

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**  
**ADVANCED GCE**  
**2884**  
**ECONOMICS**

**Economics of Work and Leisure**

**THURSDAY 18 JUNE 2009: Afternoon**

**DURATION: 1 hour 30 minutes**

**SUITABLE FOR VISUALLY IMPAIRED CANDIDATES**

**Candidates answer on the Answer Booklet**

**OCR SUPPLIED MATERIALS:**

**8 page Answer Booklet**

**OTHER MATERIALS REQUIRED:**

**None**

**READ INSTRUCTIONS OVERLEAF**

## **INSTRUCTIONS TO CANDIDATES**

- **Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully and make sure that you know what you have to do before starting your answer.**
- **Answer Question 1 and ONE question from Section B.**
- **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 total number of marks for this paper is 45.**
- **The quality of your written communication will be taken into account in the marking of your answer to Section B.**

## **SECTION A**

**Answer this question.**

### **1 FIG. 1 SELECTED LABOUR MARKET DATA FOR SIX EU ECONOMIES**

	<b>France</b>	<b>Germany</b>	<b>Ireland</b>	<b>Italy</b>	<b>Spain</b>	<b>UK</b>
<b>Working Age Population [millions]</b>	<b>40.7</b>	<b>55.5</b>	<b>2.8</b>	<b>39.0</b>	<b>29.5</b>	<b>39.5</b>
<b>Employment Rate [% of working population]</b>	<b>63.1</b>	<b>65.4</b>	<b>67.6</b>	<b>57.6</b>	<b>63.3</b>	<b>71.7</b>
<b>Percentage Employed in:</b>						
<b>Primary sector</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>1</b>
<b>Secondary sector</b>	<b>25</b>	<b>29</b>	<b>28</b>	<b>33</b>	<b>30</b>	<b>23</b>
<b>Tertiary sector</b>	<b>71</b>	<b>69</b>	<b>66</b>	<b>63</b>	<b>65</b>	<b>76</b>

**Source: Eurostat Labour Force Survey, 2005 [adapted]**

**FIG. 2 LABOUR PRODUCTIVITY AND EARNINGS IN THE  
UK FOR SELECTED INDUSTRIAL SECTORS, 2004**

Industrial Sector	Productivity [£000s] <sup>1</sup>	Average weekly earnings [£]	Comparative productivity <sup>2</sup> against	
			USA	EU
<b>Agriculture</b>	<b>25.4</b>	<b>254.9</b>	<b>86</b>	<b>159</b>
<b>Food, drink and tobacco</b>	<b>47.1</b>	<b>333.5</b>	<b>104</b>	<b>110</b>
<b>Publishing, printing</b>	<b>47.6</b>	<b>386.3</b>	<b>157</b>	<b>110</b>
<b>Chemicals</b>	<b>53.9</b>	<b>631.2</b>	<b>79</b>	<b>78</b>
<b>Construction</b>	<b>40.6</b>	<b>409.9</b>	<b>93</b>	<b>67</b>
<b>Retail trade</b>	<b>19.4</b>	<b>177.5</b>	<b>54</b>	<b>77</b>
<b>Transport</b>	<b>41.9</b>	<b>374.0</b>	<b>79</b>	<b>77</b>
<b>Computer and related activities</b>	<b>59.4</b>	<b>611.3</b>	<b>78</b>	<b>92</b>
<b>Law, accounting</b>	<b>33.7</b>	<b>562.1</b>	<b>83</b>	<b>80</b>
<b><u>OVERALL UK ECONOMY</u></b>	<b>30.2</b>	<b>334.8</b>	<b>79</b>	<b>92</b>

Source: The Sector Skills Almanac for the UK, 2007 [adapted]

- Notes: 1 Productivity is measured as gross value added per employed job. Thus, the average UK worker produced output worth £30 200 in 2004.**
- 2 The comparative productivity figures show gross value added per worker in the UK as a percentage of equivalent figures in the USA and the EU. Thus, for example, the average worker in the UK produced only 79% of the value of output of the average worker in the USA and only 92% of the value of output of the average worker in the EU.**

**(a) Using Fig. 1,**

- (i) identify TWO differences between the labour markets in the UK and France; [2]**
- (ii) state and explain TWO possible labour market concerns for economic policy-makers in Italy. [4]**

**(b) (i) Explain the relationship which you would expect to exist between productivity and earnings in different industrial sectors. [4]**

**(ii) Comment on the extent to which the data in Fig. 2 is consistent with this relationship. [4]**

**(c) Evidence suggests that one reason for the UK's 8% average productivity gap compared to the EU is a deficiency in skills. Discuss the case for a significant increase in UK spending on skills training. [6]**

## **SECTION B**

**Answer ONE question.**

- 2 (a) Explain why the elasticity of supply of labour varies between occupations. [10]**
- (b) Discuss the extent to which wage differentials are a result of differences in elasticity of supply. [15]**
- 3 (a) Explain the differences which exist between the short- and long-run levels of equilibrium price and output for firms which operate under conditions of monopolistic competition. [10]**
- (b) Discuss the extent to which the level of profit is determined by the degree of contestability in different leisure markets. [15]**
- 4 (a) With the use of examples, explain what is meant by labour market failure. [10]**
- (b) Discuss the view that government attempts to intervene in the labour market to try to correct market failure are likely to cause more problems than they solve. [15]**

**[Total: 45 marks]**

**BLANK PAGE**

## **Copyright Information**

**OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations, is given to all schools that receive assessment material and is freely available to download from our public website ([www.ocr.org.uk](http://www.ocr.org.uk)) after the live examination series.**

**If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.**

**For queries or further information please contact the Copyright Team, First Floor, 9 Hills Road, Cambridge CB2 1PB.**

**OCR is part of the Cambridge Assessment Group; Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.**