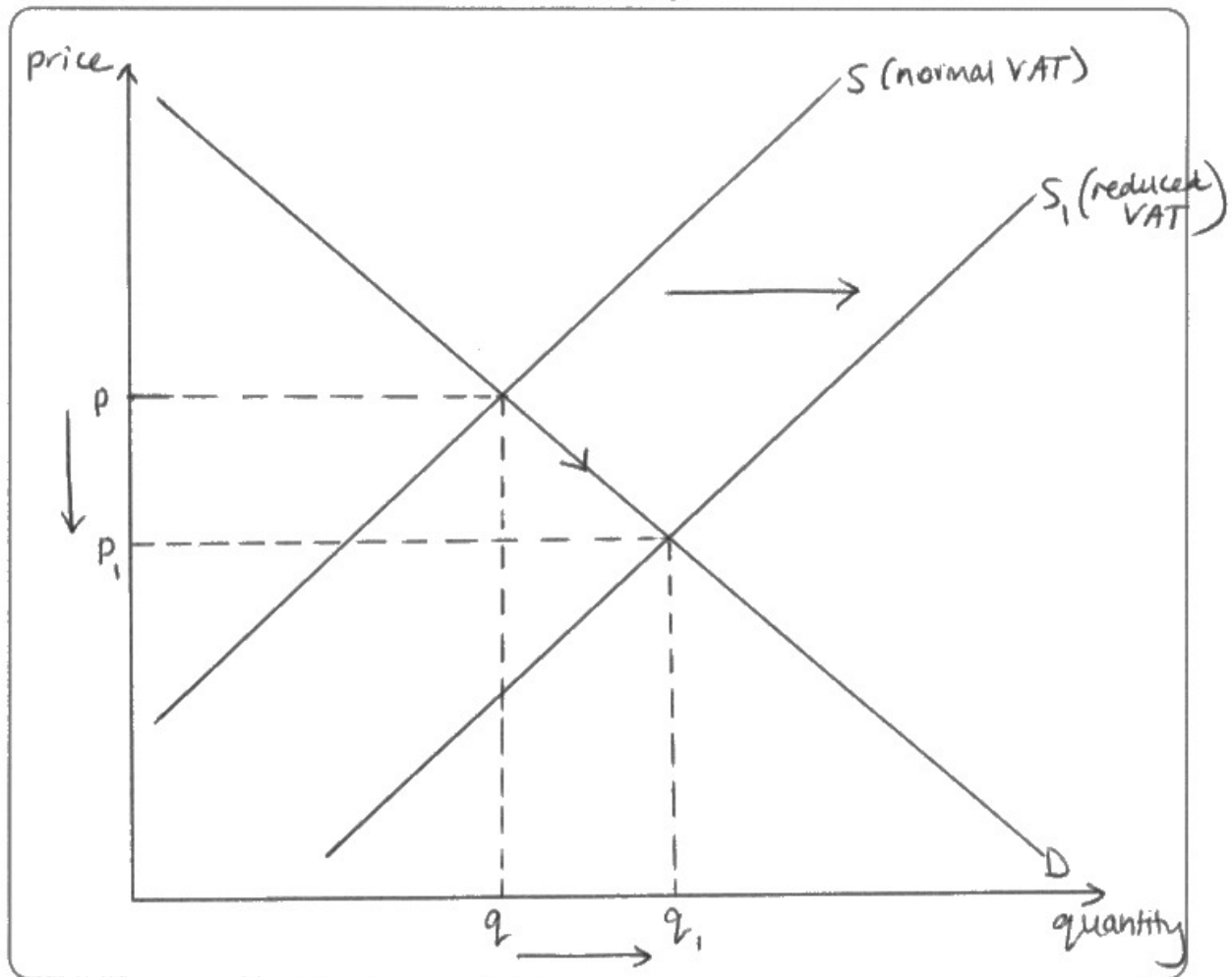
Question 1 (f)

This proved to be a challenging question for many candidates. VAT is an indirect tax therefore affects the supply curve and not the demand curve. A substantial number of candidates shifted the demand curve rather than the supply curve and consequently the assessment that followed was then flawed for the main part of the argument. This question is marked holistically using a levels-based mark scheme so even with an incorrect diagram, candidates can still be awarded marks for some sort of assessment of a reduction in VAT on ticket prices for the music industry.

