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Candidate surname					Other names				
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Tuesday 4 June 2019									
Morning (Time: 2 hours)					Paper Reference 9EB0/03				
Economics B									
Advanced									
Paper 3: The economic environment and business									
You must have: Insert (enclosed)								Total Marks	

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

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Answer ALL questions.

SECTION A

Read the following extracts (A to E) and Figures 1, 2, 3, 4 and 5 before answering Question 1.

Write your answers in the spaces provided.

Extract A

Swedish labour market 'tougher than ever'

The labour market in Sweden is under more pressure than any of the other countries included in a new global report and the situation is deteriorating each year. The *Hays Global Skills Index* is a 10-point scale where a score higher than 5 indicates that the labour market is under pressure. This year Sweden scored 7.0 out of 10, compared to last year's score of 6.8. 5

One of the key issues is a 'skills mismatch', meaning that while there are jobs available in Sweden and job-seekers, there is a shortage of people with the skills the labour market demands.

"Companies in the high-skilled industries are struggling to find the right talent and thus wages in these niche industries are peaking," Johan Alsen, Managing Director for *Hays Sweden*, explained in the report. He said that the upwards trend was expected to continue, at least in the short term, due to the lack of changes made to the Swedish education system which could tackle the skills shortage. 10

He also said, "At the same time, other parts of the Swedish labour market are becoming more fragmented as unemployment amongst the lower skilled remains at rather high levels. Wages are decreasing in these sectors as politicians aim to create more jobs for the less-skilled workforce." Vacancies in Sweden rose by 29% in the past year, the third largest rise of the countries included in the study. 15

Sweden's extremely high score of 9.8 in the 'skills mismatch' category shows how hard it can be for employers to find the right people for the job. It scored a 10.0 for 'wage pressure in high-skilled industries', meaning that in skilled sectors such as IT, it has led to a speedy rise in wages, in turn increasing the gap between wages in high-skilled and lower-skilled industries. 20

Sweden has been widely criticised over the past year for strict regulations on work permits for employees outside the EU. Hundreds of non-EU workers with jobs in Sweden, many of them working in the technology sector, have been ordered to leave the country over minor administration errors in their paperwork. 25

(Source adapted from: <https://www.thelocal.se/20171117/swedish-labour-market-tougher-than-ever>)

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Extract B**American factories could prosper if they find enough skilled workers**

A widening skills gap means that over half of new manufacturing jobs in the decade to 2025 may go unfilled. A huge problem is that factories are struggling to find enough skilled workers. The Manufacturing Institute, an industry body, calculates that there will be nearly 3.5 million manufacturing job openings in America in the decade to 2025, but that 2 million may not be filled. 5

Much is being done to address a national shortage of skills. A coalition of research institutes, manufacturers and federal agencies launched the National Network for Manufacturing Innovation in 2014. This public-private partnership aims to speed up the development and adoption of such advanced techniques as 3D-printing and digital manufacturing, and to help train workers in these areas. Continued technological progress will keep manufacturing employment from returning to past levels. However, if firms can find enough skilled workers to use the machines, the sector's output could really take off. 10

(Source adapted from: American factories could prosper if they find enough skilled workers © The Economist - October 2017)

Extract C**The Global Competitiveness Index 2017–2018**

Covering 137 economies, the Global Competitiveness Index 2017–2018 measures national competitiveness – defined as the set of institutions, policies and factors that determine the level of productivity.

Figure 1

Current ranking	Economy	Score	Previous ranking
1	Switzerland	5.86	1
2	United States	5.85	3
3	Singapore	5.71	2
4	Netherlands	5.66	4
5	Germany	5.65	5
6	Hong Kong SAR	5.53	9
7	Sweden	5.52	6
8	United Kingdom	5.51	7
9	Japan	5.49	8
10	Finland	5.49	10

(Source adapted from: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>)



