



## Reading Tests

### Contents:

1. **Brexit:** *The path to Brexit*
2. **The Financial Crash:** *The cause of the 2008 Financial Crisis*
3. **Gig Economy:** *The Gig Economy*
4. **CSR:** *Corporate Social Responsibility*
5. **Globalisation:** *International Trade*

Levels: \*\*\*\*\* B2/C1    \*\*\*\*\* C1

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# Student

**Time:** *Approximately 1 hour*

## Two types of lesson

**Lesson#1:** [Easy] \*\*\*\*\* [B2/C1]

1. Try to predict the content of text / write down key terms / ideas
2. Read text – check words and meanings with a dictionary
3. Answer questions
4. Check answers (pass mark is 70%)

**Lesson #2:** [Hard] \*\*\*\*\* [C1]

1. Read text – no dictionary
2. Answer questions
3. Check answers (pass mark is 70%)

# Teacher

## Two types of lesson

**Lesson#1:** [easy] \*\*\*\*\* [B2/C1]

1. Give out text a week before the test – students read, check vocabulary and meaning.
2. Test day – give out a new copy of text and the questions (no dictionary or notes)
3. Set 1 hour to read text and answer the questions
4. Take in and correct or go through answers in class (pass mark is 70%)
5. Extra activity – students write the summary\* (add 30 minutes to test)

**Lesson #2:** [hard] \*\*\*\*\* [C1]

1. Test day – give out text and questions
2. Set 1 hour to read text and answer the questions
3. Take in and correct or go through answers in class (pass mark is 70%)
5. Extra activity – students write the summary\* (add 30 minutes to test)

## **Summary writing**

Link: [www.academic-englishuk.com/summary](http://www.academic-englishuk.com/summary)



## Brexit: The path to Brexit

### Reading Test

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## The Path to Brexit

C. Wilson (2017)

1) The European Union was formed in the 1950s, specifically under the 1957 Treaty of Rome that implemented the single market for goods, labour, services and capital with common policies on transport and agriculture and to incorporate the creation of the European Social fund and commission. In these early stages it was termed the European Economic Commission (EEC) and was derived of six member states; Germany, France, Italy, Belgium, the Netherlands and Luxembourg. The UK declined an invitation to join. Nevertheless, twenty-two years later the UK was granted **accession** in 1973 and forty-three years later the UK has voted to leave.

2) Since joining the EU back in 1973 there has been significant progress in terms of regulation and policy. The first being 'the Schengen Treaty' in 1985. This treaty **ratified** a borderless zone across member states to include common visa policies and the abolishment of passport controls. The UK refused to sign up to this agreement. The second was 'the Maastricht Treaty' in 1992. This changed the name from EEC to the EU and introduced the single currency of the Euro through the creation of the European Central Bank (ECB) to create a second reserve currency in the world and solely control EU monetary policy to maintain stability. It also developed a better coordination of economic policies and the implementation of European Citizenship. The final development was the Lisbon Treaty in 2007. This improved past treaties but also extended powers of **judicial matters** and European Parliament.

3) At the moment in 2017, the EU consists of 28 states who operate through a single market with standardised laws and EU policies aimed at ensuring the four freedoms of the free movement of goods, services, capital and people with common policies on trade, agriculture, fisheries and **regional development**. The EU is the second largest economy in the world with a combined GDP of \$20.75 trillion, 20% of the global gross domestic product and 30% of the net global wealth of \$223 trillion. The EU is the largest exporter in the world and since 2008 is the largest importer of goods and services. Internal trade is aided by the removal of **tariffs** and reduced border control. According to the Office of National Statistics (2016), the UK pays on average £18bn a year for membership, this equates to £350million a week. In 2016, the UK received a **rebate** of £5bn and the EU spent £4.5bn on the UK, therefore the UK's net contribution is about £8.5bn a year. These costs seem **exuberant** and the true benefits are difficult to calculate against investment. On the one hand, the UK Government (2016) claims that EU benefits provide 4-5% of UK GDP or £62-78bn a year with the single market increasing flows of investment and the free movement of people benefits recruitment and knowledge transfer skills. On the other hand, without EU membership the future is unclear but not necessarily negative due to the fact that this could be a new horizon opening better trade markets outside a controlled single market and investing solely in the UK.

4) The UK and its relationship with the EU has been a **turbulent** affair (Young & Gee, 2016) from the start and there have been numerous calls for referendums. These began just after the accession in 1975 when a referendum to leave was called on the disagreement with the EEC's agricultural policies and budget financing, then again in 1983 when Margaret Thatcher famously negotiated a rebate from being the net contributor to the EU funds. Following that in 1992, the UK suspended its membership over the introduction of the Euro and the exchange rate mechanism. In 2011, the UK prevented the EU Government plans to **levy** banks and restrict London's financial sector. In 2013, David Cameron tried to renegotiate the UK's membership and have greater power of immigration, exclusion from Eurozone **bailouts** and prevent the EU's commitment of 'an ever closer union', which the UK sees as a creation of a super-state Europe controlled by one type of political union. However, the negotiations were not fully met and a referendum was proposed. Finally, in 2016, **trouble in the**

**Eurozone** and the **ongoing migrant crisis** led to the referendum being called for the 23th June 2016. The controlling government 'the conservatives' were divided with the Prime Minister 'David Cameron' supporting remain and two of his leading politicians supporting leave.

5) On Thursday 23<sup>rd</sup> June Britain voted to leave the EU with 51.9% leave and 48.1% remain overall. However, Scotland and Northern Ireland had a majority vote of remain with 62/38 and 55/44 respectively. According to Official Government figures (2016), 34 million people voted equating to a 72% turnout, which was the highest ever turnout in the history of voting. The referendum results suggest the UK is split down the middle in its opinion on the EU. The main arguments for the leave campaign were to regain **sovereignty**, to cut immigration, to remove restrictions of the single market to access global markets and to spend £350 million a week on the UK economy. Economists have analysed the results and found a correlation between the people who voted to leave being a specific social grade (manual, casual workers), non-graduate level of education and the over 60s (pensioners). Also, the main areas that voted leave were places with high numbers of immigrants, high unemployment and **deprivation** from lack of Government funding (mainly the North of England). London on the other hand voted overwhelmingly to remain in the EU (59.9%), which some Economists suggest is because of multicultural areas, a younger population and highly educated residents.

6) The referendum vote was to leave so 'Brexit means Brexit'. Since the vote there has been a change in Prime Minister and a complete pro-Brexit **cabinet reshuffle** to accommodate the new changes. The Government has **triggered** 'Article 50' of the treaty of Lisbon in March 2017. Triggering Article 50, is the formal notification of the intention to withdraw the UK from the EU and the UK has two years to leave from that date. At the same time, all the treaties that govern membership no longer apply to Britain. The terms of exit will be negotiated between Britain's 27 counterparts. The Government has two main choices a 'hard' or 'soft' Brexit. A hard Brexit means to give up full access to the single market, go back to WTO rules for trade and gain full control of borders and laws. And a soft Brexit means keep a similar close relationship with the EU similar to existing arrangements with free access to the Single market, bank **passporting** rights but no seat on EU commission, and this deal must include the four freedoms. Whatever the choice, it is now becoming increasingly evident that the short-term impact is likely to be negative with uncertainties over trade arrangements already affecting the pound sterling. The Bank of England has stated that Brexit is the biggest risk to financial stability in history. However, the main point is that no one actually knows exactly what will happen concerning the implications of Brexit on economic prosperity and the UK's role on the international stage.

### References:

The UK Government. (2016). *European Union Referendum 2016: Briefing Paper No:CBP 7639*. [online] House of Commons. Available at: <http://researchbriefings.files.parliament.uk/documents/CBP-7639/CBP-7639.pdf> [Accessed 10 Jan. 2017].

ONS, (2016). *The UK's EU membership fee*. [online] Office of National Statistics. Available at: <https://fullfact.org/economy/our-eu-membership-fee-55-million/> [Accessed 10 Jan. 2017].

Young, A and Gee, G, (2016). Regaining Sovereignty, Brexit, the UK Parliament and the Common Law. *European Public Law*, 22 (1), 131-147.

