

Quick Answers

Question 1

Explain two influences on what factors of production a firm uses.

Explanations which might include:

- the type of product produced/size of the firm (1) for instance, producing nuclear power is capital-intensive (1)
- the productivity of factors of production (1) if, for instance, labour becomes more skilled, a firm might become more labour-intensive (1)
- the availability of factors of production (1) in some countries there may be shortage of oil or people of working age (1)
- the relative cost of factors of production (1) if capital is relatively expensive, labour-intensive methods of production may be used (1)

Question 2

Explain two reasons why productivity may increase.

- Improvements in education and training (1) would increase the skills of workers (1)
- More capital equipment / investment (1) which may increase the speed / accuracy at which workers work / more efficient machinery (1)
- Increase in wages (1) which will motivate workers (1)
- Lower working hours (1) workers less tired (1)
- Better working conditions (1) less stressed (1)
- Better weather / improvements in the type of crops grown / better feed for animals (1) which can increase agricultural output / which may result from research and development (1)
- Immigration of workers (1) with better skills (1)
- Better healthcare (1) workers fitter (1)

- Successful supply-side policy measure (1) e.g. spending on infrastructure (1)
- Specialisation (1) workers concentrating on particular tasks may produce products more quickly / efficiently (1)

Question 3a

Calculate, using information from the extract, the number of Japanese workers who left work early on Premium Friday in February 2017.

- 2.56m / 2 560 000 (2)
- Correct working: 4% of 64m (66m – 2m) or 2,560 or version of 2.56 (1)

Question 3b

Analyse, using Fig.1, the relationship between the average hours worked and productivity.

- Generally, the shorter the hours worked the higher the productivity (1) inverse relationship / negative relationship (1)
- The expected relationship (1) workers will not be tired and so will be able to produce more per hour / more leisure time may increase efficiency / may be more motivated (1)
- Two countries, France and Germany, have the shortest working hours and the highest productivity (1). Country with the longest working hour
- Mexico, has the lowest productivity (1)
- South Korea is an exception (1), long working hours but higher productivity than Mexico / Russia which have shorter working hours (1)

Guidance

- Expected relationship may be explained in reverse e.g. long hours may make workers tired

Question 4

Explain two reasons why a firm may become more capital intensive as it grows.

- to increase output (1) capital more efficient/productive (1)
- to reduce costs (1) labour costs becoming relatively higher than machines (1) increasing profits (1)
- may be able to take advantage of technical economies of scale (1) specialist capital may become viable for a large firm (1)

Guidance

Accept making more profit may allow a firm to afford more investment in capital.

Question 5

Explain, using information from the extract, two reasons why productivity may have been low in Zambia.

- Low investment (1) e.g. fewer workers might be working with new advanced capital equipment (1).
- Cut in the government spending on training (1) workers may be less skilled (1).
- People living in poverty / poor health (1) more time off work (1).
- Lack of infrastructure e.g. lack of roads / lack of school buildings (1) means greater difficulty getting to work / gaining adequate education (1).
- Only 48% of the population work (1) less people in work (1).
- Life expectancy of only 52.5 years (1) lack of skills / experience (1).

Question 6

Discuss whether or not introducing more capital-intensive production methods will increase a firm's profits.

Up to 5 marks for why it might:

- Machines may introduce more advanced technology (1) increases productivity (1) higher output means firm benefits from economies of scale (1) less workers means

lower labour costs (1) may reduce average costs / (1) may enable price to be lower
(1) revenue will rise (1) if demand is elastic (1).

- Better quality products could be produced (1) increasing demand (1).
- May increase international competitiveness (1) sell more exports (1).

Up to 5 marks for why it might not:

- Machines may be expensive (1) workers may not be trained in their use (1) average costs could rise (1) reducing gaps between revenue and cost (1).
- Machines may break down (1) consequences of breakdown e.g. interruptions in supply (1).
- Initial set-up costs may be high (1) profits are reduced in short-run (1).
- A fall in price may cause revenue to fall (1) if demand is inelastic (1).
- Consumers may prefer handmade/personalised products (1) demand may fall (1).
- Labour may be in large supply (1) resulting in low wages (1).
- Government may subsidise firms to employ workers (1) to reduce unemployment (1).

Question 7

Explain two disadvantages a worker could experience from specialising.

- Monotony / boredom / lower efficiency (1) doing the same task over and over again (1).
- Workers may not develop a range of skills (1) this may limit their earning potential (1).
- Workers may become dependent on other workers (1) this may reduce their earning potential (1).
- There may be a greater risk of unemployment (1) which could lead to lower income / living standards / due to lack of wider skills (1).

Question 8

Explain two benefits a firm can gain by borrowing.

- it can pay running costs / unexpected expenses (1) to enable the firm to stay in business (1)
- it can invest/purchase capital (1) to lower costs/improve efficiency (1) to increase profits (1)
- it can improve products/add new products (1) by spending on R&D (1)
- it can spend on advertising (1) to increase demand/market share (1)
- in a recession, it can help to cover its costs (1) in order to stay in business, e.g. paying wages, covering debts (1)

Question 9

Explain the difference between productivity and production.

- Productivity is the output produced per factor / input, e.g. per worker (1) per period of time, e.g. per hour (1) measure of efficiency / how quickly products are produced (1)
- Production is the total output (1) the process of producing goods and services (1) in a period of time, e.g. per year (1)

Question 10

Explain two reasons why productivity may fall

- Productivity may fall as the result of a decline in the quantity or quality of education/training (1) workers will be less skilled (1)
- A decline in investment (1) workers will work with less equipment (1)
- A decline in wage rates (1) will reduce workers' motivation (1)
- Worse working conditions (1) reduce job satisfaction (1)
- A rise in working hours (1) making workers more tired (1)
- Work may become more repetitive / less interesting (1) which may result in workers becoming bored (1)

- Change in average age of workers (1) e.g. older workers may be less up to date with new technology / younger workers may have received less training / be less experienced (1)
- Higher tax rates in a country (1) may reduce workers' motivation (1)
- Poorer healthcare in a country (1) reducing workers' physical strength / mental alertness (1)

Question 11

Identify two features of a capital-intensive production process.

- Process which relies heavily on capital goods e.g. machines (1) does not use much labour (1) relies less on other factors of production e.g. land (1)