Some Hong Kong politicians have strongly demanded legislation which would introduce a minimum wage for low income earners, such as security guards and cleaning workers.

(a) Consider an industry without unemployment when there is no minimum wage. With the aid of a diagram, explain how the introduction of an effective minimum wage would affect

(i) the number of workers employed in that industry. (4 marks)
(ii) the total wage earnings of the workers in that industry. (7 marks)

(b) “A minimum wage should be introduced to protect the interests of low-income workers.” Evaluate this proposal. (7 marks)
The candidate uses a few economic terms to communicate basic economic ideas such as the price floor. Some of the terms are not appropriately used. This indicates that the candidate has a minimal knowledge of economic concepts. S/he uses a supply-demand diagram to analyze the issue but s/he makes minimal use of the diagram to illustrate his/her points. Indeed s/he demonstrates a very limited interpretation of the issue. For example, s/he is able to interpret the effect of introducing an effective minimum wage on the number of workers employed but fails to relate total wage earnings to elasticity of demand.