## Comprehension questions

### 1. Headings – match a subtitle for each paragraph

1	B	Background history	A	Dissatisfaction with EU policy
2			B	Background history
3			C	The way forward
4			D	Three key treaties
5			E	An analysis of the referendum
6			F	EU Economics

\_\_\_ / 5

### 2. True / false / not given (T / F / NG)

i.	The UK refused to be a member in the 1950's because of the treaty of Rome	
ii.	The UK refused to sign two treaties	
iii.	The UK receives nothing for its net investment of £8.5bn	
iv.	The Eurozone crisis was the main reason for the referendum	
v.	The main reason for the leave vote was from people who felt disadvantaged	
vi.	Hard Brexit is the better solution	

\_\_\_ / 6

### 3. Open questions

i. What are the four freedoms?

1) \_\_\_\_\_ 2) \_\_\_\_\_ 3) \_\_\_\_\_ 4) \_\_\_\_\_

\_\_\_ / 4

ii. What are the key points of each treaty? (fill in box below)

'the Schengen Treaty'	ii)
'the Maastricht Treaty'	iii)
'the Lisbon Treaty'	iv)

\_\_\_ / 3

### 4. EU figures - (fill in box below from paragraph 3 – what do the numbers connect to?)

\$20.75 trillion	i)
20%	ii)
30%	iii)
£18bn	iv)
£350m	v)
£62-78bn	vi)

\_\_\_ / 6

### 5. Dates: UK disagreements with EU – (fill in box below from paragraph 4 – topics of conflict)

1975	i)
1983	ii)
1992	iii)
2011	iv)
2013	v)
2016	vi)

\_\_\_ / 6

**6. Reasons:** Key reasons why people voted leave - (fill in box below – 4 key reasons)

1	
2	
3	
4	

\_\_\_\_ / 4

**7. Types of people:** Who were the main people who voted leave?

1	
2	
3	

\_\_\_\_ / 3

**8. Definition:** What is Article 50?

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\_\_\_\_ / 2

**9. Key language –** explain these terms from the context / synonyms where appropriate

Accession	<i>Ex. Acquisition / to be added</i>
i. Ratified	
ii. Judicial matters	
iii. Regional development	
iv. Tariffs	
v. A rebate	
vi. Exuberant	
vii. Turbulent	
viii. To levy	
ix. A bailout	
x. Migrant crisis	
xi. Sovereignty	
xii. Deprivation	
xiii. A cabinet reshuffle	
xiv. To trigger	
xv. Passporting	

\_\_\_\_ / 15

**Overall Score:** \_\_\_\_ / 54

## **Comprehension Questions ANSWERS**

### **1. Headings** – match a subtitle for each paragraph

<b>1</b>	<b>B</b>	Background history	<b>A</b>	Dissatisfaction with EU policy
<b>2</b>	<b>D</b>	Three key treaties	<b>B</b>	<del>Background history</del>
<b>3</b>	<b>F</b>	EU Economics	<b>C</b>	The way forward
<b>4</b>	<b>A</b>	Dissatisfaction with EU policy	<b>D</b>	Three key treaties
<b>5</b>	<b>E</b>	An analysis of the referendum	<b>E</b>	An analysis of the referendum
<b>6</b>	<b>C</b>	The way forward	<b>F</b>	EU Economics

### **2. True / false / not given**

i.	The UK refused to be a member in the 1950's of the treaty of Rome	<b>NG</b>
ii.	The UK refused to sign two treaties	<b>T</b>
iii.	The UK receives nothing for its net investment of £8.5bn ( <span style="color: red;">hard to calculate</span> )	<b>F</b>
iv.	The Eurozone crisis was the main reason for the referendum ( <span style="color: red;">migrant crisis</span> )	<b>F</b>
v.	The main reason for the leave vote was from people who felt disadvantaged	<b>T</b>
vi.	Hard Brexit is the better solution	<b>NG</b>

### **3. Open questions**

- i. What are the four freedoms? goods, labour, services and capital
- ii. What are the key points of each treaty? (fill in box below)

the 'Schengen Treaty'	i. 1985 borderless zone /no passport controls. UK refused to sign
the 'Maastricht Treaty'	ii. 1992. EEC to EU /single currency /ECB/ European Citizenship.
The 'Lisbon Treaty'	iii) 2007. judicial matters and European Parliament.

### **4. EU figures** - (fill in box below from paragraph 3 – what do the numbers connect to?)

\$20.75 trillion	i) EU GDP
20%	ii) Of Global GDP
30%	iii) Net Global wealth
£18bn	iv) A year UK membership
£350m	v) UK membership a week
£62-78bn	vi) UK Government EU membership benefit

### **5. Dates:** UK disagreements with EU – (fill in box below from paragraph 4 – topics of conflict)

1975	i. Agriculture policy and budget financing
1983	ii. Rebate for being Net contributor
1992	iii. Euro and exchange rate mechanism
2011	iv. Levy banks & restrict Financial
2013	v. Eurozone bail outs / super-state Europe
2016	vi. Trouble in Eurozone / migrant crisis



**6. Reasons:** Key reasons why people voted leave - (fill in box below – 4 key reasons)

1	Sovereignty
2	Immigration too high
3	Single market prevents global trade
4	Spend EU membership just on UK

**7. Types of people:** Who were the main people who voted leave?

1	Manual casual workers
2	Non-graduate level educated
3	pensioners

**8. Definition:** What is Article 50?

Part of the Treaty of Lisbon: formal notification to leave the EU. Takes 2 years.
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**9. Key language –** *explain these terms from the context / use synonyms where appropriate*

Accession	Acquisition / to be added
i. Ratified	Making it officially valid
ii. Judicial matters	Appropriate to a law of court
iii. Regional development	Aid and help to poorer areas in a country
iv. Tariffs	A tax or duty to be paid on exports or imports
v. A rebate	A refund of money
vi. Exuberant	Very high
vii. Turbulent	Conflict not calm
viii. To levy	Impose a tax or fine
ix. A bailout	Give financial assistance
x. Migrant crisis	Too many migrants
xi. Deprivation	Lack of basic amenities
xii. A cabinet reshuffle	To change politician's job roles in a government
xiii. Passporting	The right to financially trade freely in other countries with having a headquarters / a company in that country



## **The Causes of the Financial Crisis 2008**

Reading Test

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## The Causes of the 2008 Financial Crisis

C. Wilson [2017]

1) In 2008 the world experienced the worst financial crisis since the Great Depression (1930s). The severe **magnitude** of the financial disaster became fully evident towards the end of 2007. It had, however, begun years earlier through what many claimed to be the main factor in the crash; sub-prime mortgage lending. The financial crisis of 2007-08 and the aftershocks of the US subprime mortgage crisis of 2007-09 is now considered to be 'The Great Recession'. The US Financial Crisis Inquiry Commission [FCIC] (2011) reported the crisis was avoidable and was caused from widespread failures in regulation of financial institutions and the reckless actions in risk and borrowing. It concluded that key governmental policy makers were ill-prepared and lacked understanding and accountability in the financial systems they oversaw. This article will examine how subprime mortgage lending led to the Great Recession.

2) Towards the end of the 1990s property purchases began to rise. With such growth, lending money for house buying became a profitable business in both mortgages and remortgaging. Traditionally, the house buyer saves up a deposit (down payment – usually between 10% of the house cost) and contacts a bank or mortgage broker, who connects them to a lender, who in turn provides a mortgage based on the grounds of specific criteria (permanent employment, no previous financial **defaults** (a positive credit-score), and the repayment plan being achievable). This is characterized as a 'Prime-mortgage' and the level of risk in lending is extremely low.

3) Throughout 2000 as home ownership became more popular and house prices rose significantly (1997 – 2006 house prices rose by 124% in the US and 186% in the UK (US Spindices, 2016)), lenders began to securitise these mortgages into mortgage-backed securities (MBS) and Collateralized Debt Obligations (CDOs) and then sold them to the investment banking sector. These mortgages were rated by credit agencies into three areas, 'safe', 'ok' and 'risky', and then sold on to the Shadow Banking Sector or investors, non-depository bankers, and hedge funds respectively. However, the prime mortgage market began to become **saturated** due to those who qualified had one.

4) Therefore, sub-prime mortgage lending was introduced in 2002/3 based on the presumption that as house prices continued to rise, if a borrower defaulted on payment, the lender would reprocess the house as equity. Lenders began to add risk to these new mortgages in that no deposit, no proof of income, or no documents were required to obtain a mortgage. An estimated \$3.2 trillion loans were issued to homeowners with bad credit and undocumented incomes between 2002-2007 (FCIC, 2011), and with such a rise deregulation of banking policy occurred to include **fraudulent** automated underwriting processes and credit agencies' standards falling. At the same time 'predatory lending' offered loans at low interest rates or Adjustable Rate Mortgage (ARM) rates, where the consumer was unaware of the contract and associated rates (Krugman, 2009). The sub-prime mortgage process actively encouraged a rise in house prices and a phenomenon known as the '**housing bubble**', where house prices rose much faster than wages making housing unaffordable or people borrowing more than they can repay.

