

Paper Reference(s)

**4350/03**

**London Examinations  
IGCSE  
Economics**

**Paper 3 – Sources Booklet  
Common to both tiers**

**For distribution to candidates from  
Tuesday 18 September 2007,  
six weeks before the examination on  
Tuesday 30 October 2007 – Afternoon**

**Materials required for examination**

Nil

**Items included with question papers**

Nil

**Instructions to Candidates**

The sources in this booklet will be printed at the end of the examination paper.

You will have 10 minutes at the start of the examination to read the questions and think about how to use the sources to answer them. You will not be allowed to take your own copy of the sources or any notes you have made into the examination.

**Information for Candidates**

There are 4 pages in this booklet. Any blank pages are indicated.

**Advice to Candidates**

The following advice will also be printed in the examination paper.

You should use economic concepts and terms.

You should use diagrams, graphs or tables if appropriate.

You should refer to the sources in your answers, but do not spend time copying large amounts from the sources.

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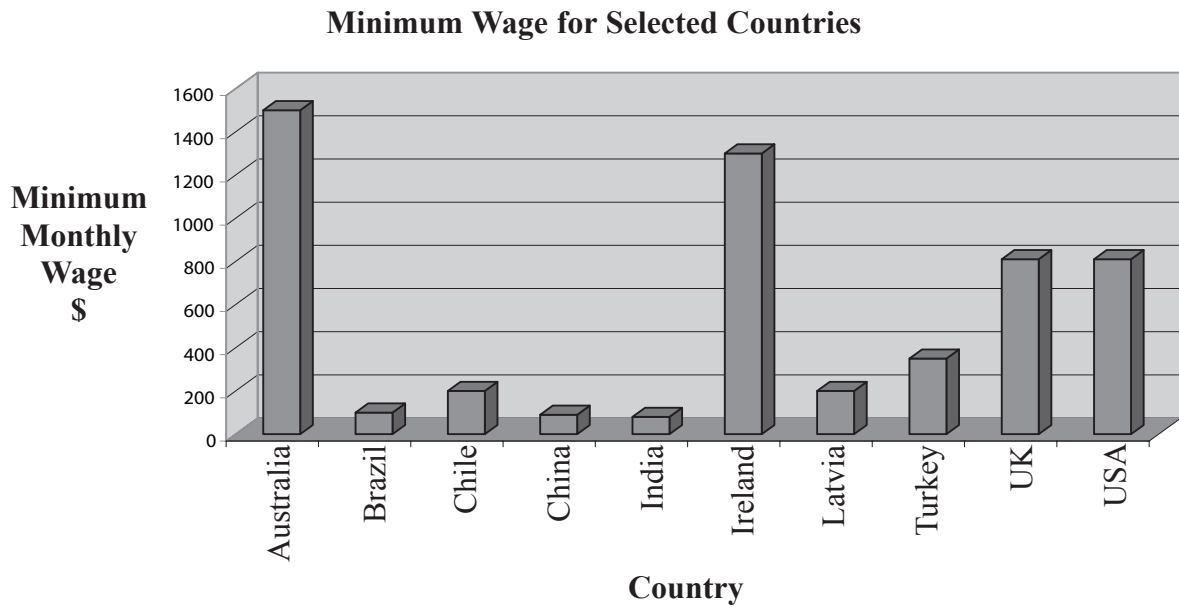
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## SOURCES

### Source A



Source: <http://en.wikipedia.org>

### Source B

#### Comparative pay in Europe and Asia

Employers in Western Europe are looking to save on labour costs. An increasing number are relocating operations to eastern Europe and Asia where wages are lower. In western Europe itself, there are large differences in average weekly pay between countries. The lowest-paying country is Spain, with average earnings at just 58% of those in Germany.

In eastern Europe, pay levels are generally much lower, with the highest rates being approximately 33% of those in Germany. Four countries – Lithuania, Latvia, Romania and Bulgaria – have earnings levels at or below 10% of those in Germany.

Despite being lower than in western Europe, earnings in eastern Europe are still much higher than in many Asian countries. Both India and China are attractive centres for production and outsourcing, with wage costs at or below the lowest levels in eastern Europe.

Source: [www.fedee.com](http://www.fedee.com)

## Source C

### **Wage costs higher in China than India**

A recent report has stated that multinational companies establishing low-cost operations in Asia face higher wage costs in China than in India.

- Average pay rates have risen 11.5% in China in the past five years compared with 7.5% in India.
- Chinese pay was higher for 95% of the jobs considered in the study.
- Chinese skilled production workers earned \$2,334 a year and customer care assistants \$2,418, compared with \$1,853 and \$1,601 in India for the same jobs.

Living costs in Chinese cities are much higher than in India. In Beijing, the Chinese capital, wages for senior jobs, in areas such as marketing and IT, are often double those in India.

Demand for highly skilled Indian workers is increasing faster than supply. This is likely to force up pay rates and narrow the gap between Indian and Chinese earnings.

Source: [www.news.ft.com](http://www.news.ft.com)

## Source D

### **The minimum wage in the UK**

The minimum wage in the UK was introduced in 1997. In 2006 the adult rate was £5.25 per hour.

- Protects workers from exploitation.
- Lifts low paid workers out of poverty.
- Encourages firms to use labour efficiently.
- Encourages unemployed workers to enter the labour market.

## Source E

### **No minimum wage on Guam**

Every business on Guam would love to see every employee earning the highest wage possible. Why? Higher wages would lead to more demand in the economy. There would be more business activity. But the key is that the wage must be earned through more productivity. The highest wage is reserved for the most productive people – no production equals no income for both the company and the employee.

However, a minimum wage will mean:

- fewer people employed, especially the unskilled
- fewer cheap home produced products so more demand for imports
- fewer jobs created
- encouraging firms to substitute capital for labour.

Minimum wages are supported by:

- trade unions as a means of ensuring their members are well paid
- large profitable firms that can afford to pay the minimum wage may see this as a way to destroy small competitors.

Source: adapted from: [www.guampdn.com](http://www.guampdn.com)