



# Cambridge Pre-U

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**ECONOMICS**

**9772/01**

Paper 1 Multiple Choice, Short Answers and Data Response

**For examination from 2020**

SPECIMEN INSERT

**2 hours 30 minutes**

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**INFORMATION**

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.



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This syllabus is regulated for use in England, Wales and Northern Ireland as a Cambridge International Level 3 Pre-U Certificate.

This document has **4** pages. Blank pages are indicated.

**Extract 1****A good 'job', if you can afford to pay for it!**

An intern is someone who works in a temporary position with a focus on 'on-the-job' training rather than merely employment, making it similar to an apprenticeship. An internship may either be paid, unpaid or partially paid.

In the UK there has been a steady growth in the number of internships offered by firms, often, though certainly not exclusively, to recent graduates. Many university students also secure internships during summer vacations with the clear hope that this will put them at an advantage when firms come to undertake recruitment. It is estimated that up to a third of all interns receive no financial payment whatsoever and many others receive just 'expenses', aimed at covering any travel and other miscellaneous expenses incurred in undertaking the internship, but certainly not aimed at providing a living wage. There are examples, particularly in the world of the arts and media industries, where unpaid internships can last for 12–18 months. 5 10

There has also been a steady growth of agencies specialising in finding internship placements for individuals. These agencies charge fees, usually in the region of several hundred pounds, to arrange these placements.

It is clear that, if undertaking an internship does put an individual at an advantage when it comes to entering the job market, those who have access to private finance are at a great advantage. It is also clear that there is a benefit to firms in reducing the information failure generally encountered in the recruitment process. For both of these reasons, it could therefore be argued that it should become a legal requirement for all interns to receive the National Minimum Wage. 15

**Extract 2**

It is now well over a decade since the National Minimum Wage (NMW) was introduced into the UK by the Labour Government in April 1999. The initial rate was £3.60 per hour for those workers aged 22 and over. According to the Office for National Statistics, at that time 8.3% of the workforce was receiving less than the relevant NMW rate. In the run up to its introduction there was considerable opposition from both the business community and the Conservative Party. There were reports that up to 80 000 jobs would be lost over the next two to three years, from an initial workforce in 1999 of 23 million. However, these fears never materialised and indeed within 18 months the Conservatives had withdrawn their opposition to the NMW. 5

The NMW rates have increased on an annual basis and by 2010 had reached just below £6 per hour – a significant rise in real terms. There is always a balance that needs to be made between the demands of trades unions for the rate to be increased and from employers to keep rates where they are. Similarly it is important that the benefit system should be considered when setting NMW rates, so as to avoid creating poverty traps of the sort that were common before the NMW. This was also considered in the 2010 consultation paper '21st Century Welfare', in which the Government reviewed the whole issue of benefits and work and clearly set out their position with the statement: 10 15

'The key must be to break the cycle of dependency. We must make sure that work pays, even for the poorest.'

The NMW system has been based on the age of the worker from the start and indeed until 2004 there was no NMW for those workers under the age of 18. The justification for paying younger workers less is based on the belief that they do not have the experience and hence will need more supervision and training. It has also been argued that there needs to be encouragement for firms to take on young workers, as employers are often more wage sensitive when it comes to recruiting young people. This is particularly important in times of high youth unemployment. However, those who were on full-time training schemes were exempt from the legislation and hence many young workers ended up not being covered by the legislation. This changed on 1st October 2010 when for the first time an Apprentice Minimum Wage of £2.50 per hour was introduced for those under 19 and for those over 19 in the first 12 months of their apprenticeship. This was intended to give some protection to such workers and to ensure that firms did not try to prolong apprenticeships too long, in an attempt to avoid coming under the NMW legislation.

However, there has been a rise in recent years of firms offering training in different formats, rather than through an apprenticeship, in an attempt to find other ways of avoiding having to pay young workers a decent wage.

### Appendix 1

|              | Adult Rate<br>(for workers aged<br>22+ until 2010 when<br>this rate applied to<br>those aged 21+) | Development Rate<br>(for workers aged<br>18–21, 18–20 from<br>1 Oct 2010) | 16–17 Year Olds<br>Rate | Consumer Price<br>Index<br>June 2005 = 100 |
|--------------|---|---|-------------------------|--|
| 1 April 1999 | £3.60   | £3.00   |                         | 92.4                                       |
| 1 Oct 2001   | £4.10   | £3.50   |                         | 94.7                                       |
| 1 Oct 2004   | £4.85   | £4.10   | £3.00                   | 98.4                                       |
| 1 Oct 2007   | £5.52   | £4.60   | £3.40                   | 105.3                                      |
| 1 Oct 2010   | £5.93   | £4.92   | £3.64                   | 115.2                                      |

Source: Low Pay Commission and Office for National Statistics

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