



Mark Scheme (Results)

Summer 2019

Pearson Edexcel GCE A Level
in Business (9EB0)

Paper 03 The economic environment and
business

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Indicative content	Mark
1(a)	Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2 • Migration is the movement of people from one place to another for various reasons such as economic, political and social • Migration can be internal as in Chinese moving from the countryside to the cities or external as in eastern Europeans moving to western European states • Skills shortages are when the particular skills required are not available in the people looking for work • Migrants are often young and of working age • They will be looking for work and therefore add to the labour force • This helps to fill vacancies and provide the skills needed by the employers such as nurses, plumbers and carers • However, migrants may not always have the skills needed by the employer • Even if they do then other issues may be a problem such as language	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

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Question Number	Indicative content	Mark
1(b)	Knowledge/understanding 2, Application 2, Analysis 3, Evaluation 3 • Productivity measures the amount produced from a given amount of inputs • Labour productivity measures output per person in a given time period • If productivity increases then fewer resources are used and the average cost of production falls • This enables prices to be cut and a competitive advantage gained which increases sales • Or, price can be maintained and profit per unit increased • Either way the labour becomes more valuable to the employer and is rewarded by increased pay • Extract D shows both productivity and wages increasing in Sweden over the same time period • With less productive labour pay is likely to be lower • However, productivity is not just increased by labour alone • Technology and innovation have greatly increased productivity • They have also replaced labour in terms of both quantity needed and skills needed thus decreasing wages in some cases • Wages are also dependent on other factors such as demand and supply and imperfections in the labour market such as unions or professional bodies	(10)

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Question Number	Indicative content	Mark
1 (c)	Knowledge/Understanding 2, Application 2, Analysis 4, Evaluation 4 • Skills shortages occur when employers cannot find enough workers with a particular skill such as IT (extract A) • This lack of supply coupled with the demand increases the price of labour with this skill • In other words, wages and costs both rise • If the price of the good or service is also increased to maintain profitability then domestic goods may lose a competitive advantage to cheaper foreign substitutes • It may not just be a case of cost, new industries that require new skills may find it hard to recruit • Output is restricted and may lag behind other countries which can be crucial in establishing a competitive advantage • Without the right skills innovation and technological change can be hampered, once more restricting competitiveness • Extracts A and B show how Sweden and America are both struggling with skills shortages • However, governments can intervene with policies to improve the level and quantity of skills available in the labour force • Education and training is one such way with governments currently encouraging technology subjects in schools • Supply-side policies can re-equip the workforce with the new skills needed to gain employment • If migration takes place, it may mitigate the problem in some countries but make it worse in others • Extract C shows that despite skills shortages both the US and Sweden are in the top 10 for global competitiveness suggesting that it may not be an overwhelming problem	(12)

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Question Number	Indicative content	Mark
1(d)	Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6 • The Swedish government can use a range of policies to reduce unemployment by affecting the demand or supply side of the economy • Although extract D shows that the overall trend for unemployment is decreasing it is still between 6% and 7.5% in 2017 • Demand side policies include fiscal and monetary. With fiscal policy, the Swedish government could reduce taxation and/or increase government spending • Reducing taxation increases disposable income and therefore aggregate demand may rise leading to more production which requires more labour and reduces unemployment • Increases in government expenditure such as on education and health, creates a demand for more schools and hospitals boosting the construction industry, then more health and education workers are needed creating jobs and spending power. All of which boosts aggregate demand again • Using monetary policy to reduce interest rates also stimulates aggregate demand as borrowing becomes cheaper for both consumers and firms • However, there is a danger that too much fiscal stimulus can cause inflation. Demand side policies only work if there is lack of demand in the economy and it has the capacity to expand without overheating. • Extract A says that the key problem is skills mismatch with Sweden scoring 9.8 and 10.0 for wage pressure. This suggests that supply side policies are needed to correct the skills mismatch • Sweden could create training programmes for the unemployed to give them the skills they need • The education system needs improving, extract A points to the lack of change in the Swedish education system • Looking at figure 1 in extract D the regular fluctuations in the unemployment figures suggest that seasonal unemployment is a problem and therefore the government might look to creating alternative industries in those months • Extract E suggests that Sweden needs to target particular areas due to the variation in unemployment rates across the country • This suggests structural unemployment which is best tackled by supply side policies targeted at the counties	

	with the highest unemployment rates such as Gävleborg and Södermanland • While these policies might work, they take time to implement and to produce results which does not alleviate the current problem • Extract A also comments on the strict regulation of non-EU workers, if this was relaxed that might be a short-term solution while the long-term supply side policies take effect.	(20)
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Level 2	5-9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10-15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and competing arguments are present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16-20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the questions. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

