

X236/12/02

NATIONAL
QUALIFICATIONS
2015

WEDNESDAY, 27 MAY
10.50 AM – 12.05 PM

MODERN STUDIES
HIGHER
Paper 2

Summary of Decision Making Exercise

You are an independent policy researcher. You have been asked to prepare a report for the UK Government in which you recommend or reject a proposal to replace the UK's National Minimum Wage (NMW) with the Living Wage (LW).

Before beginning the DME Q5, you must answer a number of evaluating questions (Q1–4) based on the source material provided. The source material is:

SOURCE A: A wage to live on

SOURCE B: Too big a burden for business

SOURCE C: Statistical Information



SOURCE A: A WAGE TO LIVE ON

In 1999, the National Minimum Wage (NMW) was introduced by the Labour Government. Its aim was to end poverty wages. This legal minimum is reviewed every year by the Low Pay Commission. In October 2014, it was raised from £6.31 per hour to £6.50 per hour. Lower rates are also set for younger workers. When compared to
5 other developed countries, the UK's NMW is one of the lowest and in recent years it has failed to stop the number of people in low paid jobs from rising. This has led to calls from many politicians, trade unionists and some businesses to replace the NMW with the Living Wage (LW) which is currently £7.85 per hour (£9.15 in London).

Supporters of the LW argue that the best way to tackle poverty and social inequality
10 is by increasing pay rates, meaning that people will be less reliant on benefits. The collectivist approach values a more equal society and the introduction of the LW will make a major contribution to this. It is clear that the UK has become more divided and unequal in recent years. The problems caused by poverty such as ill-health and poor educational attainment, have increased. Constant reform of the tax and benefits
15 system by successive governments has not reduced poverty or the social problems associated with it. The scrapping of some means-tested benefits would be possible. The LW provides a fair day's pay for a fair day's work. It would mean that employers would stop paying poverty wages and benefits to top them up would not be required. Very few believe the LW would push up wages for all employees.

Another benefit of the LW is that some jobs would be better paid and some jobs that
20 were previously hard to fill would become more attractive. Workers would become more committed, loyal, hard-working and valued. Employers would benefit from more stable, experienced and skilled workers. The whole economy would benefit as people would have more disposable income, meaning more goods and services will be
25 demanded, bringing a welcome fall in unemployment. Government finances would also improve as fewer workers would need benefits, reducing the welfare bill. Tax receipts would rise which would reduce our national debt: currently £1.5 trillion (£23 500 for every man, woman and child).

We cannot compete with emerging economies, such as China, in terms of wages.
30 Therefore, the UK must aim to become a high pay, high skill economy. If we are to grow and get ourselves out of our debt crisis, we must pay the LW. The LW would be a major step in ending UK poverty.

Annie Garfield (The Poverty Crisis Group)

SOURCE B: TOO BIG A BURDEN FOR BUSINESS

The UK economy cannot afford to introduce the Living Wage (LW). To burden employers with these extra costs at a time when we are slowly emerging from recession would be madness. The National Minimum Wage (NMW) has steadily increased in recent years. If the LW was introduced it would be the biggest increase yet, much
5 more than increases in the average wage. The NMW has done its job by ending poverty wages. In fact, the UK now has one of the lowest levels of poverty in the European Union. We don't need the LW.

Individuals must be responsible for getting themselves out of poverty; it really shouldn't be the government's job. People should gain more qualifications and work harder so
10 they earn higher wages. Too many people in the UK expect government to support them. We must develop a "can do" culture if we are to progress. Many benefits exist and these should be maintained but only for our most vulnerable groups. Wages are based on a worker's worth. This is determined by their qualifications, skills, experience and level of responsibility. Workers with the fewest qualifications, skills, experience and
15 little responsibility are not worth a large wage increase. The free market decides the price of goods and services, not the government. If the free market decides the price of a TV, then it should also decide how much employers pay their workers.

Those who support the LW including the trade unions must consider its effect on wage-differentials. If low-paid workers get this wage increase then surely it is only fair that
20 workers at every level of pay get a similar increase. If everyone then demands more, there will be an upward spiral of wage costs which will be unaffordable. Jobs will be lost at a time when unemployment is already a huge problem. The trade unions will call for industrial action in protest when in fact, they were partly to blame. Public opinion is certainly in favour of keeping the NMW but the introduction of the LW would cost
25 thousands of jobs in restaurants and hotels as this is where low-paid workers are most likely to be employed. These small businesses could not afford it.

