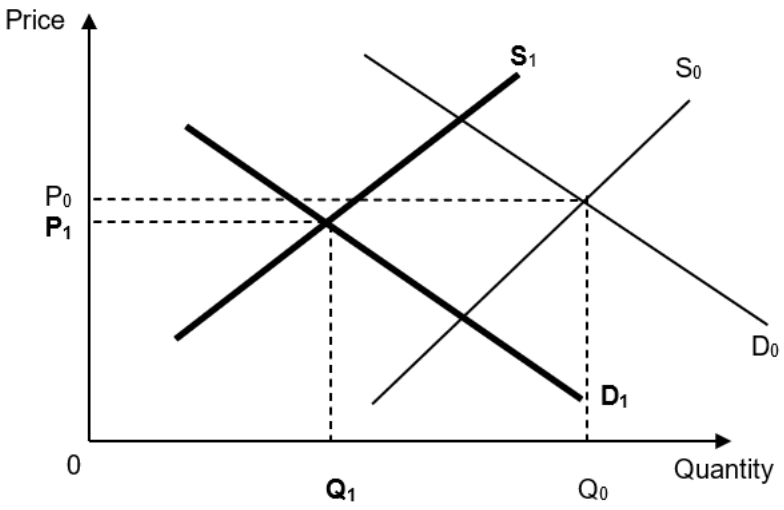
HCI H1 Economics Preliminary Exams 2024 Case Studies Suggested Answers

Question 1: Trends in the market for e-commerce

(a)	With reference to Figure 1 and the concept of 'price sensitivity' mentioned in Extract 1, explain what could have led to the growth in the global e-commerce sales revenue. [4]
	In Extract 1, it was mentioned that "Online shoppers tend to be more price sensitive compared to traditional brick-and-mortar shoppers." This means that demand goods sold through e-commerce could be **price elastic**. **[1]** In Extract 1, "the ease of comparing prices across different online retailers and the abundance of options available make it convenient for consumers to find the best deals". This could be due to **high degree of substitutability** of goods sold online. **[1]** In Extract 1, "consumers are more likely to switch to alternative online stores offering lower prices. In addition, e-commerce firms often use promotions, discounts, and special offers to attract customers and drive sales." A **lower price** leads to more than proportionate increase in quantity demanded. **[1]** **The increase in sales revenue** due to lower prices outweigh that of loss in revenue due to increase in prices. Figure 1 shows an increase in e-commerce sales revenue over the years. **[1]**
(b)	With reference to Table 1, explain the likely value of the price elasticity of supply for the goods sold through e-commerce. [2]
	The likely value of Price Elasticity of Supply (PES) for the goods provided through e-commerce retailers is likely to be more than 1. In other words, the supply of the goods are price elastic. **[1]** This could be explained by the durable nature of the products offered by these online retailers, namely electronics, fashion, toys which allows the online retailers to easily stock up and keep the stocks of good available. **[1]**
(c)	With the aid of a demand and supply diagram, explain one demand factor and one supply factor that could have caused the supermarket industry in China to be left 'high and dry'. (Extract 2) [6]
	In Extract 2, "consumption habits began steadily shifting from in-store to online" and "took away the demand from supermarket by about 12% per year on average". Thus demand fall due to competition with e-commerce (lower price of substitutes in terms of e-commerce goods and services reduce demand for supermarket goods and/or the change in taste and preference) **[2]** In Extract 2, "With rentals and growing wage pressure by an average of 8% per year from 2015 to 2020. This shows that supply for supermarkets goods and decreases due higher cost of production**.[2]**

DD-SS Diagram to illustrate the changes above **[1]**



Explanation of DD-SS diagram **[1]**
SS decreased less than DD decreased (based on the extracts) – with both equilibrium price and quantity decreased

