Candidate forename		Candidate surname	

Centre number						Candidate number				

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

ADVANCED GCE

F583

ECONOMICS

Economics of Work and Leisure

FRIDAY 17 JUNE 2011: Afternoon

DURATION: 2 hours

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the question paper.

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

A calculator may be used for this paper

READ INSTRUCTIONS OVERLEAF

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INSTRUCTIONS TO CANDIDATES

- **Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully. Make sure you know what you have to do before starting your answer.**
- **Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.**
- **Answer Section A and ONE question from Section B.**

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 60.**
- **You will be assessed on the quality of your written communication in Section B.**

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PREMIER LEAGUE REVENUES NEAR £2bn

Football is by far the most popular spectator sport in the UK. The Premier League is the top division of English football. It is made up of 20 teams. Another 72 clubs make up the Football League, the remainder of competitors in the top flight, spread across three divisions, the first of which is known as the Championship. This makes a total of 92 clubs.

The Premier League saw its revenues soar by 26% in the 2007/08 season to nearly £2bn. This strong revenue growth even outstripped the significant wage growth.

Despite the downturn, 11 of the 20 Premier League clubs made an operating profit in 2007/08, up from eight a year before. But Premier League wage costs topped £1bn for the first time, and the clubs' total net debt was £3.1bn.

SOARING WAGES

Wages paid by Premier League clubs grew by 23% in 2007/08. The wages paid by five clubs accounted for 47% of the total. In contrast, wages paid by the 24 Championship clubs rose by £32m to £291m.

Premier League clubs increased commercial revenues (e.g. television and sponsorship) to £447m, up by 12%; whereas ticket sales grew more modestly, by 3%, to £554m. Meanwhile, total revenues in the Championship increased by 2% to £226m in 2007/08. The total revenues of the 72 Football League clubs exceeded £500m for the first time.

In the same season total investment in stadiums and facilities across all the 92 clubs was £187m.

At the same time many Premier League clubs were heavily in debt. Two-thirds of the debt was carried by the big four clubs of Arsenal, Chelsea, Liverpool and Manchester United. ***30***

Despite revenue growth, improved profitability has remained elusive. For some owners, Premier League clubs represent a hobby; with the potential to deliver a long term return, but at best break even annually. ***35***

SECTION A

Answer ALL questions from this section

1 (a) Distinguish between normal and abnormal profit.

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_____

_____ **[2]**

(b) (i) Compare the change in wage costs in the Premiership with the change in wage costs in the championship in the 2007/2008 season [lines 17–20].

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_____ **[2]**

(ii) State and explain TWO theoretical reasons why wage costs may change.

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_____ **[6]**

(c) Using information from the case study, comment on the extent to which football clubs would appear to be firms which are seeking to maximise profit.

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_____ [5]

(d) (i) State TWO characteristics of monopolistic competition.

_____

_____ [2]

(ii) Discuss the extent to which the structure of English football may be considered to be close to the model of monopolistic competition.

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_____ **[8]**

Section A Total: [25 marks]

SECTION B

Answer ONE question from this section

2 (a) Analyse how changes in productivity levels impact on unit labour costs. [15]

(b) Discuss how important improvements in labour productivity are to the international competitiveness of a firm. [20]

3 (a) Analyse the choice between work and leisure for the individual worker in the short run. [15]

(b) Discuss the extent to which non-pecuniary benefits may affect the supply of labour to various occupations. [20]

4 (a) Analyse the causes and consequences of TWO types of labour market failure. [15]

(b) Discuss the extent to which labour market failure has wider economic effects. [20]

Section B Total: [35 marks]

Paper Total: [60 marks]

SECTION B

Question No. _____

Start your answer to part (a) here

Start your answer to part (b) here

Additional answer space. Any answers written in this space must be clearly numbered.

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