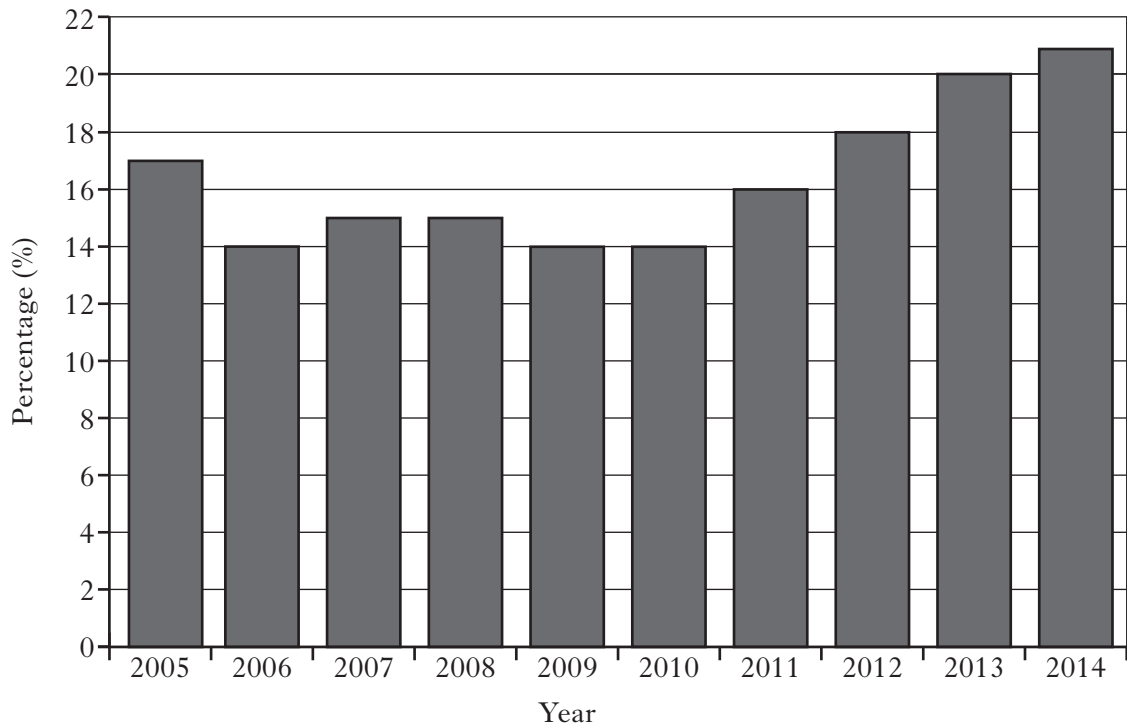
The world economy is dominated by multi-national corporations and is becoming increasingly competitive. These large employers will simply move out of the UK looking for lower wage costs. They will find some countries only too willing to
30 accept their investment as they don't have a NMW or anything like the LW. A huge competitive advantage would be handed to other countries and the LW would make poverty worse, not better.