For the counter argument, a wide range of answers were rewarded with candidates considering the impact on the music industry would depend on the amount that VAT would be reduced by, whether the reduction in VAT would be passed on to consumers by music firms, and if there was sufficient staffing to host events. Plus, other external variables which might also affect demand for live music such as transport, the state of the economy and BREXIT issues.

- (f) Using a supply and demand diagram, assess the likely impact on the market for live music if the UK Government reduced VAT on tickets for live music events.

(10)



If the UK government reduced VAT on tickets for live music events the demand would increase for the market for live music. This is because as VAT is reduced the price of tickets to the consumer is lower so the incentive to buy a ticket is greater because it is at a lower price. As a consequence more people can afford the ticket so are more likely to demand more live music which can help the market for live music recover after covid. In March 2020 due to restrictions Orkney was cancelled. By having reduced ticket prices the demand for similar events can be rejuvenated. Once there is a relatively stable demand for live music events the market for live music can grow.

and recover post-pandemic.

However, there may be little to no impact on the market for live music if the UK government reduced VAT on tickets for live music events. Post-pandemic ~~to~~ thousands of music & creators, crew and others left the industry. Without the workforce ~~that is~~ even if ticket prices were lower these live music events may not be able to take place efficiently. These events rely heavily on a skilled workforce and with many in the industry being self-employed, three-quarter, the stability is just not possible even if demand increased ~~again~~ due to lower ticket prices. As a consequence, due to the impact of the pandemic any revival of the market for live music will take time so in the short run ~~to~~ this VAT reduction may have little to no impact ~~on~~ on the market.

In conclusion, it depends on by how ~~much~~ ^{much} VAT is reduced and if there are any other initiatives to keep workers within the industry. If there are this could have a significant positive impact on the market for live music in the long run.



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Examiner Comments

This response scores full marks. It has a fully labelled (correct) diagram and does fully explain the impact of the UK Government reducing VAT on tickets for live music events. The counter argument is superb and gives reasons why demand may not increase. Great use of information from the extract to contextualise the response to the music industry. Strong chains of reasoning are used throughout the response.



You can be asked to draw a diagram within a levels-based question. Make sure that you fully explain the reasoning behind your diagram and give a counter argument as to what it depends on or why this might not be the case.

Question 1 (g)

This question was poorly done by some candidates who either did not read the question carefully or misread the information in the extract. The extract did show that the number of people employed in the music industry fell between 2019 and 2020 which should indicate a shortage of skilled workers available in the music industry. Coupled with a fall in unemployment in the country, this could result in firms in the music industry having to pay higher wages to attract workers back into the industry and having a smaller pool of labour to choose from. Consequently, this could result in costs of production increasing and firms in the music industry having to train workers to fill vacancies. The positive implications often considered by candidates included a potential increase in demand for music goods and services from higher income levels due to lower levels of unemployment in the economy. There were some confusing responses that incorrectly focused on a rise in unemployment rather than a fall. Better responses used the context in the extracts to support the assessment with clear and logical chains of reasoning.

(g) Assess the implications of a fall in unemployment for firms within the music industry. Less skilled workers to choose from
mobility of labour. (12)

One benefit of a fall in unemployment is that ~~customers of music industry based firms are more likely to spend~~ music industry-based firms are likely to see an increase in customers. With unemployment falling, the UK has ~~more~~ a larger percentage of the labour force in work and earning a wage. This means customers who were using Spotify's basic free service may choose to upgrade to a premium service without the interruptions of adverts. Therefore, through a higher ~~GDP per~~ average income, the top music firms could see an increase in demand for their products, resulting in a higher sales revenue.

One drawback of a fall in unemployment is that music firms have a smaller pool of skilled workers to choose from. As more of the labour force enters work, firms have a smaller number of employees to hire from, meaning they have less choice when looking for ~~the~~ new employees. In an industry like the UK music industry, where ~~many~~ "thousands of music creators, crew and others" left during 2020, the number of ~~the~~ available workers becomes even more limited with a fall in unemployment. Therefore, firms may see a fall in productivity as highly skilled workers have been employed elsewhere.*

In conclusion, a fall in unemployment could benefit firms within the UK music industry as demand for their goods and services

increases as customers begin to earn more. However it depends on ~~the~~ other external factors. If inflation rates are high, for example, customers may choose to spend on necessities rather than music ~~or~~ streaming services. Therefore, even if incomes rise on average, firms ~~may~~ in the music industry may not receive the expected benefits if prices are too high. In the short term, firms may benefit from the upturn of ~~jobs~~ employment, but may see the ~~impacts~~ benefits slow down in the long run as the wider economic environment changes.

