



ADVANCED GCE
ECONOMICS
 Economics of Work and Leisure

F583

Candidates answer on the Question Paper

OCR Supplied Materials:
None

Other Materials Required:

- Calculators may be used

Wednesday 23 June 2010
Morning

Duration: 2 hours



Candidate Forename		Candidate Surname	
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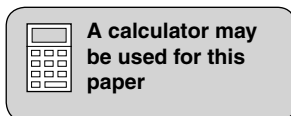
Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- 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 Section A and **one** question from Section B.
- Do **not** write in the bar codes.
- 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.

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 awarded marks for the quality of written communication in Section B.
- This document consists of **16** pages. Any blank pages are indicated.



Section A

Answer **all** questions.

Measuring Productivity ***What we produce and the wages it costs***

According to the government one of its central objectives is to achieve high and stable levels of economic growth and employment. Small increases in the rate of growth can have a large impact on total output, if they are sustained from the short run to the long run.

Improving the productivity of labour, measured by output per worker, is seen as a key element in achieving an increase in the UK's economic growth. This is seen as particularly important as, historically, the UK's productivity has been below that of many other advanced industrial economies. 5

Productivity is not to be confused with production which is a measure of the output of an economy.

Fig. 1 shows the relationship between productivity and unit labour costs. 10

Fig. 1 Productivity and unit labour costs (annual % change)



As Fig. 1 shows, productivity across the whole economy decreased by 1.8 per cent in the fourth quarter of 2008 compared with the same quarter in 2007.

Once production figures are available, they are then used to calculate unit labour costs which are an important indicator of the competitive wellbeing of the economy.

Unit labour costs are measured for the whole economy, and comparisons are made between the UK data and those of its main trading partners. 15

Unit labour costs across the whole economy in the fourth quarter of 2008 were 4.7 per cent higher than the same quarter a year earlier, up from an increase of 2.9 per cent in the previous quarter.

1 (a) Distinguish between the short run and the long run.

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(b) (i) Explain what is meant by unit labour costs.

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(ii) State and explain **two** reasons why unit labour costs may change.

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(c) Using the information in Fig. 1:

(i) describe the relationship between unit labour costs and productivity between 2004 and 2008.

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(ii) comment on the likely impact on the UK economy of this relationship from mid 2007.

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Section B

Answer **one** question.

- 2 (a) Analyse, using examples, how trade unions may be responsible for labour market failure. [15]
- (b) Discuss the extent to which trade union activity may still be seen to be a significant cause of labour market failure in 2010. [20]
- 3 (a) Analyse the factors which determine the demand for labour. [15]
- (b) Discuss the extent to which the ease of factor substitution may influence the price elasticity of demand for labour. [20]
- 4 (a) Analyse, using examples, how barriers to entry may determine the degree of competition in leisure markets. [15]
- (b) Using a leisure market of your choice, discuss the extent to which it may be considered to be an oligopoly. [20]

Section B Total: [35 marks]

Paper Total: [60 marks]

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Start your answer to part (b) here

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