(d)	Explain how a 'stronger Singapore dollar also made the decision to purchase goods from other countries via live streaming affordable' (Extract 3) [2]	
	Stronger Singapore Dollar refers to an **appreciation** of the Singapore dollar **[1]** Singapore importers can buy more goods from other countries (eg. China) for the same amount of S$. This means that **imported goods from the other countries will become cheaper** in Singapore. With a lower price in terms of S$, this will leads to higher quantity demanded for other countries imports. **[1]**	
(e)	**(i)**	"When I watch a live stream, I always get very hungry to buy the item. It's very fun to watch, it fuels your need for it. But sometimes I buy already then regret, because it's fuelled by emotional decisions" Explain why the statement above from Extract 3 is normative. [2]
	A normative statement is a type of statement that expresses a **value judgment or opinion about what ought to be,** rather than what is. It reflects beliefs, ideals, or what is considered desirable, and is often based on ethical, moral, or subjective criteria.**[1]** In the statement above it shows the opinion of the person who expresses her thoughts on the issue of goods that were bought via livestream. **[1]**	

	(ii)	With the aid of a diagram, explain how 'fear of missing out (FOMO)' might lead to an inefficient allocation of resources in terms of imperfect information and comment if government intervention is required. [6]

Extract information and explanation of imperfect information **[2]**

The free market allocates resources efficiently on the assumption that all consumers and producers have full or perfect information about the market and products and hence are able to make **optimal choices** to maximize their welfare. However, in reality this is not true due to incorrect information.

Consumers may make bad choices because they have been "misinformed" or received the wrong information from sellers. Consumers may **overestimate** their **true Marginal Private benefits** from buying goods through livestreaming.

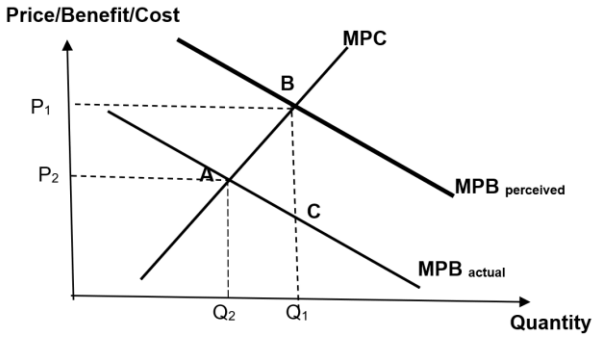
In the Extract 3, Ms Goh mentioned that "sometimes I buy already then regret, because it's fuelled by emotional decisions," and "she acknowledges that she often bought more than what she needs"

Imperfect info diagram with explanation of overconsumption/deadweight loss in the diagram **[2]**

- With **imperfect information**, consumer **demand** is **higher** and **Q_1** represents the free market equilibrium output where **MPC = MPB** $_{\text{perceived}}$.
- The optimal level of market equilibrium outcome of **Q_2** units of goods and services is now truly the private optimum because at this level of output: **MPC= MPB** $_{\text{actual}}$

Impact on Society's Welfare

- By increasing consumption from Q_1 to **Q_2 ,** Area Q_1Q_2AC is the additional total private benefit gained while Area Q_1Q_2AB is the additional total private cost incurred. Since total private cost gained exceeds the total private benefit incurred, **area ABC** represents the **deadweight welfare loss** due to **over-consumption of $Q_1 - Q_2$**. Hence there is market failure when imperfect information exists.



Comment **[2]:** Candidates may argue if government intervention is required or not. For example, in Extract 3, livestreaming is seen an integral part of a wider e-commerce landscape such as in China. It may bring in considerable economic advantages and possibly

	tax revenue for the government. The government may be reluctant to intervene based on the advantages to the economy. Candidates may also argue for stricter rules to be imposed by the government if "livestreaming" may result in significant mis-information on the part of the seller to gain greater sales. It may create substantial social and economic disparity if not properly regulated.
(f)	With reference to the data, assess if standard of living for an average resident have improved with the rise of e-commerce. [8]
	E-commerce has significantly transformed how residents shop, work, and interact with the economy, ultimately influencing their standard of living. **R1 – E-commerce has affected material standard of living** **Increased Convenience and Accessibility**: E-commerce platforms allow residents to shop from the comfort of their homes, making it easier to access a wide variety of products and services worldwide. This convenience can save time, reduce transportation costs, and provide access to goods that may not be available locally, particularly for those living in remote or rural areas. **Cost Savings**: Online shopping often offers competitive pricing, discounts, and promotions not found in physical stores. The ability to compare prices across multiple platforms enables residents to find better deals, contributing to cost savings and a higher consumer surplus **Employment Opportunities**: E-commerce has created new job opportunities in logistics, customer service, and digital marketing. For residents, this can mean improved job prospects and a higher income levels. (Candidates may link the growth of e-commerce to increases in real GDP per capita and higher consumption levels) **Evaluation**: However, the rise of e-commerce has contributed to the decline of traditional brick-and-mortar stores, leading to job losses in retail sectors that cannot compete with online platforms. This can negatively affect the standard of living for residents who lose their jobs and may struggle to find new employment. **R2 – E-commerce has affected non-material standard of living** **Environmental Impact:** Increased e-commerce activity can lead to higher levels of packaging waste and emissions from delivery services resulting in negative externalities. This environmental impact can affect the third parties who are not involved in e-commerce transactions, particularly in terms of pollution of the environment. **Excessive Spending**: The convenience and constant availability of online shopping can lead to impulsive purchases, potentially resulting in financial and mental strain. Easy access