5) The shadow banking sector of Investment bankers, hedge funds and insurance firms all bought into the highly profitable world of sub-prime mortgage backed securities. These highly profitable credit instruments (CDOs), were traded internationally through derivatives and foreign exchange trading and spread across the global financial community. By 2006, 80% of U.S mortgages were subprime loans with an estimated value of \$1.4 trillion (FCIC, 2011) Shadow banking often referred to as **parallel** banking, were not subjected to the same banking regulatory controls. These institutions were vulnerable as they borrowed short-term in liquid markets to purchase long term,

illiquid and risky assets. This meant disruptions in credit markets creating rapid deleveraging, selling long term assets at depressed prices.

6) Interest rates began to rise in 2007, and this was the beginning of the end. The default rates began to increase with many borrowers unable to meet the monthly payments and this in turn meant that MBS and CDOs began to lose value with higher default rates. Concurrently, the housing bubble burst and house prices fell 40% (FCIC, 2011), leaving many people in **negative equity**. However, the most serious effect was a crisis of liquidity and trust that occurred across banks. Lehman Brothers went bankrupt and many more (Merrill Lynch, AIG, Freddie Mac, Fannie Mae, HBOS, Royal Bank of Scotland, Bradford & Bingley, Fortis, Hypo and Alliance & Leicester) were on the verge of bankruptcy and needed to be **bailed out** by Governments. In fact, 21 Banks and 61 hedge funds had been forced to declare bankruptcy in the US alone (Morris & Song, 2008). The remaining banks rose interest rates and stopped lending money which became known as the '**Credit Crunch**' and the led the world into 'The Great Recession'.

7) Since 2008, a number of measures have been created in response **to rectify** the problems. These include financial rescue plans, central bank's monetary policies of lowering interest rates, and Governmental public **stimulus packages**. There are calls for improved market regulation and supervision, which have been met through the Dodd Frank Act (Krugman, 2009). This was the largest reform of the U.S banking sector since WW2. In addition, a new global financial system regulated by the IMF, who should have a broader role in the regulatory system of the world economy, is being implemented.

8) Overall, the financial crisis of 2008 was not just the sub-prime mortgage lending sector. There are a number of other contributing factors that this article has not discussed, but primarily fraudulent greedy banking practice seems to lie at the heart of it. To identify who is exactly to blame is incredibly difficult because the results of **toxic assets** from fraudulent underwriting processes, easy credit conditions, predatory lending, deregulation and over-leveraging all had a significant effect on creating one of the biggest crashes of all time. It seems that everyone was responsible, from government's inability to regulate innovative banking practice, Economists unable to forecast economic collapse, financial institutions exploiting the **complexity** of MBS and CDOs and even homeowners taking on loans they were unable to pay back. The questions that exist, however, are whether it will happen again and are the measures in place sufficient to control and regulate banking practice.

[1003 words]

## **Reference List**

Krugman, P. (2009). *The Return of Depression Economics and the Crisis of 2008*. W.W. Norton Company Limited.

Morris, S. and Song H, S. (2009). Financial Regulation in a System Context. *Brookings Papers on Economic Activity*, 2008(2), pp.229-274. Available at: <http://www.princeton.edu/~smorris/pdfs/Morris-FinancialRegulationinaSystemContext.pdf> [Accessed 24 Dec. 2016].

The financial crisis inquiry report [FCIR]: final report of the National Commission on the Causes of the Financial and Economic Crisis in the United States. (2011). *Choice Reviews Online*, [online] 48(12), pp.48-7034. Available at: [http://fcic-static.law.stanford.edu/cdn\\_media/fcic-reports/fcic\\_final\\_report\\_full.pdf](http://fcic-static.law.stanford.edu/cdn_media/fcic-reports/fcic_final_report_full.pdf). [Accessed 24 Dec. 2016].

Us.spindices.com. (2016). *S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index - S&P Dow Jones Indices*. [online] Available at: <https://us.spindices.com/indices/real-estate/sp-corelogic-case-shiller-us-national-home-price-nsa-index> [Accessed 24 Dec. 2016].

## Comprehension Questions

### 1. Headings – choose a subtitle for each paragraph

1	B	Background history	A	Profitable Trading
2			B	<b>Background history</b>
3			C	Sub-prime mortgage
4			D	<b>Conclusion</b>
5			E	A Prime mortgage
6			F	A new regulatory system
7			G	Mortgage securitisation
8	D	Conclusion	H	The collapse

\_\_\_ / 6

### 2. True / False / Not Given – one question per paragraph

T/F/NG

vii.	The financial crisis began in 2007	
viii.	Prime-mortgages are high-risk	
ix.	In 2000, mortgages were packaged and made into marketable products	
x.	Credit Agencies were unqualified in underwriting processes	
xi.	Shadow Banking sector is the main reason for the financial crisis	
xii.	The government had to take over banks to save them from bankruptcy	
xiii.	The rescue packages have worked in regulating the banking sector	
xiv.	The subprime mortgage sector was the main reason for the financial crisis	

\_\_\_ / 8

### 3. Data - fill in box below– what do the numbers connect to?

10%	i)
186%	ii)
3.2	iii)
80%	iv)
1.4	v)
40%	vi)

\_\_\_ / 6

### 4. Acronyms: write the words for these acronyms

FCIC	
MBS	
CDO	
ARM	

\_\_\_ / 4

Paragraph 1

**5. What were the main causes of the crisis according to the FCIC? (2 key reasons)**

1	
2	

\_\_\_ / 2

Paragraph 2

**6. Three key criteria for a traditional mortgage.**

1	
2	
3	

\_\_\_ / 3

Paragraph 3/4

**7. Why did the sub-prime mortgage sector lending rise?**

1	
2	

\_\_\_ / 2

Paragraph 4

**8. What is 'predatory' lending?**

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\_\_\_ / 1

Paragraph 5

**9. How is shadow banking different from traditional banking?**

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\_\_\_ / 1

Paragraph 6

**10. What was the most serious effect of the financial crisis to the banks?**

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\_\_\_ / 1

Paragraph 7

**11. What are the two measures being put in place after 2008?**

1	
2	

\_\_\_ / 2

Conclusion

**12. What were the key problems associated with toxic assets?**

i	
ii.	
iii.	
iv.	
v.	

\_\_\_ / 5

Conclusion

**13. The overall key problems with these groups were:**

Governments	i. <i>inability to regulate innovative banking practice</i>
Economists	ii.
Financial institutions	iii.
Homeowners	iv.

\_\_\_ / 3

**14. Key language – explain these terms from the context / use synonyms (where appropriate)**

magnitude	<i>A great size / immense / vast</i>
xiv. Defaults	
xv. Saturated	
xvi. Parallel	
xvii. Fraudulent	
xviii. 'housing bubble'	
xix. Negative equity	
xx. Bail out	
xxi. The 'credit crunch'.	
xxii. To rectify	
xxiii. stimulus packages	
xxiv. toxic assets	

\_\_\_ / 11

**Overall Score: \_\_\_ / 55**

## **Comprehension Questions ANSWERS**

### **1. Headings – write a subtitle for each paragraph**

<b>1</b>	<b>B</b>	<b>Background history</b>
<b>2</b>	<b>E</b>	A Prime mortgage
<b>3</b>	<b>G</b>	Mortgage securitization
<b>4</b>	<b>C</b>	Sub-prime mortgage
<b>5</b>	<b>A</b>	Profitable Trading
<b>6</b>	<b>H</b>	The collapse
<b>7</b>	<b>F</b>	A new regulatory system
<b>8</b>	<b>D</b>	<b>Conclusion</b>

\_\_\_ / 6

### **2. True / false / not given – one question per paragraph**

i.	The financial crisis began in 2007 [P1: begun years earlier]	<b>F</b>
ii.	Prime-mortgages are high-risk [P2: low risk]	<b>F</b>
iii.	In 2000, mortgages were packaged and made into marketable products	<b>T</b>
iv.	Credit Agencies were unqualified in underwriting processes	<b>NG</b>
v.	Shadow Banking sector is the main reason for the financial crisis	<b>NG</b>
vi.	The government had to take over banks to save them from bankruptcy	<b>T</b>
vii.	The rescue packages have worked in regulating the banking sector	<b>NG</b>
viii.	The subprime mortgage sector was the main reason for the financial crisis [P8: There are a number of other contributing factors ]	<b>F</b>

