

**Economics**

Advanced GCE

Unit **F583**: Economics of Work and Leisure

**Mark Scheme for January 2013**

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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## Annotations

Annotation	Meaning
	Unclear
	Benefit of the doubt
	Cross
	Effective evaluation
	Irrelevant
	Level one
	Level two
	Level three
	Level four
	Not answered question
	Noted but no credit given
	Too vague
	Tick
	Development of point

**Subject-specific Marking Instructions**

Some questions may have a 'Level of Response' mark scheme.

The following guidelines on the **quality of written communication** are embedded into the Levels of Response mark scheme used for part (b) of the essays and should be applied consistently between the different essays:

- Level 4:** Complex ideas have been expressed clearly and fluently using a style of writing which is appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.
- Level 3:** Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.
- Level 2:** Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.
- Level 1:** Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar.

Question		Answer	Marks	Guidance
1	(a)	<p>Candidates can be expected to define both work and leisure.</p> <p>Work – can be paid (1) or voluntary (1). Accept appropriate definition.</p> <p>Leisure is the time which people have left to spend in ways they wish after they have completed their work/education (1) and maintenance commitments (1).</p> <p>Maintenance – activities necessary for existence eg childcare, eating, domestic work. Explicit use of the term maintenance is <b>not</b> required for full marks.</p>	3	Tick per mark.

Question		Answer	Marks	Guidance
	(b) (i)	<p>Trips fell by 3.48m (3)</p> <p>One mark for trips fell, without any calculations shown.</p> <p>Method marks if answer incorrect;            2005 – number of trips = 80% of 39m = 31.2m (1)            2009 – 84% of 33m = 27.72m (1)</p>	3	<p>Tick per mark</p> <p>Must be some indication that number falls for full marks eg fell, negative sign, fewer etc.</p> <p>Must be million to gain full marks.</p>
	(ii)	<p>Candidates are expected to take a two sided approach explaining the positive and negative impacts of tourism.</p> <p>Positive impacts might include the effect on employment and output. The multiplier effect is very appropriate in its generation of income and employment in the recipient economy.</p> <p>On the other side candidates might <b>either</b> point out the negative side – some income/profit might not be ploughed back into the recipient economy. Tourism might create short term low income jobs rather than higher paid higher skilled jobs. Effect of loss of tourism, eg reduction in trips to Wales from UK. <b>Or</b> point out what the positive effects depend on.</p> <p>Perfectly acceptable to take a positive/negative externalities approach or to use, say, negative externalities as one side of argument.            Judgement might use Fig. 2 in that the impact of tourism depends on the relative size of tourism as a % of GDP.</p> <p>Up to two marks for an analysis of one side of the question.</p> <p>Up to two marks for an analysis of the other side of the question.</p> <p>Plus – one further mark for a judgement/conclusion – if both sides have been analysed.</p>	5	<p>Tick per mark.</p> <p>Do not accept same argument on both sides of the commentary.</p> <p>eg a rise in tourism creates employment and a fall in tourism reduces employment. Only reward on one side.</p> <p>Be aware of information lifted from the text without analysis. However such information included as part of analysis is perfectly acceptable.</p> <p>Judgement mark cannot be awarded if impact on the economy is not analysed.</p>

Question	Answer	Marks	Guidance
(c)	<p>One mark for each correct identification up to a maximum of two identifications, plus up to a further two marks in each two explanations.</p> <p>Candidates might state and analyse the following:</p> <p>Ease of entry into market/no or low barriers to entry. Could be actual or potential entrants. Sunk costs.            Opportunity to hit and run/high level of potential competition.            All incumbent firms have access to same type of technology/ Similar cost structures/ Perfect knowledge.            Ability to earn supernormal or just normal profit            Brand loyalty.</p> <p>For the further two marks point must be well explained.</p> <p>No marks for analysis based on large number of firms.</p>	6	<p>Tick per mark.</p> <p>Be careful of overlap between factors. Depth of analysis required for second analysis mark.</p>