to credit or “buy now, pay later” schemes can exacerbate this issue, affecting the financial as well as psychological well-being of residents.

Digital Divide (Inequity): Not all residents have equal access to the internet or digital devices, which can lead to disparities in benefiting from e-commerce. Those without reliable internet connections or the necessary digital skills may find themselves excluded from the advantages of online shopping, potentially widening economic and social inequalities.

Evaluation: Some consumers may find psychological satisfaction by watching livestreams or finding a ‘bargain’ in e-commerce activities.

Conclusion

E-commerce can positively impact the standard of living by providing convenience, cost savings, and access to a broader range of products and services. However, its benefits are not uniformly experienced by all residents, and there are potential downsides, such as job displacement, environmental concerns, and the risk of financial strain.

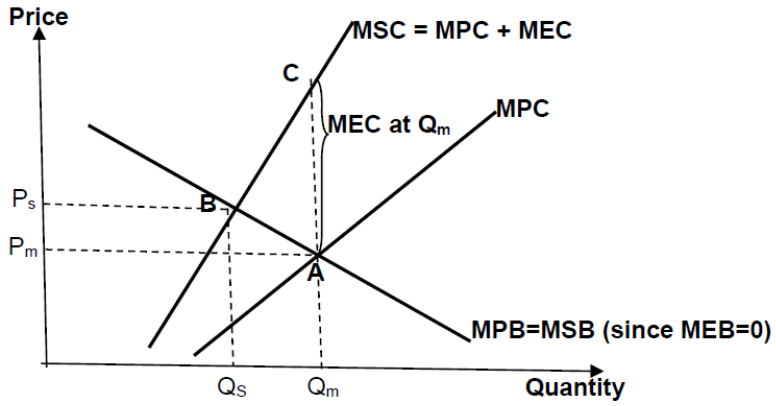
L2	**Breadth:** R1 – analyse how e-commerce affects material standard of living. R2 – analyse the e-commerce affects non-material standard of living **Depth**: Appropriate use of tools of analysis, relevant economic concepts and application of extracts/data	4-6 marks
L1	Lack in any L2 criterion	1-3 marks
Ev	Substantiated final judgment or appropriate evaluations	0-2 marks

(g)	Discuss why government regulation is required in plastic packaging used in the e-commerce and the extent to which the use of eco-friendly plastic alternatives is able to reduce plastic waste in the industry. [10]
	Question Requirement: The first requirement is to explain the source of the market failure in terms of negative externalities. The second requirement is to explain if the policy of using alternative material to reduce the demand for plastic packaging. **R1: Market Failure created by the negative externalities of using plastic packaging.** There is negative externalities arising from usage plastic packing. **Marginal Private Cost (MPC)** measures the cost of plastic packaging usage such as the cost of raw material and

labour. **Marginal Private Benefit (MPB)** measures the benefit to consumers from using plastic packaging such as convenience derived in the delivery of their items purchased online.

In the free market, the equilibrium output is where **MPC = MPB at Qm.**

However, usage of plastic packaging vehicles generates external costs to third parties, as stated in Extract 4 where "plastic leakage to the oceans and those who depend on them for livelihood". There could be significant impact on health due to the consumption of polluted fisheries and that could affect the livelihood of fishermen. The healthcare costs incurred by the third parties are borne by them and not compensated by the users of plastic packaging consumers. Hence such external costs are unpriced by the market and not reflected in the MPC which only reflects the private costs.



