



ADVANCED GCE ECONOMICS

Economics of Work and Leisure

2884

Candidates answer on the Answer Booklet

OCR Supplied Materials:

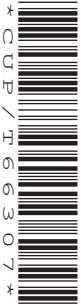
- 8 page Answer Booklet

Other Materials Required:

None

**Thursday 18 June 2009
Afternoon**

Duration: 1 hour 30 minutes



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.
- 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 **45**.
- The quality of your written communication will be taken into account in the marking of your answer to Section B.
- This document consists of **4** pages. Any blank pages are indicated.

Section A

Answer this question.

1

Fig. 1 Selected Labour Market Data for Six EU Economies

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

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

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]

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