Extract D

Sweden – selected indicators

Figure 2 - Unemployment rate

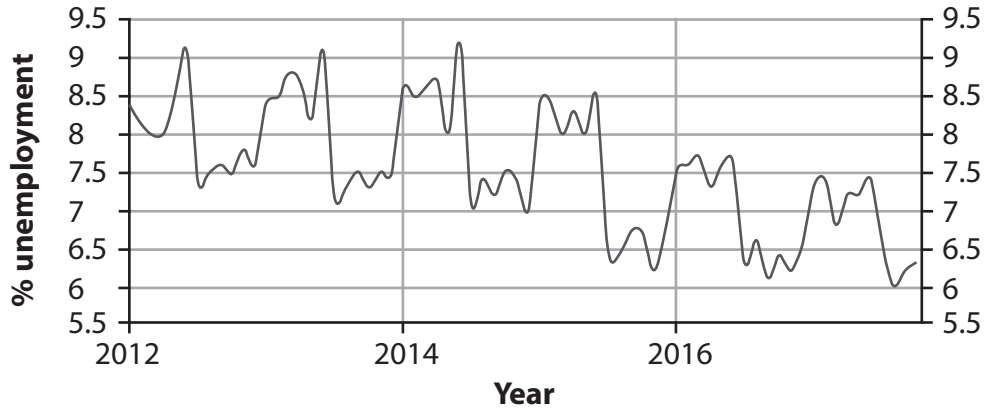


Figure 3 - Productivity

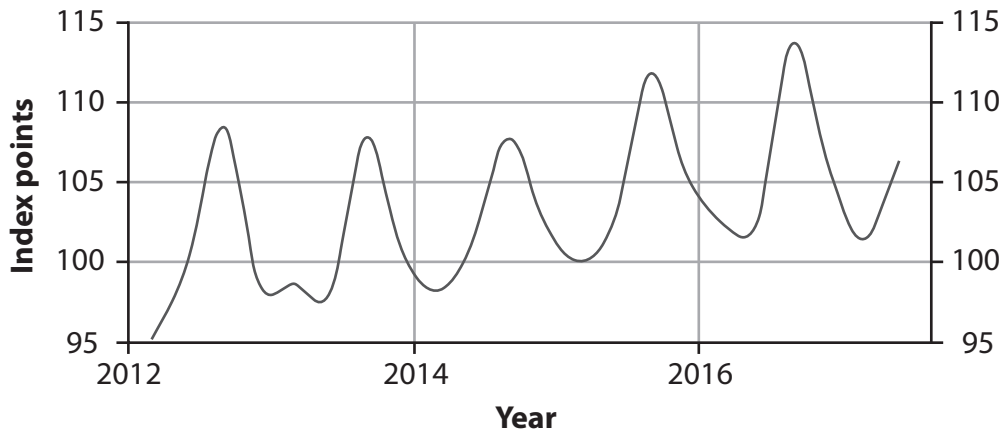
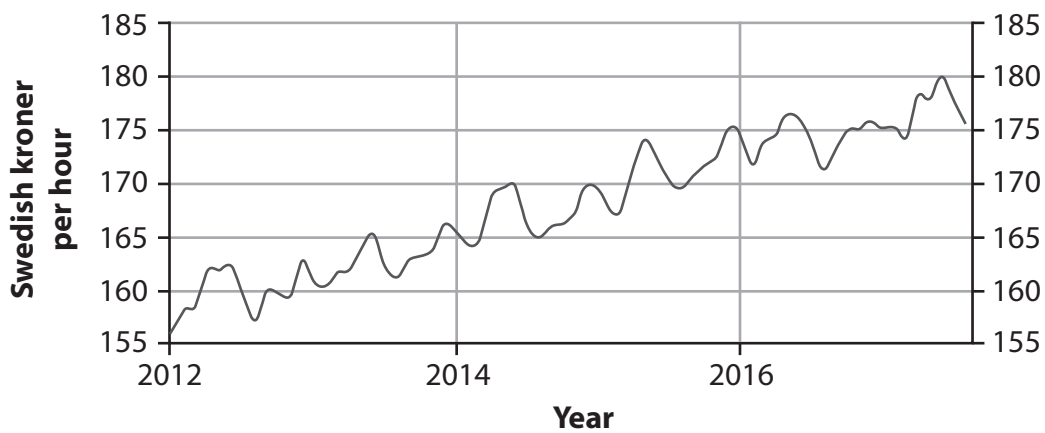