In Figure above, external costs cause a divergence between private and social costs, with MSC lying above MPC as MSC = MPC + MEC. The market does not price in the true costs or social costs thus the socially efficient outcome should take into account the full costs and benefits to society of an additional unit of plastic packaging used. Hence the socially efficient quantity of vehicle usage to maximise social welfare is at **Q_S where MSC = MSB.**

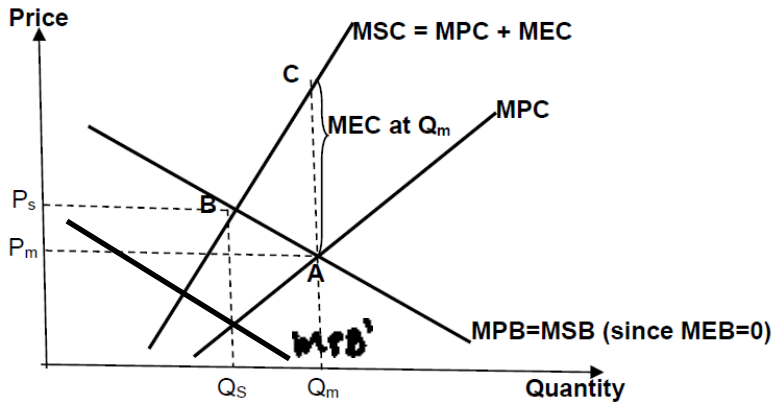
However, if left to the free market, equilibrium price is Pm and output Qm. Hence, there is an over-consumption of Qm – QS units of plastic packaging and an over-allocation of resources.

The over-consumption of ($Q_m - Q_S$) units add more to cost than benefit**.** Area Q_mQ_SBC is the total social cost incurred while area Q_mQ_SBA is the total social benefit gained. Since total social costs incurred exceeds the total social benefits gained, area ABC represents the **deadweight welfare loss** due to over-consumption of $Q_m - Q_S$.

Evaluation: Even though there could negative externalities that arises, government may not intervene due to several considerations such as job losses, reduced competitiveness, or the relocation of industries. In addition, pollution that occurs in across national borders such in international waters may add to the complexity as different governments have varying interests, levels of economic development, and capacities to intervene.

R2: policy of using alternative material to reduce the demand for plastic packaging.

With policy of using eco-friendly plastic packaging either by incentives or encouragement by the government, it would cause the demand for plastic packaging to fall. Thus MPB for plastic packaging shifts leftwards from MPB to MPB' to achieve Qs, causing the deadweight welfare loss to be reduced.



Evaluation: The extent of the fall in demand for plastic packaging depends on the degree of substitutability between the two materials. If eco-friendly plastic alternatives proved to be too expensive and not well received, decrease in the demand for plastic packaging would not be significant. Thus the issue of negative externalities and deadweight welfare loss would still be present.

Conclusion

The growth of e-commerce will inevitably see the increase in the use of cheap and affordable plastic packaging. The implication is that this plastic waste would be issue that would have to tackled by governments since this would negative effects would only get worse. There are several options that are available for governments to use as a form of intervention, and the substitution to eco-friendly alternatives would only be credible if they are proven to be as cheap and reliable as the usual plastic packaging.

L2	**Breadth:** R1 – analyse how negative externalities is affected due to plastic packaging R2 – analyse the eco-friendly plastic alternatives reduces demand for plastic packaging **Depth**: Appropriate use of tools of analysis, relevant economic concepts and application of extracts/data	4-7 marks
L1	Lack in any L2 criterion	1-3 marks
Ev	Substantiated final judgment or appropriate evaluations	0-3 marks

Question 2: The Australian Economy

(a) (i) Using the economic indicators in Figure 2 and 3, explain how they demonstrate that Australia has experienced a recession along with a deflation in 2020. [4]

A (technical) recession is defined as **two consecutive quarters of negative GDP growth**. In Fig 2, when Australia's **GDP growth rate turns negative 6% in the year 2020**, it indicates a fall in Real GDP for more than 2 quarters due to the pandemic. **[up to 2 marks]**

On the other hand, in Fig 3, corresponding to the recession in 2020, the **inflation rate turns negative 2% in 2020.** This implies that there is a **deflation where the General Price Level fell [up to 2 marks].**

(a)(ii) Explain how Gini coefficient is used to gauge income inequality in an economy and using Figure 4, explain how the Gini coefficient is reduced after accounting for government taxes and benefits. [3]

The Gini coefficient is a **measure of income inequality** within an economy, **ranging from 0 (perfect equality) to 1 (perfect inequality). With reference to Fig 4, a** lower **Gini coefficient (after taxes and benefits)** indicates lower income inequality. **[1 mark]**

Government taxes and benefits impact the Gini coefficient by redistributing income. This redistribution of income typically lowers the Gini coefficient, indicating a reduction in income inequality.