* However, this depends on the mobility of the labour force. If employment rates change, firms are able to choose from higher skilled workers if they have the correct skills set to transfer.



This response scores 10 marks and accessed level 4. The chains of reasoning are clear and logical with a balanced assessment of the implications of a fall in unemployment for firms within the music industry.



Always provide a conclusion for the 12 mark questions but do not simply repeat your previous points. The conclusion must add something to your response and this could be in the form of a judgement as to whether you think there are more positive or negative implications from a particular economic situation.

Question 1 (h)

This question proved to be popular with many candidates able to demonstrate knowledge and understanding of oligopolies and how this market structure could impact consumers in the music industry. There was some good use of the market share information to illustrate the concentration of large firms within the industry and some suggestion that music firms used non-price competition to attract consumers. The counter argument tended to focus on the possibility of collusion and price fixing occurring and how this might negatively affect consumers. The focus did have to be on consumers rather than other firms within the music industry. The better responses used well developed chains of reasoning rather than trying to cover too many points. For the levels-based questions, the quality of the argument is always far more important than trying to cover too many benefits and disadvantages.

(h) Assess the benefits for consumers of the music streaming industry being an oligopoly.

(12)

An oligopoly is a market structure in which only a few firms dominate the market.

One benefit for consumers of the music streaming industry being an oligopoly means that firms may be likely to compete on non-price factors such as quality in order to differentiate themselves. This would lead to consumer choice increasing which means they have greater variety and more products are likely to cater to their needs. For example, different firms may promote different artists and therefore there's more differentiation. This means that due to the small number of firms competing, they must stand out in order to attract attention which will benefit the consumer as there may be better quality products.

Another benefit to consumers would be that many firms in the music industry invest significant amounts of money into research and development (for example Spotify and £912m in 2021). This leads to products being created and adaptations being made to the platform which are especially what the consumer desires. Therefore, we can

suggest that Oligopoly structures can invest more time into market research and may be able to utilise structures such as market segmentation.

~~In conclusion,~~

However, you could argue that the Oligopoly music industry actually decreases choice for consumers because the market makes it difficult for greater variety due to barriers to entry as small platforms don't have excessive profits. Therefore, this makes it difficult for them to compete in an Oligopoly and decreases competition.

In conclusion, Oligopolies have many benefits for consumers although they encourage imperfect competition and in some cases lead to less variety. This is because in a mass market such as the music industry it can be difficult to gain much influence. It depends how many firms actually dominate and how high the barriers to entry are as to how much consumers will be affected. Most importantly, oligopolies can lead to stable prices because firms follow the behaviour of one another.



This response scores 10 marks and accessed level 4. There is very good use of economic terminology on both sides of the response, supported throughout with relevant evidence.



Use past examination papers, mark schemes and Principal Examiner reports to show how to access the higher levels on the levels-based questions. The level descriptors are key and these are what are used to determine the overall mark awarded rather than the bullet points listed under the Indicative Content in the mark scheme. The quality of the argument is far more important than trying to cover too many arguments/points.

Question 2

Overall, this question was answered well by the majority of candidates and examiners saw some detailed evaluation of the provision of information plus a consideration of other methods which might be more effective in reducing the number of smokers in the UK.

For the evaluation, this could solely focus on the advantages and disadvantages of the new film from the UK's Better Health Smoke Free campaign and/or could consider alternative methods such as the use of indirect taxation and regulation. It is important to note that in order to access the higher levels for evaluation, there must be some consideration of the drawbacks of the provision of information **before** considering alternatives otherwise this just becomes a list of ways to reduce smoking rather than an evaluation of the effectiveness of providing information. Always evaluate the key policy in the question first before trying to cover a range of alternatives.

Weaker responses simply repeated the information in the extract using a 'common sense approach' rather than demonstrating any economic theory with regard to correcting market failure and government intervention. Better responses did use economic theory throughout with references to asymmetric information and the problems with the additive nature of cigarettes rather than a general discussion about providing information on smoking.