Question	Answer	Marks	Guidance
(d)	<p>Up to three marks for an analysis of one side of the question.</p> <p>Up to three marks for an analysis of the other side of the question.</p> <p>Plus – up to a further two marks for a judgement/conclusion – if both sides have been analysed.</p> <p>Points might include how their different objectives influence their conduct/behaviour.</p> <p>Objectives for Big Pit might include:</p> <p>Providing education and entertainment Employment Boost tourism in the area Maximising utility Allocative efficiency Increasing consumer satisfaction. Maintaining its subsidy/justifying subsidy Accept any relevant and well analysed objective.</p> <p>Mr and Mrs Parry’s objective might include:</p> <p>Maximum profit Sales maximisation Sales revenue maximisation Satisficing Normal profit/ break even Survival Accept any relevant and well analysed objective</p> <p>Discussion points might involve public and private sector differences, similarity in objectives, different objectives of stakeholders, and the relative importance of tourism to GDP using Fig. 2.</p>	8	<p>Tick per mark.</p> <p>Accept the following approaches:</p> <p>An answer which analyses one objective for each business with the judgement comparing the two objectives. (3+3+2)</p> <p>An answer which analyses multiple objectives for each business and then makes a judgement for each business. (3+1 and 3+1)</p>



Question		Answer	Marks	Content	Guidance
					Levels of response
2	(a)	<p>Candidates are expected to state and explain the factors which determine the elasticity of demand for labour and use them to explain why <b>when wages change</b> the reaction may vary in the degree of responsiveness.</p> <p>Elasticity of demand is the responsiveness of the demand for labour in reaction to a change in the wage rate.</p> <p>Factors influencing this include:</p> <p>The price elasticity of demand for the product – eg if demand for product is inelastic then demand for labour may be inelastic as wage increases can be easily passed on to the consumer.</p> <p>The proportion of wage costs in total costs – if labour costs are a very high percentage, then changes in wage costs will be significant to the firm and demand for labour will be elastic.</p> <p>Ease with which labour can be substituted – if labour can be easily replaced then elastic.</p> <p>Elasticity of supply of complementary factors – if wages fall and it is easy to obtain more of the factors which are used with labour then demand for labour will be elastic.</p> <p>Time period – more elastic in the long run.</p>	15	Analysis must be based on the reaction to a <b>change in wage</b> .	<p><b>Level 3 (9–15 marks)</b></p> <p>Analysis which focuses on the factors which influence elasticity.</p> <p>9–10 marks = Basic analysis of one factor.</p> <p>11–12 marks = Good analysis of one factor or basic analysis of two factors.</p> <p>13–15 marks = Good analysis of two or more factors.</p> <p><b>Level 2 (5–8 marks)</b></p> <p>Application of knowledge. In this case an answer which makes assertions about the factors affecting elasticity of demand for labour without going on to provide detailed analysis.</p> <p>5–6 marks = one factor identified and applied</p> <p>7–8 marks = two or more factors identified and applied</p> <p><b>Level 1 (1–4 marks)</b></p> <p>Knowledge and understanding of what elasticity of demand is.</p>

Question			Answer	Marks	Guidance	
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			For example, "One factor which determines the elasticity of demand for labour is the price elasticity of demand for the product which labour produces (L1). If the demand for the product produced is inelastic then the demand for labour will be inelastic (L2). This is because any <b>increase in wages</b> will not result in a significant fall in demand for labour as the firm can increase the price of the product. In effect the <b>increase in wages</b> is passed on to the consumer. (L3).			

Question		Answer	Marks	Content	Guidance
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	(b)	<p>Candidates might be expected to focus on the role of price elasticity of demand in wage determination. The general argument being that the more inelastic the demand the more likely that wages in that occupation will be driven upwards. When demand is inelastic, wage increases will not be met by reductions in employment but by increases in wages. Similarly an elastic demand may result in wages being held down.</p> <p>Candidates may also move on to Trade Unions bargaining strength pointing out that a union has more bargaining strength when demand for labour is inelastic.</p> <p>These relationships must be clearly explained and analysed in order to achieve Level 3.</p> <p>Wages are the result of the interaction of supply and demand and the other side of the argument might be to look at the supply and elasticity of supply factors.</p> <p>Other approaches might be to consider the relative bargaining positions in the occupation, eg the monopsonist employer, the impact of Trade Unions on the supply side or the influence of government intervention in the labour market.</p>	20	<p>Analysis on the effect of elasticity of demand must focus on the impact on wages. There may be overlap with part (a) of the question but only credit analysis which focuses on wage determination.</p> <p>Analysis which confuses high/low demand and shifts in demand with elasticity of demand should not be rewarded.</p>	<p><b>Level 4(a) (16–20 marks)</b> Discussion that includes a judgement of the extent to which wages are determined by elasticity of demand.</p> <p>18–20 marks = good judgement and balanced discussion. 16–17 marks = weak judgement and balanced discussion.</p> <p><b>Level 4(b) (11–15 marks)</b> For a balanced discussion of the extent to which elasticity of demand for labour determines wages in an occupation. A discussion lacking balance should receive no more than 13.</p> <p>13–15 = balanced two sided discussion with relevant economic analysis of both sides. 11–12 = basic discussion which is predominately one sided.</p> <p><b>Level 3 (5–10 marks)</b> Analysis of how price elasticity of demand or other factors may be important in determining wages.</p> <p><b>Level 2 (3–4 marks)</b> Application of knowledge and understanding of how elasticity of demand affects wage determination or simply wage determination itself.</p> <p><b>Level 1 (1–2 marks)</b> Knowledge of elasticity of demand for labour and/or wage determination.</p>

