

Tuesday 22 January 2013 – Morning

A2 GCE ECONOMICS

F583/01 Economics of Work and Leisure

Candidates answer on the Question Paper.

OCR supplied materials:

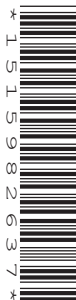
None

Other materials required:

- Calculators may be used

Duration: 2 hours

MODIFIED LANGUAGE



Candidate forename		Candidate surname	
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Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. 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.
- Do **not** write in the bar codes.

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**.
- The quality of your written communication will be taken into account in the marking of your answer to Section B.
- This document consists of **20** pages. Any blank pages are indicated.



**A calculator may
be used for this
paper**

The economic impact of holidays and leisure travel

Big Pit

Big Pit is a real coal mine in South Wales and is one of Britain's leading mining museums. Big Pit has information and activities for all ages. Big Pit is an exciting and informative day out.

Entrance to Big Pit is free and has over 1.5 million visitors per year. Partly because of its educational value, most of its income comes from a subsidy provided by the Welsh Assembly government. In 2009–10, this subsidy was over £25m and represented over 80% of Big Pit's revenue.

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Bed and breakfast

Mr and Mrs Parry use part of their home in South Wales as a small bed and breakfast business. It is located in an area which is popular with walkers and birdwatchers. Mr and Mrs Parry are struggling to make the business profitable. They have not increased their prices for the last three years, yet they have been unable to fill all of their rooms all of the time. The number of tourists staying with them has actually declined but their costs have risen significantly. Increases in heating costs, food bills and Council Tax are all making it very difficult to stay in business. They have been trying to avoid making a loss and surviving as a business in the short run. It is also difficult to plan ahead because many tourists are not booking until the last minute or cancelling at short notice.

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There are many other bed and breakfast businesses, hotels and camping and caravan sites in the area. Many local competitors have already stopped working as bed and breakfast businesses and Mrs Parry does not think they will be able to continue their business in the future.

"The main financial problems are the Council Tax, the cost of advertising and the cost of meeting the health and safety regulations. If we operate as a business, we have to pay these bills no matter how many paying guests we have", said Mrs Parry.

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The changes in the pattern of tourists visiting Wales is given in Fig. 1.

	2005	2006	2007	2008	2009
All UK domestic trips to Wales (millions)	39	36	32	32	33
% of UK domestic trips to Wales for holidays	80%	81%	82%	82%	84%

Fig. 1 – Tourists travelling to Wales, 2005–09

Tourism under threat in Wales

A recent study estimated that tourism in Wales accounts for 13.3% of its GDP and 12.7% of total employment. Tourism expenditure is estimated to account for 10% of all spending on transport and retail items in Wales.

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The biggest threats to tourism in Wales in the near future are increasing costs, and fewer visitors and how much they spend.

Costs are rising quickly in every part of the industry. Taxation and business rates have increased, as well as increasing food and energy prices. When real incomes fall, people do not go on so many holidays and spend less money whilst on holiday. There are signs that holidays in Wales may be declining.

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The Wales Tourism Alliance is a group representing 23 organisations covering the whole of the tourism industry in Wales. The Wales Tourism Alliance is not saying that the tourism industry should get state funding before things such as health or education. It is saying that investment in tourism now will enable the government to have more to spend on hospitals and schools in the future.

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The importance of tourism to a number of different European countries is shown in Fig. 2.

Country	Tourism as % of GDP
Croatia	25.5
Cyprus	21.4
Germany	8.6
Montenegro	24.6
Spain	17.2
UK (including Wales)	9.2
Wales	13.3

Fig. 2 – Tourism as a share of European countries' GDP, 2008

SECTION A

Answer **all** parts of the question in this section.

- 1 (a) Explain the difference between work and leisure.

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- (b) (i) Calculate the change in the number of UK domestic trips to Wales for holidays between 2005 and 2009. Use Fig. 1.

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- (ii) Comment on the impact of holidays and leisure travel on the economy of a country. Use information in the case study.

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- (c) State and explain **two** possible reasons why Mr and Mrs Parry's bed and breakfast business might be operating in a contestable market.

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SECTION B

Answer **one** question from this section.

- 2** **(a)** Analyse the factors which determine the elasticity of demand for labour. Use examples in your answer. **[15]**
- (b)** Discuss the extent to which the elasticity of demand for labour is the main determinant of wages in an occupation. **[20]**
- 3** **(a)** Analyse the economies of scale which may arise in a leisure industry of your choice. **[15]**
- (b)** Discuss the extent to which a leisure industry of your choice is an oligopoly. **[20]**
- 4** **(a)** Analyse how the existence of segmented labour markets may lead to labour market failure. Use examples in your answer. **[15]**
- (b)** Discuss the extent to which government intervention can reduce labour market failure caused by segmented labour markets. **[20]**

SECTION B

Question No.

Start your answer to part (a) here

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting or typing. There are no margins, text, or other markings on the page.

Start your answer to part **(b)** here

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This image shows a blank sheet of white paper designed for writing. It features a series of evenly spaced horizontal blue lines across its entire width. A single vertical red line runs down the left side of the page, creating a narrow margin. The paper is otherwise completely empty, with no text or markings.