2 Evaluate the effectiveness of the UK Government providing information to reduce the number of smokers in the UK.

(20)

The government will aim to provide information to reduce negative externalities and improve the wellbeing of people in the UK. One way that government information may be effective in reducing the number of smokers in the UK is through the "Better Health Smoke Free" campaign that the extract details. By using "experts" like the "Deputy Chief Medical Officer" people are ^{perhaps} more likely to listen to their advice that smoking is bad for your health, as they ~~trust~~ might be more likely to trust someone with extensive qualifications. This should in theory be effective at reducing the number of smokers in the UK, as it is likely to have been on TV, a form of mass media, and so will likely have been seen by many people. This mass distribution of information may be effective as people may, as a result of seeing the campaign, be encouraged to quit smoking or discouraged from starting, as they know more about the negative externalities both for the consumer and those around them, like friends and children. However, the effectiveness of the dissemination of this information may be limited by the fact that, as the extract states, people tend to start smoking in their teenage

years. As these people are less likely to watch TV, and may spend more time on their phones where they may not see this campaign, its effectiveness will be limited. Another limit to the campaign's effectiveness may be parental influence. The Extract notes that children with parents who smoke are "four times" as likely to take up smoking. This suggests that parents play a big role in determining whether someone smokes or not. ~~People~~ People, especially young people, may be more likely to trust their parents than government information, even if this information comes from experts. Furthermore, the fact that there have been information and pictures about the harmful nature of smoking or cigarette packaging for a long time and still 1/8 adults are smokers suggests that the effectiveness of government information is limited. Details on the harmful effects of smoking are well publicised and the government repeating this message further is unlikely to give anyone information they were unaware of. It can be argued that the market failure caused by smoking is driven less by imperfect information than it is by the irrationality of the consumer, who chooses to smoke despite this information. However, government information targeted at young people who have not yet started smoking, and may be less aware of its

negative effects, may prove more effective.

One method that may be more effective at reducing the number of smokers is a higher indirect tax in the form of excise duty, on cigarettes. As cigarettes are highly addictive, information is unlikely to get people to quit smoking, but making it too financially costly may be able to. If consumers' disposable income is increasingly squeezed by their smoking habit, they may eventually have to quit if it becomes fiscally untenable to continue. However, this would be a regressive tax and impact the poor hardest, potentially pushing them into debt to fund their addiction. Therefore, even financial disincentives may not be that effective at reducing the number of smokers. Perhaps products subsidies for goods or services designed to help people quit would be better.

In conclusion, due to the addictive nature and of already smoking, and the already prevalent information about the negative impacts, it is likely that the UK government providing more information will not be ~~incredibly~~ ~~impr~~ very effective in reducing the number of smokers in the UK.



This response scores 18 marks and accessed level 4. Unlike many responses seen which simply paraphrased the information in the extract, this does demonstrate accurate knowledge and understanding of economic concepts with well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A judgement is made as to whether the provision of information is likely to be effective in reducing the number of smokers in the UK.



As with many of the longer levels of response questions, there is a tendency to make unsupported assertions or offer lots of unexplained points rather than following through coherent chains of reasoning. Make sure your evaluation is balanced and uses the information given rather than copying or paraphrasing information from the extracts.

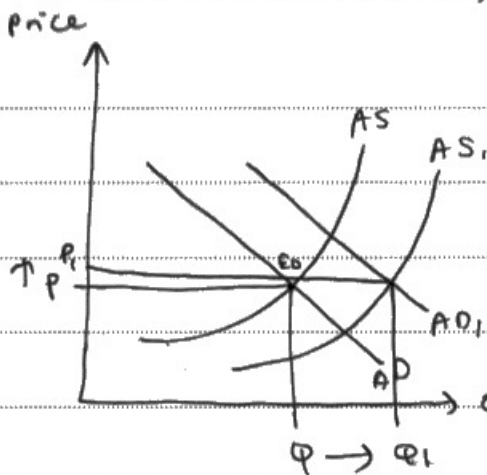
Question 3

Overall, the performance on this question was slightly weaker compared to Q02. The question instructed candidates to use an AD/AS diagram to demonstrate the impact on the UK economy but it is evident that there are some candidates who still do not understand the difference between macro and micro diagrams with lots of incorrect labelling. Improving skills and the quality of labour should have indicated an evaluation of supply-side policy was required and a right shift of aggregate supply but some candidates focused solely on AD which was not answering the question.

In terms of the impact, this could be on any part of the UK economy with better responses referring to the benefits of reducing skills shortages, tackling structural unemployment, increasing economic growth without inflationary pressures and an increase of the productive potential of the economy. The counter argument focused on the opportunity cost of improving skills and quality of labour, the quality of training and the time lag of training for different occupations. Some candidates considered alternative policies in addition to improving skills and quality of the labour force. A conclusion is always required for the 20 mark questions, but this was often lacking or a simple repeat of earlier points. As part of the evaluation you may see candidates suggest alternative policies in addition to improving the skills and quality of the labour force but remember the evaluation should also cover the drawbacks of improving skills and quality of the labour force.