Question		Answer	Marks	Content	Guidance
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3	(a)	<p>Candidates should analyse the different economies of scale in leisure markets.</p> <p>If there is no relevant applications made to <u>leisure markets</u> then award a mark at the bottom of the relevant level (eg 5 marks OR 9 marks). An answer with no leisure application can therefore gain 9 marks max.</p> <p><b>Relevant economies of scale include:</b></p> <ul style="list-style-type: none"> <li>• Technical</li> <li>• Purchasing/commercial</li> <li>• Managerial</li> <li>• Financial</li> <li>• Risk bearing (or economies of scope)</li> <li>• Marketing</li> <li>• Selling</li> <li>• Improved infrastructure</li> <li>• The development of 'cluster' firms (around an airport, for example)</li> <li>• Firms colluding in an industry to fund R&amp;D</li> </ul> <p><b>Relevant analysis of these include:</b> Purchasing EOS (L1) arise with cinemas buying food and drink in greater bulk (basic L2). This results in lower Average Costs (basic L3) as firms are able to gain discounts and hence the cost of buying each successive unit diminishes despite total cost rising (good L3)</p>	15	<p><b>Level 3</b> = analysis of HOW each economy of scale results in lower <u>average costs OR lower costs per unit</u></p> <p><b>Level 2</b> = identification AND explanation of economies of scale</p> <p><b>Level 1</b> = identification of types of economies of scale</p> <p>The key difference here is between L2 and L3. To gain analysis marks, candidates must analyse <u>why</u> the example given results in <u>lower Average Costs</u>.</p> <p><b>An answer simply listing types of EOS can gain up to 4 marks max. (Level 1).</b></p> <p>Simple reference to "<i>For example, purchasing / financial EOS (1) lead to lower AC</i>" IS NOT ANALYSIS until there is some explanation of why average costs fall.</p>	<p><b>Level 3: (9–15 marks)</b> Analysis of HOW each named economy of scale results in lower AC's.</p> <p><i>If there is no reference to falling LONG RUN average costs (either on a diagram or in writing) then mark at the lower end of each band within the level (eg 13-14 / 11 /9 marks).</i></p> <p>13–15 marks: <i>Good analysis:</i> Good analysis of two or more economies of scale <u>in the context of a leisure market</u></p> <p>11–12 marks: <i>Good analysis:</i> Good analysis of one economy of scale OR basic analysis of two <u>in leisure context</u></p> <p>9–10 marks: <i>Basic analysis:</i> Basic analysis of one economy of scale.</p> <p><b>Level 2: (5–8 marks)</b> For an application of knowledge and understanding of different econs of scale:</p> <p>7–8 marks: 2 or more economies of scale identified and explained <u>in the context of a leisure market</u>.</p> <p>5–6 marks: One economy of scale identified and explained in the context of a leisure market = 6 marks</p>

