Cambridge International A Level

Cambridge International Examinations
Cambridge International Advanced Level

ECONOMICS **9708/41**

Paper 4 Data Response and Essays (Supplement) **October/November 2014**

2 hours 15 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Section A
Answer **Question 1**.

Section B
Answer any **two** questions.

You may answer with reference to your own economy or other economies that you have studied where relevant to the question.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **3** printed pages, **1** blank page and **1** insert.

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Section A

Answer this question.

Employment in India

1 It is well known that many foreign countries have opened offices in India to take advantage of its low-cost labour force. Less well known is the extent to which Indian firms employ other firms within India to do their work. Compared with other economies most manufacturing firms in India are small when measured by the number of permanent workers. However, they increase their labour force by employing temporary workers from private employment agencies whenever they are needed.

Walk into any of India's new shopping malls and many of the shop workers, caretakers and security staff will be employed by companies other than those of the owners of the mall or the shops within it. These workers are paid as little as half what the permanent workers earn and normally receive few extra benefits, such as paid holidays. Although each state in India has its minimum wage, it applies only to the permanent workers, not to temporary workers.

Fig. 1:
Temporary workers as a percentage of all workers in India

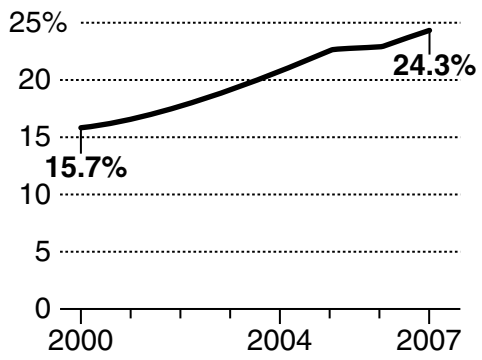


Table 1:
Percentage of all firms with fewer than ten permanent workers, in 2007

China	4%
U.S.	11%
South Korea	13%
Poland	18%
Italy	26%
India	**89%**

Source: Indian Labour Bureau; OECD

This employment model is also described as unsatisfactory by managers. They say that they have to hire and train temporary workers who have no loyalty to the firm and that finding skilled temporary workers is difficult. They say it restricts the growth of the firm and does not create enough new jobs for the 12 million who enter the labour force each year.

Many economists assert that India's labour laws will continue to restrict growth in the number of jobs. This is not good for India's economy overall, although it does allow private employment agencies to profit from the supply of temporary workers.

Source: extract from New York Times, 2011

(a) Identify **three** reasons why temporary workers in India are disadvantaged compared with permanent workers. [3]

(b) Is the evidence given sufficient to support the statement that 'most manufacturing firms in India are small'? [4]

(c) Distinguish between fixed cost and variable cost and consider how temporary workers and managers would be classified. [3]

(d) Discuss whether the payment of low wages could be good for India's economy. [10]

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Section B

Answer **two** questions.

2 **(a)** Analyse whether there is a difference between:
- the way the effects of an increase in price can be represented using a budget line, and
- the way the effects of an increase in price can be represented using a demand curve based on marginal utility theory. [12]

(b) Discuss what is likely to happen to the equilibrium price and output if a perfectly competitive firm were to become a monopolist. [13]

3 In the recession of 2012, some European firms declared that their profits were not as high as in the previous year.

(a) Explain how, in theory, a firm might try to increase its profits. [12]

(b) Discuss what alternative objectives a firm might have apart from profit maximisation. [13]

4 **(a)** Employment is likely to decrease if wages fall.
Employment is likely to decrease if wages rise.

Consider whether these apparently contradictory statements are true in the analysis of the demand for and supply of labour. [12]

(b) Discuss how wage rates might differ between a perfect and an imperfectly competitive market for labour. [13]

5 An economist stated 'you cannot encourage economic growth, and cut spending and increase taxes at the same time'. *(Source: The Times. 2011)*

(a) Explain the costs and benefits of economic growth. [12]

(b) Discuss whether economic analysis can be used to support the statement of the economist. [13]

6 Government economic policy should be directed to increasing the standard of living – employment, health, education and a sustainable environment. It should not concentrate on fixing prices, raising taxes and regulating bank lending.

Discuss whether there is any truth in this statement. [25]

7 The transfer of some functions of the public sector to the private sector is the best way of ensuring efficiency. It is, therefore, worthwhile.

Is this an argument with which you agree? [25]

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Copyright Acknowledgements:

Question 1 *Indian Labour Bureau; OECD*
Extract from New York Times, published as a supplement in The Observer, 11.12.11
Question 5 *The Times. Times Modern 20.10.11 p5*

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