



Tuesday 10 June 2014 – Afternoon

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



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|-----------------------|--|----------------------|--|
| Candidate forename | | Candidate surname | |
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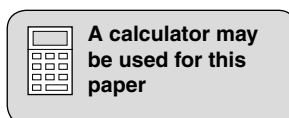
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| Centre number | | | | | | Candidate number | | | | |
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INSTRUCTIONS TO CANDIDATES

- 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.
- Answer Section A and **one** question from Section B.
- 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.
- 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.



Cinema – the big picture

A recent report from the UK Film Council has highlighted the continued growth in the number of multiplex cinemas. Multiplex cinemas are defined as purpose-built cinema complexes with five or more screens. In 2010 39% of all cinema sites were multiplex cinemas and their dominance was even greater when considering the number of screens, as shown in Fig. 1.

| | 1999 | 2010 |
|---------------------------------------|------|------|
| Multiplex cinema screens | 1624 | 2767 |
| Other cinema screens | 1134 | 904 |
| Total number of cinema screens | 2758 | 3671 |

Fig. 1 – Number of UK cinema screens by type of cinema provider

One possible reason for the trend towards the multiplex cinema has been the existence of internal economies of scale in the industry. Purchasing economies, such as bulk buying, provide cost advantages to the large multiplex providers such as Odeon, Cineworld and Vue. Total labour costs tend not to be as important as in other industries with cinemas employing small numbers of relatively low paid workers. Their major costs come in the shape of fixed costs, such as rents, rates and the rights to show the latest films. As a result of these advantages the large providers have gained a significant share of a growing market, as shown in Fig. 2.

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| Provider | Number of sites | Number of screens | % of total screens |
|---------------------|-----------------|-------------------|--------------------|
| Odeon | 106 | 840 | 22.9 |
| Cineworld | 77 | 784 | 21.4 |
| Vue | 67 | 642 | 17.5 |
| National Amusements | 21 | 274 | 7.5 |
| Ward Anderson | 27 | 229 | 6.2 |
| Others* | n.a. | n.a. | 24.5 |

* including 20 major providers and 301 independent single venue providers.

Fig. 2 – UK cinema screens and sites by provider, 2010

Cinema competition in Newbury

For many years people in Newbury who wanted to go to the cinema were forced to travel elsewhere if they wanted to see newly released films. The large local cinema had closed and for a period the Corn Exchange was the only place to watch films in Newbury. The Corn Exchange has a single screen with a fixed capacity of only 40 seats and is unable to show the latest new film releases until later than the main multiplex providers. The cinema is only one part of the Corn Exchange's business. It also has space for live performances and exhibitions.

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The recent opening of a new Vue multiplex cinema in Newbury did not, however, cause problems for the Corn Exchange. The Corn Exchange remains price competitive, operates a popular loyalty card system and shows a variety of mainstream and minority interest films. It also has showings dedicated to specific groups such as 'Silver Screen' for over-60s and 'You Shall Go To the Bawl' for parents and carers with babies under 18 months.

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The Vue cinema, part of a national group, has the benefit of being a high capacity multiplex cinema showing the latest film releases as soon as possible and has little local competition for the service it provides. On a national scale the main challenge to the market dominance of the major multiplex providers might be the growth in the variety of ways in which films are now viewed, as shown in Fig. 3.

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| Method of viewing films | % |
|--------------------------|------|
| DVD bought | 19.8 |
| Live television | 19.5 |
| Recorded from television | 14.5 |
| Cinema | 11.1 |
| Subscription television | 10.9 |
| DVD rented | 6.2 |
| Others | 18.0 |

Fig. 3 – Share of UK film viewing by viewing method

SECTION A

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

- 1 (a) Using Fig. 1, compare the percentage of all cinema screens operated by multiplex cinema providers in 1999 and in 2010. (Show all relevant calculations in your answer.)

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- (b) Other than purchasing economies, state and explain **two** economies of scale which might arise in the cinema industry.

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SECTION B

Answer **one** question from this section.

- 2** (a) Analyse, using a diagram, the impact of a monopsonist employer on the labour market from which it recruits. [15]
- (b) Discuss the extent to which government intervention is the best method of reducing the labour market failure caused by a monopsonist employer. [20]
- 3** (a) Analyse, using diagrams, how changes in marginal revenue product explain the quantity of labour that will be employed. [15]
- (b) Discuss the extent to which demand side factors alone explain wage differentials in real-world labour markets. [20]
- 4** (a) Analyse the main causes of poverty in the UK. [15]
- (b) Discuss the extent to which reform of the tax and benefits system alone is the best method to reduce poverty in the UK. [20]

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ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margins.

A large area of lined paper for writing answers. It features a vertical margin line on the left side and horizontal dotted lines for writing. The lines are evenly spaced and extend across the width of the page.

A large rectangular area with a solid vertical line on the left side and horizontal dotted lines extending across the page, providing a space for writing answers.



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