3 Using an AD/AS diagram, evaluate the impact of improving the skills and quality of the labour force for the UK economy.

(20)



Improving the labour force skills through skills bootcamps could result in a reduction in labour shortages caused by occupational immobility, and

reduce structural unemployment. These bootcamps could also improve workers' human capital, increasing their productivity. This would lead to AS shifting out (right), resulting in an increase of the productive capacity for the UK economy, increasing GDP. This could also result in lower unit costs and increased demand for exports such as cars as workers are being retrained and could see productivity increases. This would improve the UK's balance of payments position as it has a trade deficit and thus this could decrease due to increasing competitiveness on international markets.

In addition reducing structural unemployment through skills bootcamps, which aim to make 200,000+ people complete training courses each year by 2030 (significant amount of labour force), government tax revenue from income tax could increase, as well as lower cost of benefit payments, which could enable the government to further increase spending on transport links to improve the geographic mobility of workers.

The skills bootcamps could allow workers to fill the vacancies in areas such as digital info and communication where there is an 85.2% growth of vacancies. This reduces shortages in the economy, increasing output and GDP and also leading to AD shifting out from AD to AD₁ (graph) as workers have higher levels of disposable income, this could result in a positive multiplier as MPC for these workers is high, following unemployment further. Through 'Education Investment Areas' and reducing geographic educational inequalities, the government could be improving social mobility of less developed northern areas, reducing inequalities of opportunity through the introduction of specialist schools^{and increased quality of teaching through retention payments}. This could increase future productivity as firms have an increased skilled pool of labour to choose from, increasing GDP & growth.

However, the expansion of skills bootcamps entails a significant cost to the government of £550 million which is an opportunity cost and could be better spent on other supply side measures such as investing more money on transport links to reduce workers geographic immobility and fill shortages in construction for example. Furthermore, this government spending entails an increase in taxes for future generations or increasing the budget deficit, which could result in a reduction in future consumption and investment, causing AD & AS to shift in and possibly a negative multiplier.

resulting in demand deficient unemployment. Furthermore, 'Education Investment Areas' and skills bootcamps could be ineffective and time consuming, only possibly affecting AS in the short run or not at all. This is unhelpful where the economy is experiencing huge vacancies that are unable to be filled. Thus short term, this entails a huge government cost with no guarantee of future growth and may negatively impact AD & AS due to increased ^{government} spending. In addition, sectors with vacancies such as transportation and construction may require minimal training and thus skill bootcamps may be useless in improving short term occupational mobility, and will have significant time lags exacerbating this.

Overall, the impact of this spending on the human capital is dependent on the quality of training provided in skills bootcamps, and whether this reflects current vacancies in, ^{e.g.} accommodation & food services. It is also dependent on the size of the multiplier effect and whether these vacancies are mainly caused by occupational mobility. Finally it is dependent on how close to full capacity the economy is operating at and the time lag.

(Total for Question 3 = 20 marks)



This response scores 18 marks. There is the use of an AD/AS diagram with detailed evaluation as to the impact of improving the skills and quality of the labour force for the UK economy. The answer is supported throughout with relevant evidence with well developed and logical, coherent chains of reasoning, showing full understanding of the question.



The 20 mark questions are designed to be open ended with no 'correct' answer as such. Examiners are looking for the ability to construct a logical argument either using the information provided or from wider reading. It is often very disappointing to see the current economic climate not being used to support chains of reasoning. Show that you have left the classroom and embraced the subject content!

Paper Summary

There are several points which could raise performance in future sittings. Based on their performance on this paper, candidates are offered the following advice:

- Do read the question carefully and answer the question that is set.
- Do check units and decimal places are correct for calculate questions.
- Do use two separate pieces of **application** for the **explain** questions.
- Do not give a one-sided answer for the **discuss** question.
- Do watch out for command words such as **assess** or **evaluate**.
- Do use examples to illustrate your argument.
- Do use the language of the subject and avoid generalities or common sense responses.
- Do watch your timing and do not spend too long on one question.
- Do write concisely and neatly.
- Do add a conclusion to the longer questions.
- Do use the available space; there are enough lines in the examination paper to answer the question without asking for additional paper.

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>