Victor Brown, business owner

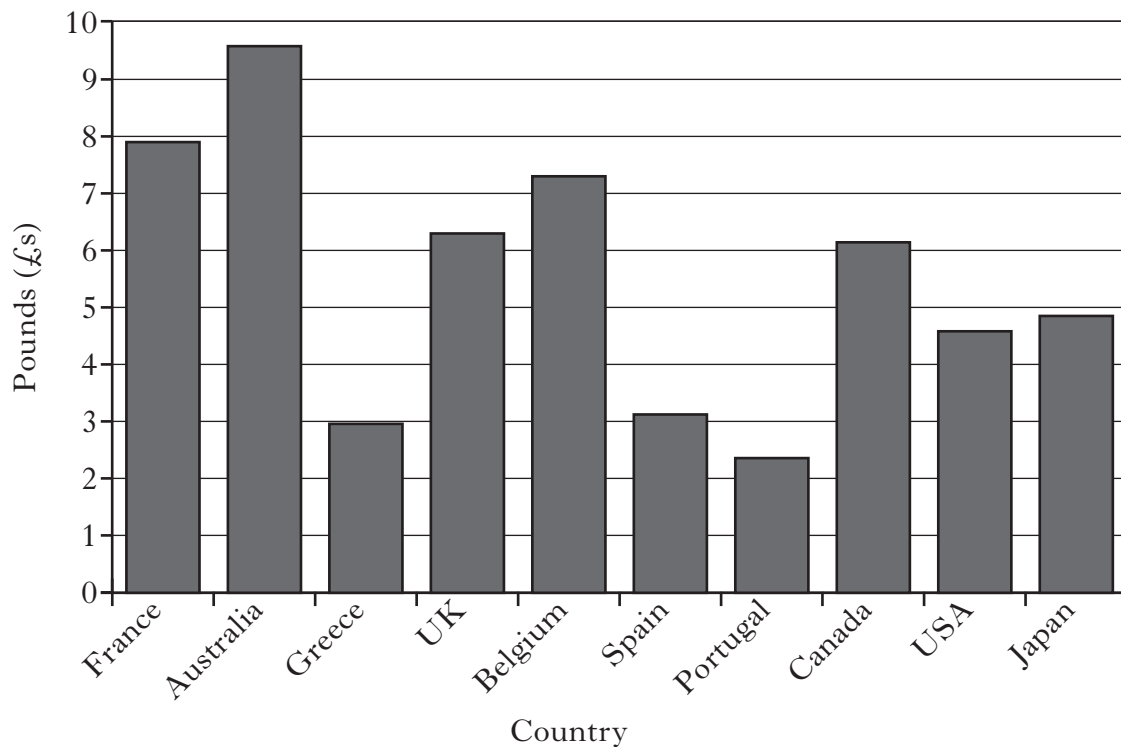
[Turn over for Source C on Pages four, five and six

SOURCE C: STATISTICAL INFORMATION

SOURCE C1 Percentage (%) of UK workers earning less than the Living Wage, 2005–2014



SOURCE C2 National Minimum Wage in selected developed countries in Pounds (£s), 2013



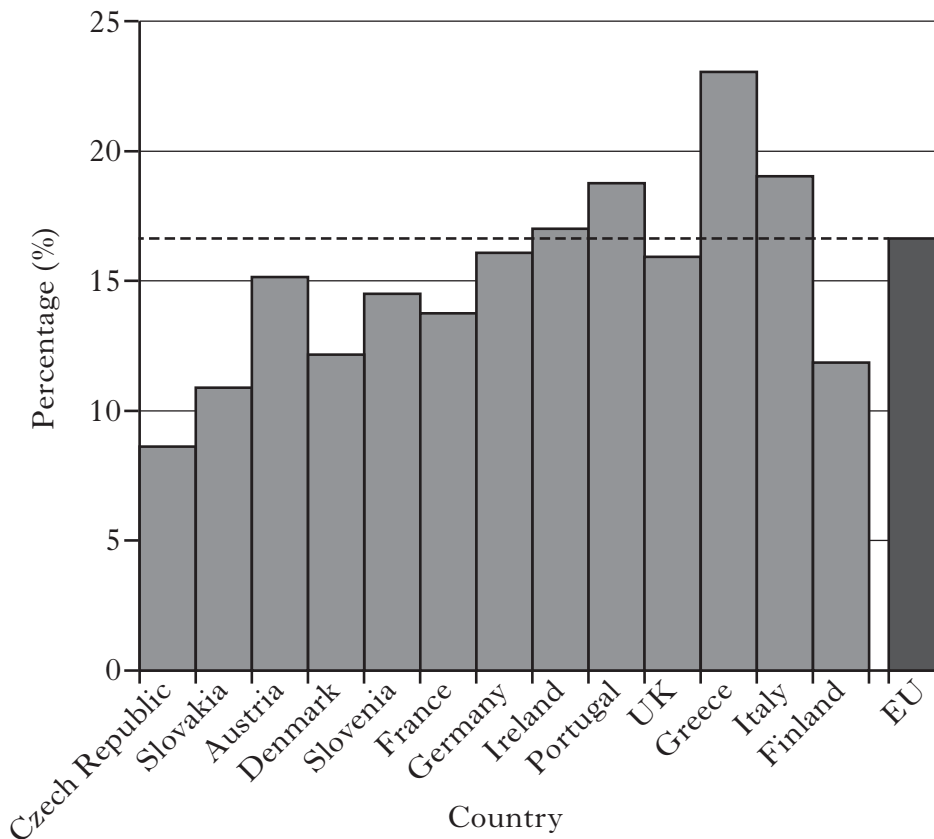
SOURCE C: (CONTINUED)

