

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
A2 GCE
F583/01
ECONOMICS**

Economics of Work and Leisure

TUESDAY 22 JANUARY 2013:

Morning

DURATION: 2 hours

plus your additional time allowance

MODIFIED ENLARGED 24pt

Candidate forename		Candidate surname	
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Centre number						Candidate number				
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Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

READ INSTRUCTIONS OVERLEAF

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.**
- **The quality of your written communication will be taken into account in the marking of your answer to Section B.**

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. With facilities to educate and entertain all ages, Big Pit is an exciting and informative day out.

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Entrance to Big Pit is free and visitor numbers are over 1.5 million per year. Partly because of its educational value, the vast majority of its income comes from a subsidy provided by the Welsh Assembly government. In 2009–10, this subsidy accounted for 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

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an area which is popular with walkers and birdwatchers. However, Mr and Mrs Parry are struggling to make the business profitable. Despite not increasing their prices for the last three years, they have struggled to fill all of their rooms on a regular basis. 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 and they have been focusing on simply avoiding a loss and surviving as a business in the short run. It is also difficult to plan ahead as many tourists are leaving their bookings until the last minute or cancelling at short notice.

The coastal area in which Mr and Mrs Parry's business is situated has plenty of other bed and breakfast establishments, as well as hotels and camping and caravan sites. Several local competitors have already stopped operating as bed and breakfast businesses and Mrs Parry is not optimistic about the future.

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

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The changes in the pattern of tourists visiting Wales can be seen 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 HOLIDAY PURPOSES	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. 55

The biggest threats to tourism in Wales in the immediate future are rising costs, and a reduction in the number of visitors and how much they spend. 60

Costs are rising rapidly in every part of the industry. Taxation and business rates have increased, as well as soaring food and energy prices. When real incomes fall, people reduce the number of holidays they take and the amount of money they spend whilst on holiday. There are signs that holidays in Wales may be on the decline. 65 70

The Wales Tourism Alliance, a representative body of 23 organisations covering the whole of the tourism industry in Wales, is very clear that it is 75

not arguing that the tourism industry should receive state funding ahead of areas such as health or education. Instead, it argues that investment in tourism now will enable the government to have more to spend on hospitals and schools in the future. 80

The relative importance of tourism to a number of different European countries is shown in Fig. 2. 85

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

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SECTION A

Answer ALL parts of the question in this section.

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

[3]

- (b) (i) Using Fig. 1, calculate the change in the number of UK domestic trips to Wales for holiday purposes between 2005 and 2009.**

[3]

[illegible]

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

1 _____

2 _____

[6]

(d) Discuss the different objectives of BOTH Big Pit AND Mr and Mrs Parry's bed and breakfast business.

[8]

[illegible]

[illegible]

SECTION B

Answer ONE question from this section.

- 2 (a) Analyse, using examples, the factors which determine the elasticity of demand for labour. [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, using examples, how the existence of segmented labour markets may lead to labour market failure. [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

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

END OF QUESTION PAPER

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.



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