Candidate forename		Candidate surname	

Centre number						Candidate number				

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

A2 GCE

F583/01

ECONOMICS

Economics of Work and Leisure

MONDAY 23 JANUARY 2012: 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. HB 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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THE UK LABOUR MARKET – FAIR, FLEXIBLE OR FAILING?

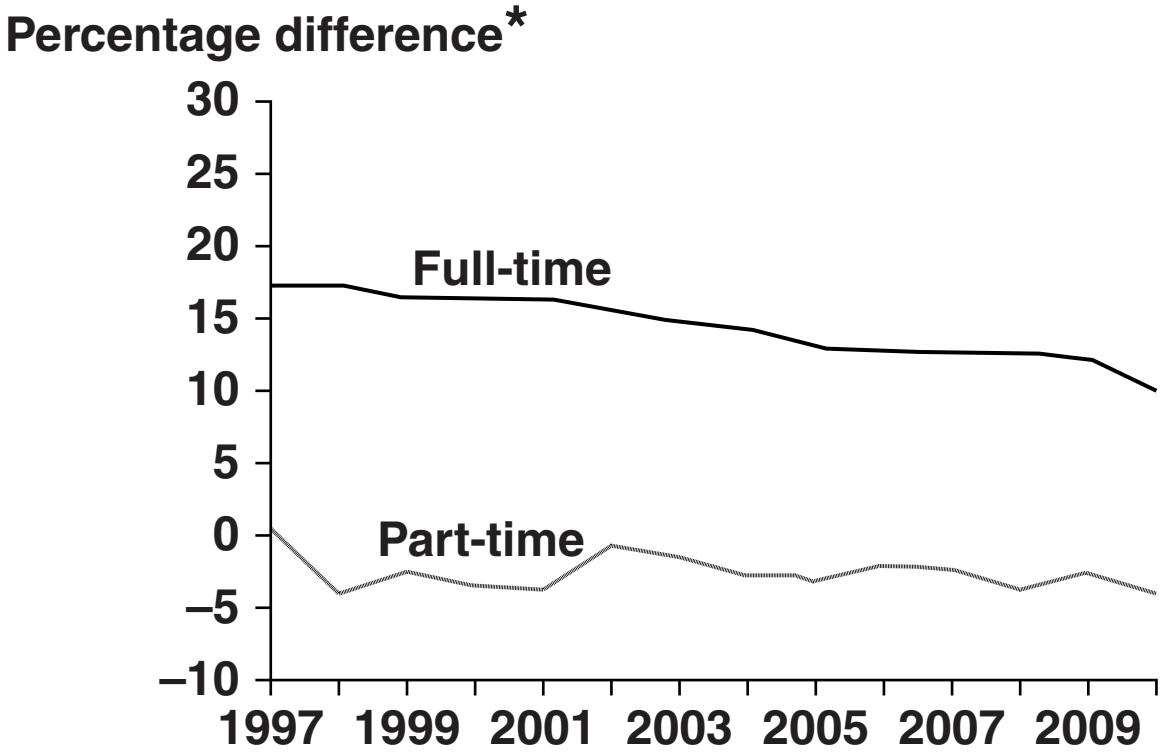
Many economists have argued that one of the UK's greatest economic strengths is that, in comparison to some other economies, it has a very flexible labour market. However, there are others who claim that the labour market in the UK still fails in certain aspects of its operation.

Despite legislation starting with the Equal Pay Act of 1976, men, on average, are still paid more than women as shown by the existence of the gender pay gap. Certain groups within society suffer from high rates of unemployment or the prospect of low paid employment. As is often the case, any attempts by the government to find effective solutions can themselves create a new set of economic problems.

FIG. 1 AVERAGE GROSS HOURLY EARNINGS AND GENDER COMPOSITION OF UK WORKFORCE IN 2010

2010	Average gross hourly earnings (£ per hour)		Workforce composition (%)	
	Full-Time	Part-Time	Full-Time	Part-Time
Men	13.01	7.69	88.3	11.7
Women	11.68	8.00	57.7	42.3
All	12.50	7.97	73.2	26.8

FIG. 2 THE GENDER PAY GAP – THE PERCENTAGE DIFFERENCE IN AVERAGE HOURLY EARNINGS BETWEEN MEN AND WOMEN IN FULL-TIME AND PART-TIME WORK



* The percentage difference refers to

$$\frac{\text{average gross hourly earnings of men} - \text{average gross hourly earnings of women}}{\text{average gross hourly earnings of women}} \times 100.$$

A REGIONAL MINIMUM WAGE – THE LOGICAL NEXT STEP?

In 2007 the Labour government was thought to be drawing up plans to vary the minimum wage region by region across Britain.

The minimum wage, one of New Labour's flagship economic measures, would have been increased for employees in London and the southeast, where living costs – particularly housing – are higher. However, any move for cuts in the level of the minimum wage in other parts of the country would be strongly opposed by trade unions.

A senior Labour party source said that a 'regional minimum wage' was the 'logical next step'. In June 2006 Gordon Brown, the then Prime Minister, declared that: 'Britain will have to become a more flexible economy – more ready to change, with more local and regional pay flexibility, better equipped for the long term, and with more focus on the jobs and skills of the future'.

YOUNG WORKERS – FAILED BY THE MARKET?

Youth unemployment in the UK is at a record high, with nearly a million 16 to 24-year olds out of work. This represents just over 20% of that age group. Around 600,000 of 16 to 24-year olds have never worked at all.

Youth unemployment is particularly worrying. If young people cannot get a job and learn work skills, and the basic habits of work, it has a very adverse impact on their whole lives. Instead of learning about life in work, they are learning about life on benefits.

Youth unemployment – and the same is true of immigrants and other minority groups – usually increases when economic growth slumps. Employers keep core workers, whilst reducing the total number of people employed. The fact is that young people are just not worth as much to employers as older workers. They may have no marketable skills and will have little or no experience of how workplaces operate.

It is time to scrap the minimum wage for young people. It just prices them out of jobs, so it does them no good at all. For young people, low-paid work is a way of building up some human capital which will make it easier to find a better job.

SECTION A

Answer ALL questions from this section.

1 (a) What is meant by the term 'earnings'?

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_____ **[2]**

(b) Using Fig. 1:

(i) identify the differences between the hourly earnings of men and women.

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_____ **[2]**

(ii) **describe the gender composition of the UK workforce.**

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_____ **[2]**

(c) **State and explain TWO possible causes of the changes in the pay gap between men and women during the period 1997 to 2010, as shown in Fig. 2.**

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_____ **[6]**

(d) Comment on the possible economic effects of a REGIONAL minimum wage.

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_____ **[5]**

(e) Discuss whether providing education and training is the best method of reducing youth unemployment.

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_____ **[8]**

Section A Total: [25 marks]

SECTION B

Answer ONE question from this section.

2 (a) Analyse the impact of TWO forms of bargaining on the operation of the labour market. [15]

(b) Evaluate the extent to which bargaining alone determines wages. [20]

3 (a) Analyse, using diagrams, the difference between the short run and long run equilibrium of a firm in monopolistic competition. [15]

(b) Discuss, using a leisure industry of your choice, the extent to which it is monopolistically competitive. [20]

4 (a) Analyse the impact of an ageing population on both the labour market and the economy as a whole. [15]

(b) Discuss the extent to which reform of the state pension system is the best solution to the problems caused by an ageing population. [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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