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Question Number	Indicative content	Mark
2(a)	Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2 • The division of labour involves employees specialising in one part of the production process such as shaping, bonding and sewing the shoes • As they become quicker and more proficient at this task so output increases • This increases productivity and lowers average costs enabling the price of the trainer to be reduced • This is important for <i>Adidas</i> as they operate in a competitive leisure market with rivals such as <i>Nike</i> • Less time is spent on training the employees • However, this repetitive work is boring and workers may become demotivated or make mistakes • Labour is less flexible and absence or illness is more difficult to cover meaning production can slow or halt altogether	(8)

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Question Number	Indicative content	Mark
2(b)	Knowledge/Understanding 2, Application 2, Analysis 3, Evaluation 3 • <i>Intel</i> is moving part of its production to Vietnam • This is FDI and will have both short and long-term impacts on the local labour force • To begin with, construction work of all kinds will be needed. Local firms may be used for building, electricians and other specialist trades will be needed • Once built the factories will need employees thus providing work and income for the local labour force • The income from these jobs will be spent on local businesses which may prosper and create more employment in turn • New skills may be acquired from <i>Intel</i> via technology transfer, local managers and executives may be recruited • Investment by <i>Intel</i> may include infrastructure projects or CSR policies which will benefit local people • However, as extract H suggests, this can be a short-lived benefit. In Malaysia 600 local workers have just lost their jobs • This could happen in Vietnam as <i>Intel</i>, <i>Samsung</i>, <i>LG</i> and <i>Microsoft</i> all compete for workers, this may lead to higher wages and costs causing them to look elsewhere for cheaper labour in years to come • Although all the firms mentioned in Extract H are reputable some MNCs have exploited the local labour force with low pay and/or poor working conditions	(10)

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Question Number	Indicative content	Mark
2(c)	Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4 • The supply chain consists of all the stages from raw materials to finished product. Much of this may be global and undertaken by independent firms beyond the direct control of a firm such as <i>Adidas</i> or <i>Intel</i> • Behaving ethically is following a moral code or doing the 'right thing' with all stakeholders • <i>Adidas</i> and <i>Intel</i> have won in the stop slavery awards • <i>Adidas</i> and <i>Intel</i> both have a strong track record of ethical behaviour • Firms behave ethically for a number of reasons • It may be a simple matter of altruism, the owners/directors believe they have a moral duty to behave ethically • It may be part of their marketing campaign and increase sales because of their positive image • <i>Adidas</i> sells sportswear to the public and particularly young people many of whom are 'ethical shoppers' • Behaving unethically might cause negative publicity and have an adverse effect on sales. <i>Nike</i> still suffers from accusations in the past of using sweatshops and exploiting labour • It may be a combination of all these reasons • However, putting ethical systems into place will be time consuming and costly and will need monitoring and updating • Costs may be lower if the firm is less than scrupulous • Increased costs may reduce profitability causing stakeholder conflict • It is likely that for firms such as <i>Adidas</i> and <i>Intel</i> the long-term benefits of ethical supply chain considerations far outweigh any extra costs incurred in maintaining an ethical supply chain	(12)

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2(d)	Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6 • For many businesses, the labour force is a large part of their operating costs and many businesses will seek to minimise this cost • Outsourcing or offshoring to a low wage economy such as China or Vietnam has been a popular option as with <i>Adidas</i> Extract F • This enables a price reduction which can be an important source of competitive advantage • Labour in overseas markets may be willing to accept working terms unacceptable to home markets such as the 60-hour working week in <i>Apple's</i> factories • Many businesses that outsourced production to China are now moving out to locations such as Vietnam as the cost of labour in China rises thus showing the importance of cheap labour • <i>Intel</i> is moving from Malaysia to Vietnam for this reason • Skills may be just as important or more important than the cost of the labour, that is why <i>Dyson</i> chose Malaysia rather than somewhere with a slightly cheaper labour force • The need for skilled and cheap labour combined, has led many businesses to outsource their IT and software needs to India, or their accountancy needs to Argentina despite the availability of qualified personnel in the home market • However, there are many other factors that influence production location besides labour • <i>Adidas</i> is building its Speedfactories close to its main consumer markets to cut down the time taken to get the shoes from China • With all the high-tech equipment <i>Adidas</i> is using in its Speedfactories less labour is needed and so the cost is less important • Mexico is undergoing a large increase in FDI because it is within the free trade area of NAFTA which enables cheaper and easier access to the lucrative North American markets (also <i>Nissan</i> and EU) • Cheap labour is available in many African countries but political instability and corruption mean they are often avoided • Reliable infrastructure can be important if the nature of the business requires it, one of the factors that	

	influenced <i>Nissan's</i> choice of Sunderland was nearby access to deep water ports. • FDI in India has sometimes been constrained by lack of a reliable power supply • The ease of doing business and government attitudes may also play a part such as Poland and <i>Dell</i> computers • The reality is that a business will not choose a location based solely on one factor. It will be based on a combination of factors the importance of which will depend upon the product or service.	(20)
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