Taxes (assuming progressive tax structure) tend to **reduce disposable income** for higher earners**,** while government **benefits** (like transfer payments) **increase disposable income** for lower earners. **[up to 2 marks]**

(b) Use a Production Possibility Curve (PPC) diagram and evidence from Extract 5 to explain how

(i) the COVID-19 pandemic affect actual economic growth; and

Definition - The Production Possibility Curve (PPC) model illustrates the maximum output combinations of two **goods or services that an economy can produce** when **resources are fully and efficiently used**, given the state of technology.

Impact on Actual Growth: [up to 3 marks]

Use of Data + Reduced DD - In the context of the Extract 1, the coronavirus outbreak has adversely impacted actual growth in Australia. The strict social distancing rules (Extract 5) reduced economic activities, leading to a severe contraction in **household spending (C)** on goods and services. ***– can be other components of spending like Investment or Exports***

Reduced Actual Output / PPC - The fall in GDP by '6% in the second quarter' (Extract 5) and rise in unemployment indicates a significant reduction in **resource utilization** and fall in **actual output of goods and services**, which is depicted by a movement away from a point on PPC towards a point within the curve, resulting in a fall in the actual output of the economy. **[elaboration on impact on reduced spending on reduced Actual Growth with reference to diagram]**

Need to present accurate PPC diagram / correct axes to illustrate AG.

(ii) bushfires affect potential economic growth in Australia. [6]

Impact on Potential Growth: [Up to 3 marks]

Use of Data + Reduced FOPs – With refence to Extract 5, potential growth in Australia can be adversely affected by the severe bushfires which leads to **destruction of capital stock/infrastructure/FOPs for tourism**. ***[linking data to QUANTITY of FOPs]***

Reduced PG / PPC – This reduction of quality of FOPs hence leads to a **decrease in the economy's productive capacity, reducing potential output of goods and services in the economy.** This is depicted by an **inward shift** of the entire PPC. ***[elaboration on impact on Potential Output]***

Need to present accurate PPC diagram / correct axes to illustrate PG.

Thus, the combination of these events has negatively impacted both the actual and potential growth of the Australian economy.

(c) Drawing evidence from Extract 5, explain the most significant cause of unemployment in Australia due to the COVID-19 pandemic, and comment on how the nature of unemployment might change in the longer term. [6]

Demand-deficient Unemployment [Analysis – up to 4 marks]

The **most significant cause** of unemployment in Australia in the short-term is Cyclical / Demand-deficient unemployment. ***[identification of type of unemployment]***

As indicated in the Extract 5, it can be attributed to the **sharp decline** in household spending on goods and services **(fall in C),** coupled with the widespread shutdowns of businesses across the country leading to a fall in capital spending (fall in I). ***[explanation of component of AD]***

This **significant contraction** in economic activity indicates a **sharp decline** in aggregate demand. As shown in diagram, when AD falls from AD0 to AD1, real national output falls from Y0 to Y1. Firms suffer from poor sales, face a rise in inventory and therefore **cut back on production**. As labour is a **derived demand**, firms will hire **less workers** or retrench existing workers, hence causing **substantial** demand-deficient unemployment. ***[elaboration of HOW unemployment happens]***

Comment on the long-term implications on unemployment: (Final 2 marks)

Citing evidence from Extract 5 – "Economist Chris Richardson, said … if a person did not regain employment within two years of losing a job in a recession, they were unlikely to ever work again." ***[reference to data is important]***

While some job losses may be temporary and recover as the economy rebounds, the scale of the recession indicates that many jobs may be **permanently lost**, leading to longer-term unemployment issues. **Structural unemployment** can arise **as workers skills-set become obsolete as the recession prolongs and the economy restructures during/post-pandemic.**

(d) Discuss the intended and unintended consequences of implementing 'large-scale fiscal stimulus measures combined with ultra-loose monetary policy' to achieve economic recovery in Australia. (Extract 6) [8]

Introduction

The combination of large-scale fiscal stimulus measures and ultra-loose monetary policy has been a key strategy for Australia to support economic recovery in the wake of the COVID-19 pandemic. This approach is designed to stimulate economic activity, support employment, and ensure macroeconomic stability. However, such policies can have both intended and unintended consequences.