Figure 4 - Wages in manufacturing



(Source adapted from: <https://tradingeconomics.com/sweden/>)

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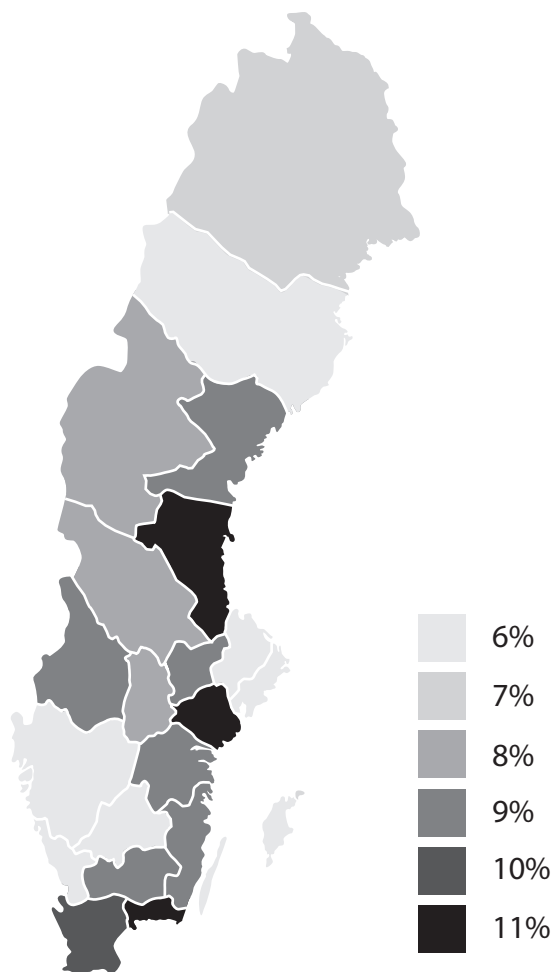
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Extract E**Percentage unemployment in Sweden's counties as of January 2017****Figure 5**

Where you live in Sweden can have a significant impact on your likelihood of being unemployed. While the unemployment rate for Sweden as a whole dropped to 7.8% in January 2017 compared to 8% the previous year, the statistics show that the rate varies between Sweden's 21 counties.

University city Uppsala and its surrounding county has the lowest unemployment rate in Sweden at 5.9%. A short drive north to Gävleborg sees the rate hit 11.4% – the highest in Sweden. Similarly, Stockholm is the county with the second lowest unemployment rate at 6%, but a short drive west to Södermanland sees the rate shoot up to the second highest in Sweden, 11%.

5

(Source adapted from: <https://www.thelocal.se/20170213/this-map-shows-where-youre-most-likely-to-be-unemployed-in-sweden>)



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1 (a) Discuss the possible effect of migration on skills shortages.

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(b) Assess the connection between productivity and wages.

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(c) Assess the impact skills shortages may have on international competitiveness.

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(d) Evaluate the policy options the Swedish government might use to reduce unemployment.

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TOTAL FOR SECTION A = 50 MARKS



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SECTION B

Read the following extracts (F to H) before answering Question 2.

Write your answers in the spaces provided.

Extract F

Adidas's high-tech factory brings production back to Germany

Behind closed doors in the German town of Ansbach a new factory is taking shape. It will use robots and novel production techniques such as 3D printing. What is unique about this factory is that it will not be making cars, aircraft or electronics but trainers and other sports shoes – an \$80bn-a-year industry that has been offshored largely to China, Indonesia and Vietnam. 5

The Speedfactory, as the Ansbach plant is called, belongs to *Adidas*, a giant German sports goods firm. Production began in mid-2017, slowly at first and then increasing up to 500,000 pairs of trainers a year. *Adidas* is constructing a second Speedfactory near Atlanta for the American market. If all goes well, more Speedfactories will be opened in Germany and other countries. 10

