

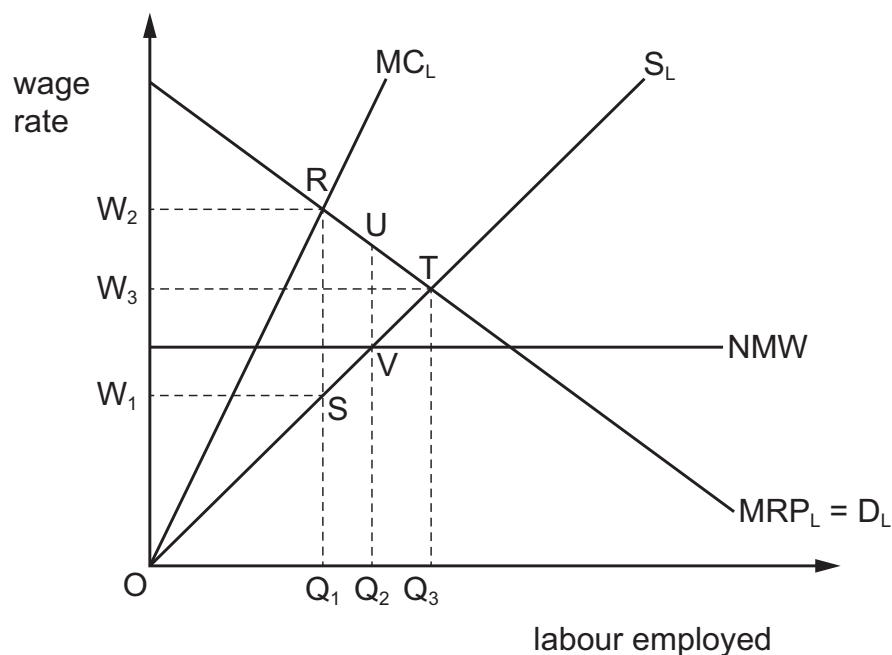
14 When is a minimum wage most likely to help reduce the problem of income inequality?

- A** Higher paid workers maintain pay differentials.
- B** Labour mobility is low.
- C** The informal economy is small.
- D** The minimum wage leads to increased unemployment.

10 Which policy is most likely to contribute to people ending up in a poverty trap?

- A** legal minimum wage
- B** means-tested benefits
- C** prevention of cheaper imports
- D** proportional taxation

12 The diagram shows the effect of introducing an effective national minimum wage (NMW) in a labour market with a profit maximising monopsonist employer.



What is the effect of the NMW on the deadweight welfare loss in this market?

- A** It falls from RST to UVT.
- B** It falls from RSVU to UVT.
- C** It rises from UVT to RST.
- D** It rises from UVT to RSVU.

18 What is a likely consequence of an increase in government spending on education?

- A** increase in the supply of unskilled labour
- B** increase in occupational mobility
- C** increase in the rate of unemployment
- D** increase in trade union power

9 There has been an increase in labour productivity.

Which combination of effects is most likely?

	shift of demand curve for labour	shift of supply curve for labour	effect on wage rate
A	none	inward	increase
B	none	outward	decrease
C	inward	none	increase
D	outward	none	increase

10 There is a decrease in the supply of female labour.

What will the likely effect on male and female wages be?

	male wages	female wages
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

11 A government introduces a national minimum wage.

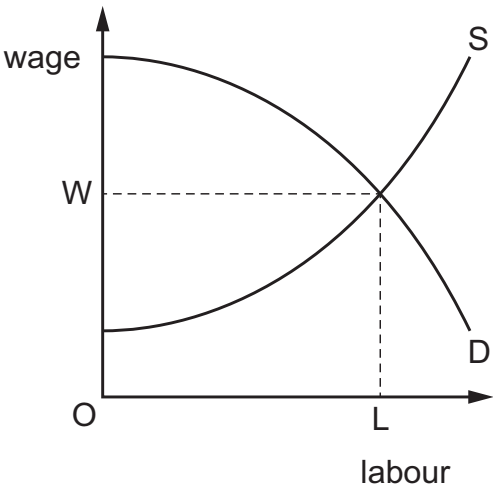
What is **not** a benefit of this to the economy?

- A** It boosts the morale of workers and enhances labour productivity.
- B** It raises incomes of poorer workers.
- C** It reduces government spending on welfare payments.
- D** It reduces structural unemployment.

13 Which combination of policies is most likely to reduce the number of low-paid workers caught in the poverty trap?

	individual's tax-free allowance for income tax	national minimum wage in real terms
A	decrease	increase
B	decrease	unchanged
C	increase	increase
D	increase	unchanged

14 The diagram represents the demand and supply of labour in a competitive industry.



What is true about unit of labour L when they are paid wage W?

- A L is paid only economic rent.
- B L is paid an element of economic rent and transfer earnings.
- C L is paid below transfer earnings and leaves the industry.
- D L is paid exactly transfer earnings and remains in work.

18 Which government policy is least likely to promote inclusive economic growth?

- A increasing the national minimum wage
- B investment in transport and infrastructure
- C legislation reducing the power of trade unions
- D using taxes and transfer payments to redistribute income