R1 - Intended Consequences (Should cover both DD-side and SS-side effects):

1. Stimulating Aggregate Demand:

- Fiscal Stimulus: Government spending, such as the AUD 507 billion in health measures, JobKeeper Payment, Boosting Cash Flow for Employers, and the Coronavirus Supplement, directly increases aggregate demand. This helps counteract the decline in private sector spending due to the pandemic.

-Monetary Policy: Lowering interest rates to 0.1% and implementing quantitative easing (QE) reduce borrowing costs for businesses and households, encouraging investment and consumption.

- QE (optional) ensures liquidity in financial markets, reducing the risk of a financial crisis. It also lowers long-term interest rates, supporting lending and investment.

The above measures would boost the AD via the multiplier effect and **cause economic recovery**. ***[Use AD-AS diagram to illustrate/explain]***

2. Supporting Employment (SS-side effects):

- The JobKeeper Payment helps businesses retain employees during periods of reduced revenue, preventing large-scale layoffs and maintaining income levels for workers. In terms of analysis – it **reduces COP** for firms and **mitigates cyclical unemployment**. ***[Use AD-AS diagram to illustrate/explain]***

3. Facilitating Economic Recovery (Synthesis for R1):

-**Combined expansionary fiscal and monetary measures** provide a **comprehensive response** to the economic downturn, addressing both demand- and supply-side challenges. This facilitates a **strong economic recovery for the Australian economy stimulating actual growth and reducing demand-deficient unemployment**.

R2 - Unintended Consequences (Any aspects covering BOTH FP and MP):

1. **Inflationary Pressures:**

- Large-scale fiscal stimulus and ultra-loose monetary policy can lead to **higher demand-pull inflation** if aggregate demand outstrips supply. This risk is particularly relevant as the economy recovers and demand picks up and operates near the full-employment output.

- Rising inflation can erode the purchasing power of consumers and lead to higher costs for businesses. Both **jeopardizing rise in AD** thus **hampering economic recovery.** ***[Use AD-AS diagram to illustrate/explain]***

2. *Asset Price Bubbles (Optional point):*

- Ultra-loose monetary policy, including low interest rates and QE, can lead to asset price inflation, particularly in housing and stock markets. This can result in asset bubbles that pose risks to financial stability if they burst.

- Increased borrowing and investment in assets like real estate can drive up prices, making housing less affordable for many Australians.

3. **Public Debt and Fiscal Sustainability:**

- **Large-scale fiscal stimulus increases public debt**, raising concerns about fiscal sustainability in the long term. The government will eventually need to address high levels of debt through higher taxes or reduced spending, which **can adversely impact future economic growth/potential growth.**

- Rising public debt can also **lead to higher interest rates** in the future if investors demand higher returns on government bonds (financial crowding-out effect).

4. Income Inequality and Distributional Effects (Optional point):

- While fiscal measures like JobKeeper Payments and cash flow boosts are designed to support those most affected by the pandemic, there can be distributional effects that exacerbate inequality. For example, asset price inflation can disproportionately benefit wealthier individuals who own assets, while low-income households may not see the same benefits.

- The concentration of benefits among larger firms, as mentioned in the extract, can lead to increased market power and reduced competition, potentially disadvantaging smaller businesses and workers.

Summative Conclusion:

The combination of large-scale fiscal stimulus measures and ultra-loose monetary policy was **intended to stimulate aggregate demand, support employment, and stimulate actual growth during the economic downturn** caused by the COVID-19 pandemic. These measures have been largely successful in achieving these goals, underpinning economic activity and facilitating recovery.