\_\_\_ / 8

### **3. Data - (fill in box below– what do the numbers connect to?)**

10%	i) deposit
186%	ii) UK house price rise in UK 1997 - 2006
3.2	iii) \$3.2 trillion bad credit loans issued (2002 – 2007)
80%	iv) the total of US subprime loans
1.4	v) \$1.4trillion value on sub-prime mortgages
40%	vi) house price fell in 2007

\_\_\_ / 6

### **4. Acronyms: write the words for these**

FCIC	i) Financial Crisis Inquiry Commission
MBS	ii) Mortgage-Backed Securities
CDOs	iii) Collateralized Debt Obligations
ARM	iv) Adjustable Rate Mortgage

\_\_\_ / 4



**5. What were the main causes of the crisis according to the FCIC? (2 key reasons)**

1	widespread failures in regulation of financial institutions
2	reckless actions in risk and borrowing

\_\_\_ / 2

**6. Three key criteria for a traditional mortgage.**

1	Permanent employment
2	A positive credit-score
3	Achievable repayment plan

\_\_\_ / 3

**7. Why did the sub-prime mortgage sector lending rise**

1	Saturated due to those who qualified for a mortgage had one.
2	House price rise meant house as equity

\_\_\_ / 2

**8. What is 'predatory' lending?**

lending' offered loans at low interest rates or Adjustable Rate Mortgage (ARM) rates, where the consumer was unaware of the contract and associated rates. [key terms]

\_\_\_ / 1

**9. How is shadow banking different from traditional banking?**

Not banking regulatory controls, these institutions were vulnerable as they borrowed short-term in liquid markets to purchase long term, illiquid and risky assets [key terms]

\_\_\_ / 1

**10. What was the most serious effect of the financial crisis to the banks?**

The crisis of liquidity and trust that occurred across banks.

\_\_\_ / 1

**11. What are the two measures being put in place after 2008?**

1	the Dodd Frank Act
2	a new global financial system regulated by the IMF

\_\_\_ / 1

**12. Conclusion: What were the key problems associated with toxic assets?**

i	fraudulent underwriting processes
ii.	easy credit conditions
iii.	predatory lending
iv.	deregulation
v.	over-leveraging

\_\_\_ / 5

**14. The overall key problems with these groups were:**

Governments	i. <i>government's inability to regulate innovative banking practice,</i>
Economists	ii. unable to forecast economic collapse
Financial institutions	iii. exploiting the complexity of MBS and CDOs / homeowners taking on loans they were unable to pay back
Homeowners	iv. taking on loans they were unable to pay back

\_\_\_ / 3

**15. Key language – explain these terms from the context / use synonyms where appropriate)**

i. magnitude	A great size / immense / vast
ii. Defaults	Anon payment of money owed
iii. Saturated	Supply beyond demand
iv. Parallel	Occurring or existing at the same time
v. Fraudulent	Dishonest. Corrupt, deceitful
vi. 'housing bubble'	where house price rise much faster than wages making housing unaffordable
vii. Negative equity	Property value falls below the mortgage value
viii. Bail out	To give financial assistance
ix. The 'credit crunch'.	Banks stop lending money
x. To rectify	Put right or correct
xi. stimulus packages	A package of economic measures to stimulate a floundering economy
xii. toxic assets	A bad financial asset whose value has fallen and no longer a functioning market

\_\_\_ / 11

**Overall Score: \_\_\_ / 55**



## The Gig Economy

Reading Test

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## **The Gig Economy**

C. Wilson (2017)

1) The working world is changing. In our increasing flexible labour market, the **notion** a 'job for life' and the concept of 9-5 workday is diminishing. In its place is the gig economy, which are collaborative working platforms where people work on temporary contracts (gigs), often as freelancers and self-employed. Recent research from Oxford University (2016) suggests that this labour market has grown 25%, with predicted growth of up to 40% by 2020, and is occupied by 30% of the UK's population working on short-term temporary projects. This significant growth is attributed to digitalization, increased financial pressures and the increased frequency people are changing jobs (The Recruitment & Employment Confederation (REC), 2016).

2) Defining the Gig Economy is incredibly difficult because of how diverse the market is. World leading research from the McKinsey Report (2016) define it as 'independent work that **encapsulates** autonomy, payment for the task or assignment or sales and a short-term relationship between the worker'. This includes people who provide labour services as well as those who trade in goods or rent assets. The McKinsey Report also defines workers into four bands: Free Agents, Casual Earners, Reluctants and **Financially Strapped**. Vaughan and Daverio (2016) separate the gig economy into five key sectors: peer to peer accommodation, peer-to-peer transportation, on demand household services, on demand professional services and collaborative finance. Overall, the key terms are independent temporary short-term positions that include a form of collaborative consumption and are often operated through a digital platform. This article will use the 'gig economy' as an **umbrella term** to include all the above.

3) There are 275 collaborative economy platforms in the EU creating an estimated €25bn annually (Vaughan and Daverio (2016)). Key leaders in peer-to-peer accommodation are companies like Airbnb. This platform allows individuals to rent a spare room or an entire house to travellers. The main driver is the creation of extra income for the supplier but also creating **authentic experience** and cheaper accommodation for the traveller. Peer-to-peer transportation is Uber who provide 'a taxi style' service through their Uber app. Clients submit a trip request and the app links them to the nearest Uber 'gig' driver. A popular on-demand household service is the company Deliveroo, who are an online food delivery service company, whereby customers order food from local restaurants advertised on the Deliveroo platform. The food is then collected and delivered by gig employees within 30 minutes. On demand professional services are companies like peopleperhour.com or freelancer.com. These platforms advertise and organize top professionals. Workers **showcase** their portfolios, recent work and trusted reviews so that employers can choose appropriately. Finally, Collaborative finance is commonly termed as 'crowd-funding' these offer individuals and businesses opportunities to invest, lend and borrow directly between each other. The gig economy is quickly becoming a vital component of the UK labour market for a range of sectors and industries (REC, 2016).

4) The transformative impact of the gig economy is having **veritable** economic benefits by raising labour force participation, **stimulating** consumption, and boasting productivity

(McKinsey Report 2016). It is meeting the growing demand for services from consumers and organisations and has the potential for excessive growth and development over the next 20 years (REC, 2016). Research seems to suggest that workers are more satisfied with a better work-life balance through **autonomy** and flexibility. In addition, businesses are benefitting from having access to a global talent pool, reduction in operational costs and lowering the risks of long-term employment contracts (ibid).

5) Such a rapid growth of the gig economy is posing profound challenges for policy makers and regulators. There are already significant differences in regulatory frameworks in tax policies, applications and enforcement across Europe (Vaughan and Daverio, 2016: 3). REC (2016) claims that workers are not protected by common workers' rights laws, do not qualify for sick, holiday or pension entitlements, and they can be forced to work at lower rates with no job security or continuity. With regards to employers, REC (op cite) states that gig workers may not be loyal to the brand, there is the possibility that crowd sourcing profiles are **deceptive** or exaggerated, and with little regulatory control on gig employees, companies may become **embroiled** in legal disputes over worker's rights. Overall, it seems that the gig economy has a number of challenges to be addressed.

6) The commodisation of the labour market has created short fixed working contracts, and limited job security, and lifetime employment with one company is now **a relic of the past**. Digital technologies are changing work patterns and advocating greater opportunities. It seems no surprise that participation in the collaborative economy is highest among the under 35 well-educated age range (Vaughan and Daverio, 2016), thus suggesting this is going to be the future of employment. The biggest challenge for the gig economy is regulation and control. Research is key to enable policy-makers to modernize classifications of work patterns, tax filing and compliance requirements. It is imperative that regulation offers protection for low-skilled, low-paid gig workers with better working rights, acknowledgement of disability and discrimination laws and also controls on minimum wage earned. Overall, 'regulating the gig economy is about allowing innovation **to flourish** but making sure the advantages are well-distributed' (REC, 2016:56).

[Words: 860]

## References

Oxford University (2016) *Rise of Online Work Captured in the First Online Labour Index*. Available at: <http://www.ox.ac.uk/news/2016-09-21-rise-online-work-captured-first-online-labour-index> [Accessed 03 February 2016]

McKinsey Report (2016) *Independent Work: choice, necessity and the gig economy* (October 2016). *McKinsey Global Institute Publications*.

