1.32 Transfer Earnings and Economic Rent in Factor Markets: 10-minute Pack

AQA 7136 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer all questions. Short answers may be brief phrases; the final 12-mark question requires full sentences. No calculator is needed.

1 State two labour-market factors, other than supply elasticity, that increase the likelihood of a worker receiving significant economic rent in the UK.

(Total for Question 1 is 2 marks)

2 Short explanation: Why does geographical immobility of labour tend to raise economic rent for workers whose skills are in demand in one UK region but not in others?

(Total for Question 2 is 2 marks)

3 Define 'transfer earnings' for a UK worker, and give one brief example of a transfer earning in a particular occupation.

(Total for Question 3 is 2 marks)

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Mark scheme · 1.32 Transfer Earnings and Economic Rent in Factor Markets: 10-minute Pack

Question 1

factor 1: genuine scarcity of the skill or high barriers to entry such as long training requirements **B1**

factor 2: uniqueness or non-transferability of the worker's skills to other jobs or locations **B1**

Answer: Examples: scarce skills/long training requirements, and skills that are unique or not easily transferable to other jobs.

Question 2

states that immobility prevents workers from moving to equalise wages across regions **B1**

explains that restricted movement keeps supply low in the high-demand region, increasing the local economic rent **B1**

Answer: Because immobility prevents labour moving to reduce local shortages, supply stays low where demand is high and wages there include higher economic rent.

Question 3

transfer earnings are the minimum payment necessary to keep a factor, such as a worker, in its current employment **B1**

example: the minimum annual salary a newly qualified primary school teacher would accept to remain teaching rather than switching to another job **B1**

Answer: Transfer earnings are the minimum payment needed to keep a worker in a job. Example: the lowest acceptable salary for a newly qualified teacher to remain in teaching.

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