Currently, trainers are made mostly by hand in giant factories in Asia, using division of labour, with people assembling components or shaping, bonding and sewing materials. Rising prosperity in many Asian countries means the cost of manual work outsourced to the region is rising. Labour shortages may become a problem. 15

Adidas's motivation for its Speedfactories, however, goes well beyond labour costs. People want fashionable shoes immediately, but the supply chain struggles to keep up. From the first sketch of a completely new pair of trainers to seeing the finished goods in the shops can take as long as 18 months. An order to replenish an existing design can take two or three months unless shoes travel by aircraft at a huge cost rather than in a shipping container. 20

The Speedfactory's main strength is to shorten the supply chain, and so the time taken to get the products to shops is less than a week, perhaps even to a day, once the trainer design is complete.

Adidas claims its new production system is extremely fast and highly flexible. Instead of ordering components that will be assembled into a new pair of trainers, the Speedfactory will instead make most of the parts itself from raw materials, such as plastics, fibres and other basic substances. The machines carrying out this work will be highly automated and use processes such as computerised knitting, robotic cutting and 3D printing. 25

(Source adapted from: Adidas's high-tech factory brings production back to Germany ©The Economist - Jan 2017)

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Extract G***Adidas* leads the way as four companies win the 'Stop Slavery' Award**

Adidas was revealed as the overall winner of the second Thomson Reuters Foundation Stop Slavery Award, which celebrates businesses that excel in efforts to identify, investigate and root out forced labour from their supply chains.

Global fashion retailer *C&A*, US technology company *Intel* and British mutually-owned retail and services group *The Co-operative Group* were the other winners of the annual award designed by Turner Prize winning sculptor Anish Kapoor. 5

With modern slavery increasingly dominating headlines worldwide, businesses are under increasing pressure from both governments and consumers to reveal what actions they are taking to ensure their supply chains are free from slavery. 10

About 25 million people globally were estimated to be trapped in forced labour in 2016, according to the International Labor Organization (ILO) and the human rights group, Walk Free Foundation.

Adidas, the world's second-biggest sportswear firm, was praised for its transparent audits, strong responsible sourcing guidelines, and robust tools to trace higher-risk supply chains. The sportswear giant was one of the world's first companies to create a role dedicated to fighting slavery, and uses technology to encourage workers to speak out about any abuses. 15

Intel, the world's largest computer chipmaker, was awarded for its innovation. The company has openly discussed its anti-slavery efforts, and refused new business with several suppliers who have failed to implement measures to combat forced labour. 20

(Source adapted from: <https://www.voanews.com/a/adidas-leads-way-as-four-companies-win-stop-slavery-award-/4117648.html>)

Extract H***Intel* to move part of production from Malaysia to Vietnam**

US-based chipmaker *Intel Corporation* will relocate a part of its production facility in Malaysia to Vietnam and China in an effort to cut labour costs. The relocation of the *Intel* plant in Kulim, Malaysia to facilities in Vietnam's Ho Chi Minh City and China's Chengdu will result in the layoff of 600 Malaysian workers at the plant. 5

Many technology corporations like *Samsung*, *LG*, and *Microsoft* have also been moving production bases to Vietnam due to its cheap labour and the strategic location of the country as a gateway to the Southeast Asian region.

(Source adapted from: http://www.chinadaily.com.cn/business/tech/2015-06/05/content_20921341.htm)



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(c) Assess the importance of having an ethical supply chain for a business such as *Adidas* or *Intel*.

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(d) Evaluate the importance of the labour force when choosing a location for production.

(20)

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**TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS**



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Pearson Edexcel Level 3 GCE

Tuesday 4 June 2019

Morning (Time: 2 hours)

Paper Reference **9EB0/03**

Economics B

Advanced

Paper 3: The economic environment and business

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Investigating the Economic Environment and Business

Context

This year the context is **labour**.

Research

To prepare for this year's context, you should research:

- the role and importance of labour in production and economic systems
- labour markets: local, national and global
- employment and unemployment
- the impact of government and economic policies on labour
- the changing role of labour: past, present and future.