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Vaughan, R. & Daverio, R. (2016) *Assessing the Size and Presence of the Collaborative Economy in Europe*. *PWC- European Commission Paper* (DG GROW).

## Comprehension Questions

### 1. Headings – choose a subtitle for each paragraph

1	B	The rise of the gig economy	A	Principal gig companies
2			B	The rise of the gig economy
3			C	The importance of the gig economy
4			D	A complex definition
5			E	Future challenges
6			F	The limitations of the gig economy

\_\_\_ / 5

### 2. True / False / Not Given – one question per paragraph

T/F/NG

xv.	People who work for the Gig Economy are self-employed.	
xvi.	Defining is difficult because of the different types of workers.	
xvii.	On demand services like <i>Peopleperhour</i> and <i>freelancer</i> are the most popular.	
xviii.	The majority of gig workers are satisfied with the flexibility.	
xix.	Some crowd-sourcing profiles are lying.	
xx.	More research is necessary to offer better protection.	

\_\_\_ / 6

### Open answer questions

Paragraph 1

#### 3. What is Oxford University forecasting?

1	
---	--

\_\_\_ / 1

Paragraph 1

#### 4. What are the main reasons for the increase of the gig economy?

1	
2	
3	

\_\_\_ / 3

Paragraph 2

#### 5. What are the main differences between the two definitions.

1	
2	

\_\_\_ / 2

Paragraph 3

**6. What are the five key companies given as examples?**

1	
2	
3	
4	
5	

\_\_\_ / 5

Paragraph 4

**7. What are the key benefits?**

<b>Economic</b>	1. <i>Labour force participation</i>
	2.
	3.
<b>Individuals</b>	1.
	2.
	3.
<b>Business</b>	1. <i>Global talent pool</i>
	2.
	3.

\_\_\_ / 7

Paragraph 5

**8. What are the key problems?**

<b>Policy makers</b>	Differences in regulatory frameworks such as...
	1. <i>Tax policies</i>
	2.
	3.
<b>Workers</b>	1. <i>Not protected by workers' rights</i>
	2.
	3.
	4.
	5.
<b>Employers</b>	1.
	2.
	3.

\_\_\_ / 9

Paragraph 6

**9. What is the main evidence that the Gig economy is here to stay?**

--

\_\_\_ / 1

Paragraph 6

**10. What are the most important issues to be addressed?**

--

\_\_\_ / 2

Paragraph 6

**11. What four aspects should regulation focus on?**

1	
2	
3	
4	

\_\_\_ / 4

**12. Author's stance?**

Is the author for or against the Gig economy? Why?	
For	Against [choose one]
Why?	

\_\_\_ / 2

**13. Reference words** – explain what these reference words connect to: (underlined in the text)

Paragraph	Word	Connection
1	<i>This</i>	25% growth
2	<i>those</i>	
3	<i>these</i>	
4	<i>It</i>	
5	<i>they</i>	
6	<i>this</i>	

\_\_\_ / 5



**14. Key language** – explain these terms from the context / use synonyms where appropriate)

Paragraph	Word	Explanation
1	<i>notion</i>	<i>A belief / conception</i>
2	<i>encapsulates</i>	
2	<i>financially strapped</i>	
2	<i>an umbrella term</i>	
3	<i>authentic experience</i>	
3	<i>To showcase</i>	
4	<i>veritable</i>	
4	<i>stimulating</i>	
4	<i>autonomy</i>	
5	<i>deceptive</i>	
5	<i>embroiled</i>	
6	<i>'a relic of the past'</i>	
6	<i>to flourish</i>	

\_\_\_ / 12

**Overall Total:** \_\_\_ / 64

## **Comprehension Questions ANSWERS**

### 1. Headings – choose a subtitle for each paragraph

1	B	The rise of the gig economy	A	Principal gig companies
2	D	A complex definition	B	The rise of the gig economy
3	A	Principal gig companies	C	The importance of the gig economy
4	C	The importance of the gig economy	D	A complex definition
5	F	The limitations of the gig economy	E	Future challenges
6	E	Future challenges	F	The limitations of the gig economy

\_\_\_ / 6

### 2. True / False / Not Given – one question per paragraph

T/F/NG

i.	People who work for the Gig Economy are self-employed.	T
ii.	Defining is difficult because of the different types of workers. [markets]	F
iii.	On demand services like <i>Peopleperhour</i> and <i>freelancer</i> are the most popular.	NG
iv.	The majority of gig workers are satisfied with the flexibility [no number given]	NG
v.	Some crowd-sourcing profiles are lying. [deceptive]	T
vi.	More research is necessary to offer better protection.	T

\_\_\_ / 6

### Open answer questions

Paragraph 1

#### 3. What is Oxford University forecasting?

1	40% growth
---	------------

\_\_\_ / 1

Paragraph 1

#### 4. What are the main reasons for the increase of the gig economy?

1	Digitalization
2	Financial pressures
3	Increased frequency people are changing jobs

\_\_\_ / 3

Paragraph 2

#### 5. What are the main differences between the two definitions.

1	McKinsey focuses on individual worker, pay systems and types of workers
2	V & D focus on the five key sectors

\_\_\_ / 2

Paragraph 3

**6. What are the five key companies given as examples?**

1	Airbnb
2	Uber
3	Deliveroo
4	Peopleperhour.com / freelancer.com
5	<u>NO company</u> – just the term ‘crowd funding’

\_\_\_ / 5

Paragraph 4

**7. What are the key benefits?**

<b>Economic</b>	<b>1. Labour force participation</b>
	2. Stimulating consumption
	3. Boosting productivity
<b>Individuals</b>	1. Satisfied / work-life balance
	2. Autonomy
	3. Flexibility
<b>Business</b>	<b>1. Global talent pool</b>
	2. Reduced operational costs
	3. lower long-term contracts

\_\_\_ / 6

Paragraph 5

**8. What are the key problems?**

<b>Policy makers</b>	<i>Differences in regulatory frameworks such as...</i>
	1. Tax policies
	2. Applications
	3. Enforcement
<b>Workers</b>	<b>1. Not protected by workers' rights</b>
	2. No entitlements Sick, holiday, Pension
	3. forced to work at lower rates
	4. No job security
	5. No continuity
<b>Employers</b>	1. Not loyal to brand
	2. Crowd-sourcing profile maybe inaccurate [deceptive/exaggerated]
	3. Legal disputes over workers' rights

\_\_\_ / 9

Paragraph 6

**9. What is the main evidence that the Gig economy is here to stay?**

Employment is highest among the under 35 well-educated age range (Vaughan and Daverio, 2016), thus suggesting this is going to be the future of employment.

\_\_\_ / 2

Paragraph 6

**10. What are the most important issues to be addressed?**

The biggest challenge for the gig economy is regulation and control. [must include two points]

\_\_\_ / 2

Paragraph 6

**11. What four aspects should regulation focus on?**

1	Protection for low-skilled, low-paid gig workers
2	Better working rights
3	Disability and discrimination laws
4	Minimum wage is being earned

\_\_\_ / 4

**12. Author's stance?**

Is the author for or against the Gig economy? Why?

**For** No

Why?

1. Sees the economy as the future of the labour market
2. But believes more regulation & research is necessary to make it fairer.

\_\_\_ / 2

**13. Reference words** – explain what these reference words connect to: (underlined in the text)

Paragraph	Word	Connection
1	<b><i>This</i></b>	<b>25% growth</b>
2	<i>those</i>	<i>Gig workers</i>
3	<i>these</i>	<i>platforms</i>
4	<i>It</i>	<i>The gig economy</i>
5	<i>they</i>	<i>Gig workers</i>
6	<i>this</i>	<i>The collaborative economy</i>

\_\_\_ / 5

**14. Key language** – explain these terms from the context / use synonyms where appropriate)

Paragraph	word	Explanation
1	<i>notion</i>	<b>A belief / conception</b>
2	<i>encapsulates</i>	The essential features of something
2	<i>financially strapped</i>	In need of money
2	<i>an umbrella term</i>	A broad term that includes most ideas
3	<i>authentic experience</i>	Real / natural to real life
3	<i>To showcase</i>	Exhibit / display
4	<i>veritable</i>	Real / interesting / exciting
4	<i>stimulating</i>	Encouraging / arousing interest
4	<i>autonomy</i>	Self-controlling
5	<i>deceptive</i>	Misleading / inaccurate / not true
5	<i>embroiled</i>	Involved in argument / conflict / difficult situation
6	<i>'a relic of the past'</i>	Something from the past but has been out modelled or improved
6	<i>to flourish</i>	To grow / develop / prosper

\_\_\_ / 11

**Overall Total:** \_\_\_ / 64



## CSR: Corporate Social Responsibility

Reading Test

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## **Corporate Social Responsibility**

C. Wilson (2017)

1) Corporate Social Responsibility (CSR) has undergone profound transformation from an ideology of uncertainty into an indispensable component of business practice. Hamidu et al, (2015) acknowledge that it has become a mandatory tool in strategizing, complying with regulations and maintaining standards, building corporate reputation and obtaining customer loyalty which 'all culminates in increasing profitability and overall attainment of organisational objectives' (p.83). In fact, over 9,270 companies from 166 countries are signatories to the voluntary UN Global Compact which fulfils a companies' obligation to establish issues on human rights, labour standards, the environment and anti-corruption initiatives (Wang, 2016). Overall, CSR is an integrated strategic approach in responsibility to achieve shared value for the stakeholder and societal obligations.