However, they also come with **unintended consequences**, such as inflationary pressures, asset price bubbles, increased public debt, potential inequality, and dependency on government support. Policymakers must **carefully manage these risks** to ensure sustainable and inclusive economic growth. This may involve gradually normalizing monetary policy, implementing measures to address inequality, and ensuring that fiscal policies are sustainable in the long term.

Mark scheme for 8m HOS

ANALYSIS (6m):

Level	Descriptors
L2 (4 – 6m)	• **2 key requirements** are expected. In this case, there should be **clear economic explanation of appropriate intended (R1) and unintended consequences (R2).**

	• To get top marks, the explanation must be **developed using economic tool of analysis and supported by data.**
L1 (1 – 3m)	• Usually for L1, **only 1 requirement** is fulfilled **(only 1 measure is analyzed)** or/and • There is little demonstration of economics concepts though some attempt to address the question or/and with obvious misconceptions. **(weak use of tools of analysis and missing key economic analysis)**

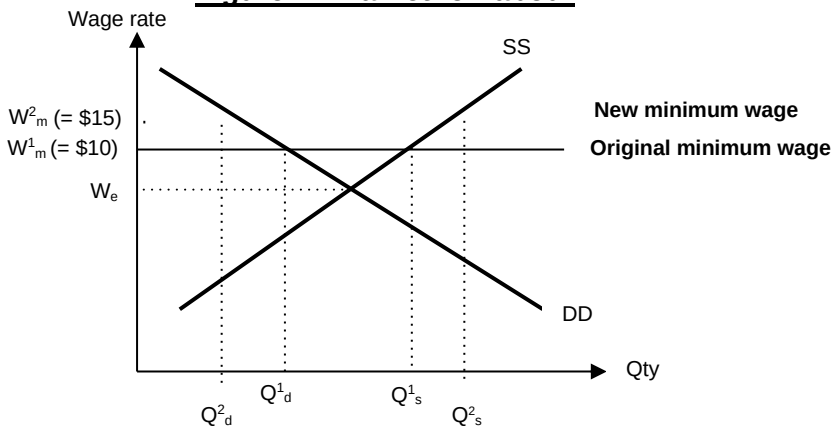
EVALUATION (2m):

Level	Descriptors
E2 (2m)	• Take a final stand on the issue with justifications. E.g. whether intended or unintended consequences are more predominant.
E1 (1m)	• Evaluation on either R1 or R2 only.

(e)(i) Using a supply and demand diagram, explain the effects of increasing minimum wage on the labour market. [3]

Accurate Diagram **[1 mark]**

Figure 1: Market for labour



Explanation of effects on labour market using diagram **[up to 2 marks]:**

After the rise of minimum wage, these are the key effects on the labour market:

- Market wage rate has increased from **W^1m to W^2m** .
- Level of unemployment has increased from **$Q^1s - Q^1d$ to $Q^2s - Q^2d$** i.e. more are unemployed now.

Any other plausible effects are acceptable.

(e)(ii) Using data, discuss whether increasing minimum wage is the best way to achieve inclusive economic growth in an economy. [10]

Introduction

Inclusive growth is economic growth that is **distributed fairly** across society and **creates opportunities** for all. Increasing the minimum wage is a possible but contentious policy tool for achieving inclusive economic growth in an economy.

The extracts from the Australian and Singaporean contexts provide contrasting perspectives on how best to support vulnerable workers and promote inclusive growth.

R1 - Arguments for Increasing the Minimum Wage to achieve inclusive growth:

Provide any of the TWO plausible reason(s) with analytical approach/concepts:

1. Support for Lower-Income Workers:

Australia: Increasing the minimum wage helps the lowest-paid workers, who are more likely to be in 'casual jobs and concentrated in sectors most impacted by COVID-19, such as retail and hospitality'. These workers often cannot collectively bargain and thus depend on minimum wage increases to keep pace with the **cost of living and benefit from productivity and profit gains.**

Possible data to strengthen the argument - *Despite the pandemic, Australian dominant businesses saw a '15% increase in profits', indicating that many firms* ***can afford to pay higher wages****. Dominant firms, like supermarkets and utilities, which have profited during the*

*pandemic, employ large numbers of minimum-wage workers and **could absorb wage increases** without significant job cuts.*

Higher wages would help **address the 'slow wage growth'** that has persisted since the 1930s Depression, providing a **necessary boost to household incomes** and reducing income inequality and achieve inclusive economic growth.

