

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

ECONOMICS

2884

ECONOMICS OF WORK AND LEISURE

Monday **24 JANUARY 2005** Afternoon 1 hour 30 minutes

Additional materials:
Answer Booklet

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer booklet.

Answer Question 1 and **one** question from Section B.

Write all your answers on the separate answer booklet provided.

If you need to use additional answer sheets, fasten these sheets securely to the answer booklet.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The quality of your written communication will be taken into account in the marking of your answer to Section B.

This question paper consists of 4 printed pages.

Section A

Answer this question.

1

Extract 1: Overseas Tourism, 1998-2000

A table has been removed due to third party copyright restrictions

Details: A table showing details of overseas tourism in 1998 and 2000

Source : The Economist, "Pocket World in Figures", 2001 & 2003 editions.

Extract 2: Slump in the UK package holiday industry

An extract of text has been removed due to third party copyright restrictions

Details: An extract of text about the slump in the UK package holiday industry

5

10

15

(Sources: The Guardian; 7/1/03, 4/4/03, 20/6/03
The Observer, 13/1/02 (adapted))

- (a) Using Extract 1, compare how overseas tourism contributed to the balance of payments of France and the UK during the period 1998-2000. [3]
- (b) Using Extract 1, account for the differences between the number of tourist arrivals and receipts from overseas tourism in Italy and the UK during the period 1998-2000. [5]
- (c) The UK package holiday industry suffered a severe slump at the end of 2001. Comment on the likely effectiveness of the responses made by firms within the industry to this slump. [4]
- (d) The UK package holiday industry has oligopolistic characteristics.
 - (i) Identify **two** characteristics of an oligopoly. [2]
 - (ii) Discuss the possible consequences for the consumer of reduced competition within the UK package holiday industry. [6]

Section B

Answer one question.

- 2 It has become increasingly common for employees in the UK, and in other countries, to take fewer days holiday than the number to which they are entitled.
- (a) Using economic theory, explain how the number of hours worked by an employee is likely to change when the hourly wage rate increases. [10]
- (b) Discuss the possible reasons for reduced take-up of holiday entitlement. [15]
- 3 The minimum wage has now been achieved in the UK. The next objective could be legislation to establish a legal maximum wage.
- (a) Explain how the achievement of a legal minimum wage has reduced income inequality in the UK. [10]
- (b) One suggestion made by social reformers is that the maximum wage permitted in every firm should be a multiple – say 10 – of the lowest wage it pays. Discuss the possible consequences of this suggestion for the UK labour market. [15]
- 4 The more investment there is in human capital, the greater will be the elasticities of supply of labour and the more efficient the functioning of the UK labour market.
- (a) Explain the factors which determine the elasticity of supply of labour to an occupation in the short-run and the long-run. [10]
- (b) Discuss the view that greater investment in human capital is the best method of improving the efficiency of the UK labour market. [15]