2) CSR's progression, since its introduction in 1950's, has been quite remarkable. In the beginning it was characterized as 'philanthropic' in seeking to promote the welfare of others. This focused on mainly religious and humane philosophies, community development and poverty alleviation (Carrol, 2008). In the 1970's, CSR became a symbol of commitment. It became more 'regulated' focusing on changing perspectives in stakeholder to manager relationships, encouraging a conscious awareness of corporate reputation and placing emphasis on legal and ethical issues (ibid). The 1990's instigated what is now commonly seen as 'instrumental / strategic' CSR. A prominence on environmental protection, sustainability and transparency with a clear guide on internationalization of CSR standards (ibid). In sum, Matten & Moon (2002) summarise this as a cluster concept of business ethics, corporate philanthropy, corporate citizenship, sustainability and environmental responsibility, all embedded in social, political, economic and institutional contexts.

3) Research by Weber (2008) highlights that the implementation of CSR has become a pre-eminent feature in building and maintaining corporate reputation, which has become regarded as an essential strategic resource factoring into a company's competitive advantage. Park, Lee, & Kim, (2014) claim that the key benefits behind being socially responsible include: improved financial performance, contribution to market value, a more general positive impact on societal stakeholders, a conscious connection with consumers, and improved product quality. The authors also note that internal reasons such as increased employee commitment and reduced employee turnover are important benefits. In addition, Carrol (2008) asserts that CSR activities generate resilience to negative company information and consumers' awareness, and this cultivates appreciation to the attitudes and attributions about why companies are engaging in CSR initiatives.

4) The effectiveness of CSR efforts is often difficult to observe. Companies often fail through short-run CSR investment policies. They may lack commitment and support at senior management level, and fail to take into consideration the issues that are salient to stakeholder groups in various markets. Long-term investment is the key but a lack of transparency and goal clarity often make it difficult to understand and manage the risks and boundaries of corporate social activities (Wang, 2016). How managers prioritize and balance aspects of CSR is often a challenge facing many corporations. Moreover, the

complexity in organizing and managing CSR is exacerbated for multinational corporations with global logistic chains and off-shore manufacturing industries. The values of CSR in one country are not necessarily in accordance to another country's governmental and environmental policies (Hamidu et al, 2015). A final challenge is the concept of 'shop dressing' or 'greenwashing'. This is companies who are promoting the perception of applying CSR principles through marketing and advertising, but in reality are not implementing the business practice and thereby misleading consumers. An example of it would be a company promoting recycled packaging but its factories are polluting local water courses.

5) Over the past sixty years, the issue for companies has become how to conduct CSR in a strategically and effectively planned manner that meets stakeholder's expectations, maximises profit and offers a clear and demonstrable narrative of its impact on the company and for the community (Wang et al. 2016). CSR is a constantly evolving integrated and disciplined field of business activity, which has moved on from the latest management fad into a significant professional body of policy and practice. Although CSR is formed on voluntary basis, there are a number of key areas that need to be addressed. The recognition of diversity is a necessity for a universal approach. This includes better collaborative and supportive mechanisms from source to supply chain to seller advancing the sustainability agenda (Gov.uk, 2014). In addition, Governments could play a greater role by changing existing legislation to the Companies Act and Social Services Act through the inclusion of enforcing ethical standards, the adoption of effective and transparent supply chain management practice and legal action against greenwashing / misleading marketing campaigns. Overall, sustainability, transparency and ethical standards are key drivers in responsible business practice and the values of the society.

## References

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## Comprehension Questions

### 1. Headings – choose a subtitle for each paragraph

1	B	CSR popularity	A	The values of CSR
2			B	CSR popularity
3			C	The way forward
4			D	CSR historical evolution
5			E	Key challenges

\_\_\_ / 4

### 2. True / False / Not Given – one question per paragraph

T/F/NG

1	xxi.	The UN Global compact is an obligation	
2	xxii.	CSR has achieved a great deal since 1950	
3	xxiii.	CSR has helped many companies become more competitive	
4	xxiv.	Long-term investment in CSR boasts productivity	
5	xxv.	CSR is a fad and will evolve into something different	

\_\_\_ / 5

### Open answer questions

Paragraph 1

#### 3. What does CSR lead to?

i)	
----	--

\_\_\_ / 1

Paragraph 2

#### 4. Key changes in the three main areas:

1950	Philanthropic	Religious & humane philosophy
		iii)
		iv)
1970s	ii) _____	v)
		vi)
		Legal and ethical issues
i) _____	Instrumental / strategic	Environmental protection
		vii)
		viii)
		Internationalization of CSR standards

\_\_\_ / 8

Paragraph 3

**5. What are the main benefits of CSR?**

1	<i>Improved financial performance</i>
2	
3	
4	
5	

\_\_\_ / 4

Paragraph 3

**6. Name the two key features of internal CSR benefits.**

1	
2	

\_\_\_ / 2

**Multiple Choice:**

Paragraph 4

**7. A company's failure in CSR is due to...** (choose only one answer)

a	only investing for a limited amount of time
b	higher management are not supportive
c	not being attentive to stakeholder matters
d	All the above

\_\_\_ / 1

Paragraph 4

**8. The main problem for managers is**

a	prioritizing and balancing aspects of CSR
b	investing long-term in CSR
c	transparency and goal clarity
d	All the above

\_\_\_ / 1

Paragraph 4

**9. The problems with global logistic chains and off-shore manufacturing industries is**

a	organizing CSR
b	managing CSR
c	international governmental and environmental policies
d	All the above

\_\_\_ / 1

## Definitions

Paragraph 4

**10. What is green washing?**

--

\_\_\_ / 2

## Open answers

Paragraph 5

**11. What are the key areas that need to be addressed?**

1	
2	

\_\_\_ / 2

Paragraph 5

**12. What needs to be added to the Companies Act and Social Services Act?**

1	
2	
3	

\_\_\_ / 3

## Linking words

**13. Reference words** – explain what these reference words connect to: (underlined in the text)

Paragraph	Word	Connection
1	<i>it</i>	Answer: <i>CSR</i>
2	<i>this</i>	
3	<i>this</i>	
4	<i>it</i>	
5	<i>this</i>	

\_\_\_ / 4

**13. Author's stance?**

Is the author for or against CSR? Why?		
For	Against	[choose one]
Why?		

\_\_\_ / 2

**14. Key language – explain these terms from the context / use synonyms where appropriate)**

Paragraph	Word	Explanation
1	<i>indispensable</i>	<i>absolutely necessary</i>
1	<i>culminates</i>	i)
2	<i>prominence</i>	ii)
3	<i>pre-eminent</i>	iii)
3	<i>resilience</i>	iv)
4	<i>salient</i>	v)
4	<i>exacerbated</i>	vi)
5	<i>fad</i>	vii)
5	<i>recognition</i>	viii)
5	<i>mechanisms</i>	ix)
5	<i>existing</i>	x)

\_\_\_ / 10

**Overall Total: \_\_\_ / 50**

## Comprehension Questions **ANSWERS**

### 1. Headings – choose a subtitle for each paragraph

1	B	CSR popularity	A	The values of CSR
2	D	CSR historical evolution	B	CSR popularity
3	A	The value of CSR	C	The way forward
4	A	Key challenges	D	CSR historical evolution
5	C	The way forward	E	Key challenges

\_\_\_ / 4

### 2. True / False / Not Given – one question per paragraph

T/F/NG

1	xxvi.	The UN Global compact is an obligation [voluntary]	F
2	xxvii.	CSR has achieved a great deal since 1950 [remarkable]	T
3	xxviii.	CSR has helped many companies become more competitive	NG
4	xxix.	Long-term investment in CSR boasts productivity	NG
5	xxx.	CSR is a fad and will evolve into something different [professional practice]	F

\_\_\_ / 5

### Open answer questions

Paragraph 1

#### 3. What does CSR lead to?

i)	increasing profitability and overall attainment of organisational objectives
----	--

\_\_\_ / 1

Paragraph 2

#### 4. Key changes in the three main areas:

1950	Philanthropic	Religious & humane philosophy
		iii) community development
		iv) poverty alleviation
1970s	ii) <u>Regulated</u>	v) stakeholder to manager relationships
		vi) conscious awareness of corporate reputation
		legal and ethical issues
i) <u>1990s</u>	Instrumental / strategic	Environmental protection
		vii) sustainability
		viii) transparency
		Internationalization of CSR standards

\_\_\_ / 8

Paragraph 3

**5. What are the main benefits of CSR?**

1	<i>Improved financial performance</i>
2	Contribution to market value
3	Positive impact on societal stakeholders
4	Conscious connection with consumers
5	Improved product quality.

