## Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

**2.1**

- demand for a factor (such as labour) that arises from the demand for the goods it is used to produce (2 for a clear definition; 1 for a partial idea)

**2.2**

- a labour market with a single, dominant buyer (employer) of labour (2 for a clear definition; 1 for a partial idea)

**2.3**

- any one of: differences in MRP/productivity; training and qualifications needed; risk or unpleasantness of the work; discrimination (1)

**3.1 B**

- Labour demand is derived from the demand for the goods labour produces

**3.2**

- *[8]* AO1 1 + **AO3 diagram up to 4** (labour demand and supply, minimum wage above $W^*$, excess supply of labour) + AO2/AO3 up to 3 — above the equilibrium wage, the quantity of labour supplied exceeds the quantity demanded
- firms hire fewer workers while more people want jobs
- the gap is unemployment; the size depends on the elasticity of labour demand

**3.3**

- *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** raises low pay, reduces poverty and in-work inequality, and can raise both pay and jobs in a monopsony. **Against:** in a competitive market it can cause unemployment, raise firms' costs and prices, and may push some work into the informal economy. Judgement: the effect depends on the market structure and how high the wage is set — modest minimums help, but very high ones risk job losses