SOURCE C3 Public opinion survey on the National Minimum Wage (NMW) and the Living Wage (LW), 2014

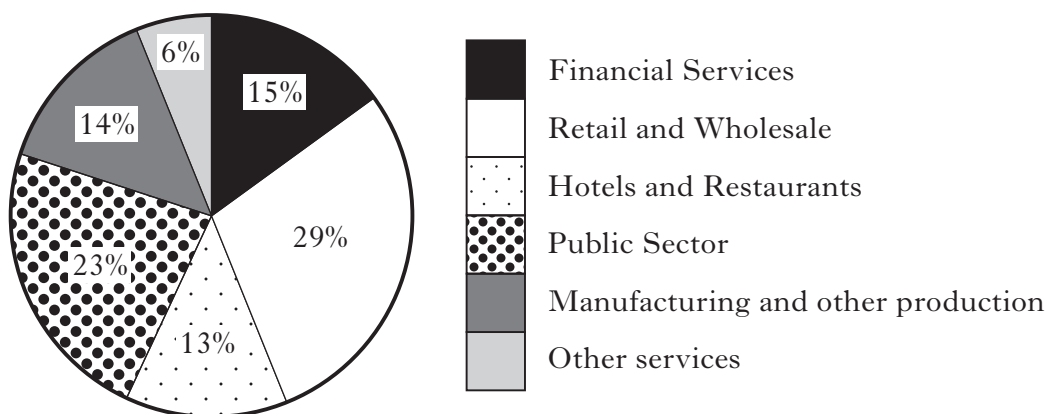
	Yes (%)	No (%)	Don't Know (%)
Q1. Do you think the government should completely abolish the NMW?	6	81	13
Q2. Do you think the government should replace the NMW with the LW?	65	30	5
Q3. Do you think that the introduction of the LW would increase unemployment?	57	28	15
Q4. Do you think wages would be pushed up for all workers if the NMW was replaced by the LW?	53	45	2

SOURCE C: (CONTINUED)

SOURCE C4 Percentage (%) of people living in poverty in selected EU countries, 2013



SOURCE C5 All low paid workers in the UK – by employment sector, 2013



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DECISION MAKING EXERCISE

QUESTIONS

Questions 1 to 4 are based on Sources A to C on pages 2–6. Answer Questions 1 to 4 before attempting Question 5.

In Questions 1 to 4, use only the Sources described in each question.

Question 1

Use **only** Source C1, C2 and Source A.

To what extent does the evidence support Annie Garfield? **3**

Question 2

Use **only** Source C3 and Source A.

Why might Annie Garfield be accused of exaggeration? **2**

Question 3

Use **only** Source C4 and Source B.

Why might Victor Brown be accused of exaggeration? **2**

Question 4

Use **only** Source C3, C5 and Source B.

To what extent does the evidence support Victor Brown? **3**

(10)

Question 5

Marks

DECISION MAKING EXERCISE (DME)

You are an independent policy researcher. You have been asked to prepare a report for the UK Government in which you recommend or reject a proposal to replace the UK's National Minimum Wage (NMW) with the Living Wage (LW).

Your answer should be written in a style appropriate to a report.

Your report should:

- recommend or reject the proposal to replace the UK's National Minimum Wage (NMW) with the Living Wage (LW)
- provide arguments to support your recommendation
- identify and comment on any arguments which may be presented by those who oppose your recommendation
- refer to all the Sources provided

AND

- **must** include relevant background knowledge.

The written and statistical sources which are provided are:

SOURCE A: A wage to live on

SOURCE B: Too big a burden for business

SOURCE C: Statistical Information

(20)

Total: 30 marks

[END OF QUESTION PAPER]