Question			Answer	Marks	Content	Guidance
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			<p>Technical EOS arise (L1) as when travel firms expand they take advantage of larger capacity (L2). With larger planes travel firms will benefit from lower average costs (basic Level 3). This is because capacity may double but total costs of running planes rise more slowly. Hence reducing average costs (good L3).</p> <p>Managerial EOS occur (L1) with broadcasting companies now able to employ specialist managers, for example HR and accountants (L2). Such specialists will allow the firms to benefit from lower AC's (basic Level 3). Specialists should be more productive ..... increasing output and lowering AC's (good L3).</p> <p>Improved infrastructure provision is an external EOS (L1). For example, the growth of transport firms may well result in local authorities building new and improved roads nearby (L2) which enables firms to enjoy lower AC's (basic L3). This is because improved infrastructure cuts the cost of delivering catering / fuel to airports, therefore lowering AC's (good L3) in the long run.</p>		Expect candidates to use leisure industries from the specification. Credit leisure industries not in the specification eg supermarket shopping.	<p>One or more economies of scale identified and explained but NOT in a leisure context = 5 marks</p> <p><b>Level 1: (1-4 marks)</b></p> <p>Knowledge &amp; understanding of economies of scale:</p> <p>3–4 marks: identification of two or more economies of scale not applied to leisure markets</p> <p>1–2 marks: identification of one economy of scale not applied in leisure markets OR a general definition of EOS</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<p>Analysis should be focused on the way in which the industry chosen performs in comparison to the theoretical model of oligopoly including:</p> <p>Barriers to entry/exit.            The number of firms in the industry which might involve the introduction of concentration ratios.            Degree on interdependence.            Degree of price and non price competition.            Collusion.            The ability to earn supernormal profits in both the short run and long run.            Distinction between short run and long run behaviour.            The level of differentiation of the product – candidates might distinguish between perfect oligopoly (homogenous product) and imperfect oligopoly (differentiated product).            Ability to be a price maker.</p> <p>A good answer at Level 3 will deal with at least two of the points above and analyse the chosen industry by the extent to which it fits the oligopolistic structure.</p> <p>The candidate might then go on to discuss the extent to which the chosen industry is oligopolistic and suggest aspects in which it might be considered not oligopolistic but perfectly competitive, monopolistic or monopoly.</p>	20	<p>To score a mark of 11+ candidates must have offered valid economic analysis upon which the discussion is based. If this economic analysis is not provided then the attempted discussion is no more than unexplained assertion and therefore scores a maximum Level 2 mark.</p>	<p><b>Level 4(a) (16–20 marks)</b></p> <p>Discussion which includes a judgement of the extent to which the chosen market is oligopolistic.</p> <p>18–20 marks = good judgement and balanced discussion.</p> <p>16–17 marks = weak judgement and balanced discussion.</p> <p><b>Level 4(b) (11–15 marks)</b></p> <p>For a balanced discussion of the extent to which the chosen market is oligopolistic. A discussion lacking balance should receive no more than 13.</p> <p>13–15 = balanced two sided discussion with relevant economic analysis of both sides.</p> <p>11–12 = basic discussion which is predominately one sided.</p> <p><b>Level 3 (5–10 marks)</b></p> <p>Analysis of why a chosen market is oligopolistic OR not oligopolistic. For 8+ analysis must be related to a <u>leisure</u> industry.</p>

Question			Answer	Marks	Content	Guidance
						<b>Levels of response</b>
			<p>Also accept answers which focus on the degree of contestability in the market compared to the levels associated with oligopoly. Again, the focus should be on the major aspects of market structure and good analysis would see plenty of use of terms from the economic tool box.</p> <p>Candidates might also argue in terms of behaviour which is an acceptable addition, but not a substitute for consideration of how well the real world structure fits the theoretical model.</p>			<p><b>Level 2 (3–4 marks)</b></p> <p>Application of knowledge and understanding of how an industry may be oligopolistic.</p> <p><b>Level 1 (1–2 marks)</b></p> <p>Knowledge of structure of oligopolistic competition.</p>