\_\_\_ / 4

Paragraph 3

**6. Name the two key features of internal CSR benefits.**

1	Increased employee commitment
2	Reduced employee turnover

\_\_\_ / 2

**Multiple Choice:**

Paragraph 4

**7. A company's failure in CSR is due to...** (choose only one answer)

a	only investing for a limited amount of time [short-run CSR investment policies]
b	higher management are not supportive [may lack commitment and support at senior management level]
c	not being attentive to stakeholder matters [Non-consideration of the issues stakeholder groups in various markets]
<u>d</u>	<u>All the above</u>

\_\_\_ / 1

Paragraph 4

**8. The main problem for managers is...**

<u>a</u>	<u>prioritizing and balancing aspects of CSR</u>
b	investing long-term in CSR
c	transparency and goal clarity
d	All the above

\_\_\_ / 1

Paragraph 4

**9. The problems with global logistic chains and off-shore manufacturing industries is...**

a	organizing CSR
b	managing CSR
c	governmental and environmental policies
<u>d</u>	<u>All the above</u>

\_\_\_ / 1

## Definitions

Paragraph 4

### 10. What is green washing?

1	Promoting the perception of CSR principles through marketing and advertising, but in reality are not doing it and misleading consumers. [key terms must be included]
---	---

\_\_\_ / 2

## Open answers

Paragraph 5

### 11. What are the key areas that need to be addressed?

1	The recognition of diversity
2	collaborative and supportive mechanisms from source to supply chain to seller

\_\_\_ / 2

Paragraph 5

### 12. What needs to be added to the Companies Act and Social Services Act?

1	Enforcing ethical standards
2	The adoption of effective and transparent supply chain management practice
3	Legal action against greenwashing / misleading marketing campaigns

\_\_\_ / 3

## Linking words

### 13. Reference words – explain what these reference words connect to: (underlined in the text)

Paragraph	Word	Connection
1	<i>it</i>	CSR
2	<i>this</i>	CSR progression [must include progression]
3	<i>this</i>	Resilience and awareness
4	<i>it</i>	Shop dressing or greenwashing
5	<i>this</i>	The recognition of diversity

\_\_\_ / 4

**13. Author's stance?**

Is the author for or against CSR?

**For** Against [choose one]

Why? Final sentence: *sustainability, transparency and ethical standards are key drivers in responsible business practice and the values of the society*

\_\_\_ / 2

**14. Key language – explain these terms from the context / use synonyms where appropriate)**

Paragraph	Word	Explanation
1	<i>indispensable</i>	<i>absolutely necessary</i>
1	<i>culminates</i>	reach a point of highest development
2	<i>prominence</i>	the state of being important, famous, or noticeable
3	<i>pre-eminent</i>	surpassing all others; very distinguished in some way
3	<i>resilience</i>	the capacity to recover quickly from difficulties; toughness
4	<i>salient</i>	most noticeable or important
4	<i>exacerbated</i>	make (a problem, bad situation, or negative feeling) worse
5	<i>fad</i>	an intense and widely shared enthusiasm for something, especially one that is short-lived; a craze
5	<i>recognition</i>	acknowledgement of the existence
5	<i>mechanisms</i>	established process by which something takes place or is brought about
5	<i>existing</i>	in operation at the current time:

\_\_\_ / 10

**Overall Total: \_\_\_ / 50**





## Globalisation: International Trade

### Reading Test

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## **Globalisation: International Trade**

(Wilson et al. 2017)

1. Globalisation is an economic process that increases the **assimilation** of economies around the world, particularly through trade and finance. The term also refers to the movement of people (labour) and knowledge (technology) across international borders. It is an extension of the same market forces that have operated for centuries at all levels of human economic activity – village markets, urban industries, or financial centres beyond national borders (IMF, 2017). Today's global markets offer greater opportunity for people **to tap into** more and larger markets around the world, which means they can have access to more capital, technology, cheaper imports, and larger export markets. Globalisation, however is not just a recent phenomenon. Some analysts have argued that the world economy was just as globalised 100 years ago as it is today (Kobayashi-Hillary, 2008).

2. Globalisation offers **extensive** opportunities for truly worldwide development but it is not progressing evenly. The growing gaps between rich and poor countries, and rich and poor people within countries, are increasing. The richest quarter of the world's population saw its per capita income increase nearly six-fold during the last century, whereas the poorest quarter experienced less than a three-fold increase (Harrison and Cavendish, 2014). However, in some countries, especially in Asia, per capita incomes have been moving rapidly towards levels in the industrial countries since 1970. Having said this, a larger number of developing countries have made only slow progress or **have lost ground**. In particular, per capita incomes in Africa have declined relative to the industrial countries and in some countries have declined in absolute terms (IMF, 2017).

3. It is clear that some countries are **amalgamating** into the global economy more quickly than others. Countries that have been able to integrate are seeing faster growth and lower poverty. Outward-looking policies like low taxes and low trade barriers brought greater prosperity to much of East Asia, transforming it from one of the poorest areas of the world 40 years ago (IMF, 2017). Due to these policies, living standards have risen, and it has been possible to make progress on democracy and issues such as the environment and work standards. By contrast, in the 1970s and 1980s when many countries in Latin America and Africa pursued inward-looking policies (such as **protectionism** and state-owned companies), their economies stagnated or declined, poverty increased and high inflation became the norm (Kobayashi-Hillary, 2008). In many cases, especially in Africa, there were external developments such as war and natural disasters, which made the problems worse. Encouraging this trend towards outward-looking policies, not reversing it, is the best course for promoting growth, development and poverty reduction (IMF, 2017).

4. The effects of globalisation can be seen in three main areas: trade, movement of people and shared knowledge. First of all, trade. Developing countries as a whole have increased their share of world trade from 19% in 1971 to 29% in 1999 (IMF, 2017). As mentioned, Asia's newly industrialised economies have done well, while Africa as a whole has done poorly. What countries export is also important. The most **profound** rise by far has been in the export of manufactured goods. The share of primary goods in world exports such as food and raw materials, most of which are often produced by the poorest countries has

declined (Kobayashi-Hillary, 2008). Secondly, movement of people. Workers who move from one country to another to find better employment opportunities in advanced economies provide a way for global wage **convergence**. Harrison & Cavendish (2014) claim there is also the potential for skills to be transferred back to the developing countries and for wages in those countries to rise. Thirdly, information exchange is an important, often overlooked, aspect of globalisation. Direct foreign investment, which is private capital from outside the country, brings not only an increase in the amount of a country's capital, but also technical innovation (ibid). More generally, knowledge about production methods, management techniques, export markets and economic policies is available at very low cost, and it represents a highly valuable resource for the developing countries (IMF, 2017).

5. In conclusion, globalisation is one of the most effective ways of helping developing nations we know. As globalisation has progressed, living conditions have improved significantly in virtually all countries. However, no country, least of all the poorest, can afford to remain isolated from the world economy. The international community should try by **reinforcing** the international financial system, through trade, and through aid to help them integrate into the world economy, grow more rapidly, and reduce poverty. That is the way to **safeguard** all people in all countries have access to the benefits of globalisation.