2. Economic Recovery and Demand:

Higher wages can **stimulate aggregate demand** by **increasing the purchasing power** of low-income workers, leading to higher consumption and potentially fostering economic growth.

This increased demand can benefit businesses, especially in consumer-driven sectors, and can lead to a **virtuous cycle of economic growth and employment**.

With increased economic growth – **increased tax revenue can be harnessed** to improve tax and transfer payments for the lower income group (reference Figure 4) – thus enhancing inclusive growth.

EV1 (Any one evaluative point):

1. Employment Effects:

The Australian government argues that higher minimum wages could threaten economic recovery and employment, as businesses might cut jobs if they cannot afford wage increases. This is a common concern in economic theory, where higher labor costs can lead to reduced hiring or increased unemployment, especially among low-skilled workers. This will worsen inclusive growth. This is supported by diagrammatic analysis on Part e(i) where higher unemployment is expected with higher minimum wage.

2. Inflation and Cost-of-living:

Higher wages can contribute to inflation if businesses pass on increased labor costs to consumers through higher prices. This can erode the purchasing power of the wage increase and worsen the cost-of-living concerns. Fall in real wage is especially harmful for the lower income group as a larger amount of their income is spent on necessities.

R2 - Alternative Policy Measure to achieve Inclusive Growth

Reference Extract 8 – Singapore's Skills Upgrading and Training:

The approach focuses on upgrading jobs and skills across **all segments** of society. The focus is on productive employment for all groups rather than on income redistribution as the means of increasing incomes for the excluded.

Investing in continuous education and skill development ensures that workers remain relevant in a changing economy, thereby **enhancing their productivity, employability and earning potential.**

Programs aimed at reskilling and upskilling workers can help mitigate the impact of automation and globalization (reducing structural unemployment alluded to in Part d / Extract 5), fostering long-term economic resilience and **create opportunities for wage growth for lower income workers**.

EV2 - Supply-side measure takes time and government resources as compared to minimum wage revision. The fiscal resource constraints is especially pronounced due to significant spending to deal with the pandemic and for post-pandemic recovery. Furthermore, the success of skills training depends on the attitude and aptitude of the workforce. It will not be effective if the lower-skilled workers are not motivated to upgrade their education and skill level.

Summative Conclusion:

Increasing the minimum wage can be an effective tool for achieving inclusive economic growth in the short-run, particularly in addressing income inequality and supporting low-income workers which is a pressing need. However, it is not a silver bullet and must be complemented by other policies to ensure sustainable and broad-based economic benefits are reaped.

In Australia, given the context of rising business profits and the concentration of minimum-wage workers in sectors with dominant firms, a carefully calibrated increase in the minimum wage could support economic recovery and inclusivity without significant negative impacts on employment.

In Singapore, a broader strategy that includes skills upgrading, job creation, and holistic support for vulnerable workers is emphasized. This approach aims to build a resilient and adaptable workforce capable of thriving in a dynamic economy undergoing structural changes.

Ultimately, the best approach depends on the specific economic context and the ability of policymakers to balance short-term support with long-term economic goals. Combining minimum wage increases with comprehensive policies for skills development and economic innovation can create a better inclusive growth.

Mark scheme for 10m HOS

ANALYSIS (7m):

Level	Descriptors
L2 (4 – 7m)	• In this case, there should be **clear economic analysis of achieving inclusive growth through raising Minimum Wage (R1) vs Skills Upgrading (R2)** • To get top marks, the explanation must be **developed with good economic analysis and supported by an economic tool of analysis.**
L1 (1 – 3m)	• Usually for L1, **only 1 requirement** is fulfilled **(only 1 aspect is analyzed)** or/and

	• There is little demonstration of economics concepts though some attempt to address the question or/and with obvious misconceptions. **(weak use of tool of analysis and/or missing key economic analysis)**

EVALUATION (3m):

Level	Descriptors
E2 (3m)	• Take a final stand on the issue. • In this case, out of the two seemingly plausible policy measures, explain the judgement on which the 'BEST' measure is to achieve inclusive growth.
E1 (1 – 2m)	• Tackled either R1 or R2 only.