Question		Answer	Marks	Guidance	
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4	(a)	<p>Segmented labour markets exist because of barriers which prevent the free movement of workers between different sections of the labour market. In practice there is not one labour market but a number of different and distinct markets for labour. The most obvious barrier being skills and qualifications, but candidates might consider others such as location, existence of a closed shop, discrimination, financial, lack of information etc</p> <p>Also accept analysis based on core and peripheral workers.</p> <p>If no barriers to entry or exit existed then it would be expected that market forces would move factors from low wage to higher wage jobs, therefore, equalising wages.</p> <p>The existence of barriers, therefore, might create market failure as the market forces of supply and demand for labour cannot equalise the wage.</p> <p>Candidates might usefully point out that barriers might be necessary to increase the efficiency of labour markets – eg medical skills and qualifications to practise as a doctor.</p>	15	<p>Expect candidates to define market failure. Examples of labour market failure might include the following;</p> <p>Surplus of labour (inc. unemployment )</p> <p>Shortage of labour</p> <p>Workers in jobs they are not suited for</p> <p>Lack of training</p> <p>Wage rates above or below the equilibrium rate.</p> <p>Productive and allocative inefficiency.</p> <p>Accept any relevant and appropriate example of labour market failure.</p> <p><b>If no examples used only bottom mark of each level can be awarded.</b></p>	<p><b>Level 3 (9–15 marks)</b></p> <p>Analysis of how segmented labour markets cause market failure.</p> <p>13–15 marks = good analysis of two or more reasons.</p> <p>11–12 marks = good analysis of one reason or basic analysis of two.</p> <p>9–10 marks = basic analysis of one reason.</p> <p><b>Level 2 (5–8 marks)</b></p> <p>Application of knowledge.</p> <p>In this case an answer which makes broad assertions about segmented labour markets and how they cause market failure.</p> <p><b>Level 1 (1–4 marks)</b></p> <p>Knowledge and understanding of segmented labour markets and/or market failure.</p>



Question			Answer	Marks	Guidance	
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			<p>Barriers to entry might cause a market to be segmented (L1). An example of this is a skill barrier which only allows certain types of labour to join the labour market (L2) This creates market failure by forcing up wages in the protected market above the equilibrium rate.(L3)</p> <p>Another example is, in theory, the closed shop operated by a trade union (L2) this causes market failure by limiting the supply of labour and driving up wages in the protected occupation.(L3)</p>			

Question		Answer	Marks	Guidance	
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	(b)	<p>The methods of government intervention might include:</p> <p>Education and training in order to reduce the barriers to entry, greater opportunities to benefit from higher and further education.</p> <p>Trade Union legislation to remove practices such as the closed shop</p> <p>Improved access to occupations via apprenticeship schemes.</p> <p>Information provision.</p> <p>Accept any analysis of an example of government intervention which clearly addresses the problems associated with the barriers to entry/exit producing segmented labour markets. Intervention can be potential policies as well as actual policies.</p> <p>To create a balanced discussion candidates might <b>either</b> consider the costs and benefits of government intervention <b>or</b> consider alternative private sector methods of solving the problem.</p> <p>These might include, for instance, training schemes sponsored by private companies or groups of companies. Again accept any actual or potential intervention which deals with reducing the barriers to a segmented labour market.</p>		<p>Analysis of National Minimum Wage as a method of intervention is relevant if applied to the reduction or removal of barriers to entry eg increasing NMW to encourage entry into labour market to solve labour shortages or regional minimum wages to solve the distribution of unemployment.</p>	<p><b>Level 4(a) (16–20 marks)</b> Discussion that includes a judgement of the extent to which government intervention could be used to cure market failure caused by segmented labour markets.</p> <p>18–20 marks = good judgement and balanced discussion.</p> <p>16–17 marks = weak judgement and balanced discussion.</p> <p><b>Level 4(b) (11–15 marks)</b> For a balanced discussion of the extent to which government intervention could be used to cure market failure caused by segmented labour markets. Or two sided on alternative methods of solving problem of segmented labour markets. A discussion lacking balance should receive no more than 13.</p> <p>11–12 marks = basic discussion which is predominately one sided Brief analysis of advantages and limitations of government intervention to reduce labour market failure caused by segmented labour markets.</p> <p>13–15 marks = balanced two sided discussion with relevant economic analysis of both sides.</p>

Question			Answer	Marks	Content	Guidance
						<b>Levels of response</b>
						<p>Must include more depth and detailed analysis of advantages and limitations of government intervention to reduce labour market failure caused by segmented labour markets.</p> <p><b>Level 3 (5–10 marks)</b> Analysis of how government intervention could be used successfully or not successfully to cure market failure caused by segmented labour markets. Also could be analysis of alternatives to government intervention.</p> <p><b>Level 2 (3–4 marks)</b> Application of knowledge and understanding of use of government intervention to cure market failure caused by segmented labour markets</p> <p><b>Level 1 (1–2 marks)</b> Knowledge of government intervention and/or segmented labour markets.</p>

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