736 words

### **Reference List**

Harrison, T. and Cavendish, R, E. 2014. Why International Trade is the Key to Development. *The Journal of Modern Economics*. 3 (10), pp.178-183

IMF, 2017. *Globalisation: Threat or opportunity* [online]. Available at: <https://www.imf.org/external/np/exr/ib/2000/041200to.htm> [Accessed 10 March 2017]

Kobayashi-Hillary, M. 2008. *Building a future with BRICs*. 1st Ed. Berlin: Springer

## Comprehension Questions

### 1. Headings – choose a subtitle for each paragraph

1			A	Key results
2			B	Definition
3			C	Integration
4			D	Conclusion
5	D	Conclusion	E	Progression

\_\_\_ / 4

### 2. True / False / Not Given – one question per paragraph

		T/F/NG
P1	Globalisation is built around historical market forces	
P2	Globalisation's progression is not fairly balanced	
P3	Outward looking policies can be negative for developing countries	
P4	Trade is the most important effect of globalisation	
P5	The global community has no responsibility to assist poorer countries	

\_\_\_ / 5

### Open answer questions

Paragraph 1

#### 3. What are the four key terms associated with globalization?

i)	Trade
ii)	
iii)	
iv)	

\_\_\_ / 3

Paragraph 1

#### 4. What does globalization offer people?

i)	Larger markets
ii)	
iii)	
iv)	
v)	

\_\_\_ / 4

Paragraph 2

**5. Per capita – what is the monetary difference between these two?**

Richest quarter	i)
Poorest quarter	ii)

\_\_\_ / 2

Paragraph 2

**6. What is the difference per capita between these two continents?**

Asia	i)
Africa	ii)

\_\_\_ / 2

**Multiple Choice**

Paragraph 3

**7. Outward looking policies are ...** (choose only one answer)

a	democratic progression
b	improved standards of living and prosperity
c	lowered tariffs and trading
d	All the above

\_\_\_ / 1

Paragraph 3

**8. Inward looking policies...** (choose only one answer)

a	are government run companies
b	restrain trade between countries
c	stall economic growth
d	All the above

\_\_\_ / 1

Paragraph 3

**9. What's the solution for developing countries?** (choose only one answer)

a	Stop the wars
b	Develop outward looking policies
c	Give financial aid to alleviate
d	All the above

\_\_\_ / 1

## **Key effects**

Paragraph 4

### **10. Trade**

The strongest rise is in...	i)	
The main goods are...	ii)	iii)
These are produced in...	iv)	

\_\_\_ / 4

Paragraph 4

### **11. People**

Workers benefits are...	i)
Global wages...	ii) <i>converge</i>
Skill transfer to developing countries create...	iii)

\_\_\_ / 2

Paragraph 4

### **12. Information exchange**

Private capital is called...	i)
Increases ...	ii) a <i>country's capital</i>
	iii)
	iv)
	v)
	vi)
	vii)
	viii)

\_\_\_ / 7

Paragraph 5

### **11. What needs to be done? The international community should strengthen...**

1	
2	

\_\_\_ / 2

## Linking words

**13. Reference words** – explain what these connect to: (underlined in the text)

Paragraph	Word	Connection
1	<i>it</i>	Answer: <i>Globalisation</i>
2	<i>this</i>	
3	<i>which</i>	
4	<i>which</i>	
5	<i>them</i>	

\_\_\_ / 4

**14. Author's stance?**

Is the author for or against Globalisation? Why?		
<b>For</b>	Against	[choose one]
Why?		

\_\_\_ / 2

**15. Key language** – explain these terms from the context / use synonyms where appropriate)

Paragraph	Word	Explanation
1	<i>assimilation</i>	<i>Integrate / to become part of something</i>
1	<i>To tap into</i>	i)
2	<i>extensive</i>	ii)
2	<i>to have lost ground</i>	iii)
3	<i>amalgamating</i>	iv)
3	<i>protectionism</i>	v)
4	<i>profound</i>	vi)
4	<i>convergence</i>	vii)
5	<i>reinforcing</i>	viii)
5	<i>to safeguard</i>	ix)

\_\_\_ / 9

**Overall Total:** \_\_\_ / 55

## Comprehension Questions

### 1. Headings – choose a subtitle for each paragraph

1	B	Definition	A	Key results
2		Progression	B	Definition
3		Integration	C	Integration
4		Key results	D	Conclusion
5		Conclusion	E	Progression

\_\_\_ / 4

### 2. True / False / Not Given – one question per paragraph

		T/F/NG
P1	Globalisation is built around historical market forces [same market forces that have operated for centuries]	T
P2	Globalisation's progression is not fairly balanced [not progressing evenly]	T
P3	Outward looking policies can be negative for developing countries [Encouraging this trend towards outward-looking policies]	F
P4	Trade is the most important effect of globalisation	NG
P5	The global community has no responsibility to assist poorer countries ['should try to' but does not state it has to / or doesn't have to]	NG

\_\_\_ / 5

### Open answer questions

Paragraph 1

#### 3. What are the four key terms associated with globalization?

i)	Trade
ii)	Finance
iii)	Labour
iv)	Technology

\_\_\_ / 3

Paragraph 1

#### 4. What does globalization offer people?

i)	Larger markets
ii)	More capital
iii)	Technology
iv)	Cheaper imports
v)	Larger exports

\_\_\_ / 4



Paragraph 2

**5. Per capita – what is the monetary difference between these two?**

Richest quarter	i) <i>Six-fold</i>
Poorest quarter	ii) Three-fold

\_\_\_ / 2

Paragraph 2

**6. What is the difference per capita between these two continents?**

Asia	i) Moving quickly – towards levels of industrialised countries since 1970
Africa	ii) Slow progress / lost ground. Declined in absolute terms

\_\_\_ / 2

**Multiple Choice**

Paragraph 3

**7. Outward looking policies are ... (choose only one answer)**

a	democratic progression
b	improved standards of living and prosperity
c	lowered tariffs and trading
d	<u>All the above</u>

\_\_\_ / 1

Paragraph 3

**8. Inward looking policies...**

a	are government run companies
b	restrain trade between countries
c	stall economic growth
d	<u>All the above</u>

\_\_\_ / 1

Paragraph 3

**9. What's the solution for developing countries?**

a	Stop the wars
b	<u>Develop outward looking policies</u>
c	Give financial aid to alleviate
d	All the above

\_\_\_ / 1

## **Key effects**

Paragraph 4

### **10. Trade**

The strongest rise is	i) export	
Key goods	ii) food	iii) raw materials
Produced	iv) Poor countries	

\_\_\_ / 4

Paragraph 4

### **11. People**

Workers benefits	i) Find better employment opportunities
Global wages	ii) <b>converge / convergence</b>
Skill transfer to developing countries	iii) wages rise

\_\_\_ / 2

Paragraph 4

### **12. Information exchange**

Private capital is	i) Direct Foreign Investment
Increases ...	<b>ii) country's capital</b>
	iii) technical innovation
	iv) production method knowledge
	v) management techniques
	vi) export markets
	vii) economic policies
	viii) valuable resources for developing countries

\_\_\_ / 7

Paragraph 5

### **11. What needs to be done? The international community should strengthen...**

1	trade
2	aid

\_\_\_ / 2

## Linking words

**13. Reference words** – explain what these connect to: (underlined in the text)

Paragraph	Word	Connection
1	<i>it</i>	Answer: <i>Globalisation</i>
2	<i>this</i>	<i>Asia's rise</i>
3	<i>which</i>	<i>External developments</i>
4	<i>which</i>	<i>Direct foreign investment</i>
5	<i>them</i>	<i>Poorest countries</i>

\_\_\_ / 4

**14. Author's stance?**

Is the author for or against Globalisation? Why?		
<b>For</b>	Against	[choose one]
Why? <i>Very descriptive text highlighting the key areas of globalization. BUT the authors stress more needs to be done to make it fairer for developing countries.</i>		

\_\_\_ / 2

**15. Key language** – explain these terms from the context / use synonyms where appropriate)

Paragraph	Word	Explanation
1	<i>assimilation</i>	<i>Integrate / to become part of something</i>
1	<i>To tap into</i>	i) to get benefit from / to access
2	<i>extensive</i>	ii) covering or affecting a large area
2	<i>to have lost ground</i>	iii) to become less popular / fall behind
3	<i>amalgamating</i>	iv) to combine / integrate / become one
3	<i>protectionism</i>	v) to protect domestic industries from foreign competition
4	<i>profound</i>	vi) very great or intense
4	<i>convergence</i>	vii) to meet at a point / to come together
5	<i>reinforcing</i>	viii) make stronger
5	<i>to safeguard</i>	ix) to protect

\_\_\_ / 10

**Overall Total:** \_\_\_ / 50