

GCE

Economics

Unit **F583**: Economics of Work and Leisure

Advanced GCE

Mark Scheme for June 2016

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

Annotation	Meaning
 and 	
	Unclear
BOD	Benefit of doubt
TV	Too vague
NAQ	Not answered question
IR	Irrelevant
	Development of point
EE	Effective evaluation
SEEN	Seen
L1	Level 1
L2	Level 2
L3	Level 3
L4	Level 4

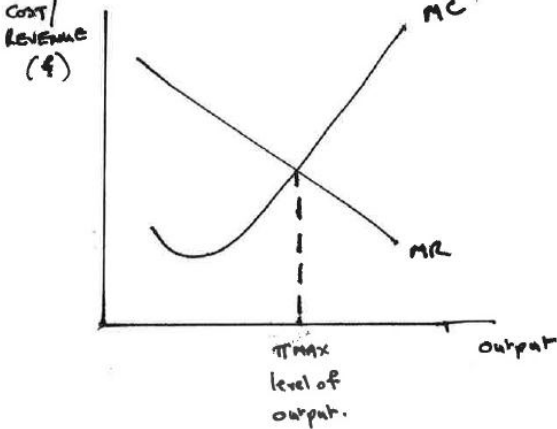
Question		Answer	Mark	Content	Levels of Response
1	ai	<p>Calculate BT's cost per European match as a result of the three year deal with UEFA.</p> <p>£897m / 350 = £2.56m/£2.6m (2 marks)</p> <p>If £ sign and/or million missing (1 mark)</p>	2	<p>£2.56m/£2.6m alone can be awarded (2 marks)</p> <p>Correct method with wrong outcome (1 mark)</p>	
1	aii	<p>Explain the difference between the average total cost and the marginal cost of broadcasting major football matches.</p> <p>The marginal cost of broadcasting is only concerned with variable costs (1 mark)</p> <p>As stated in the passage the cost of buying rights is included in fixed costs. Average total cost will include these fixed costs (1 mark)</p> <p>As a result the marginal cost of broadcasting will be significantly lower than the ATC (1)</p>	3	<p>Maximum of 1 mark for basic definition of either average total cost and/or marginal cost not in the context of broadcasting</p> <p>Definitions of ATC and MC within the context of broadcasting – maximum of 2 marks</p> <p>Accurate definitions of both ATC and MC within the context of broadcasting with a clear and correct comparison between the two terms is necessary for full marks</p>	
1	b	<p>Apart from the cost of buying TV rights, state and explain one barrier to entry to broadcasting sport on television.</p> <p>Candidates to be awarded one mark for stating a relevant barrier to entry – e.g. technical</p> <p>A further two marks for explanation. E.g. Developing expertise and technology for broadcasting sporting events (1)</p>	3	<p>For full marks the BTE must be well developed into how and why the stated barrier prevents entry into the market.</p> <p>Only accept one barrier to entry</p> <p>Do NOT give credit for the candidate that uses buying TV rights as a barrier</p>	

Question	Answer	Mark	Content	Levels of Response
	<p>New entrants to the broadcasting of sports might have to purchase specialist equipment and carry out training in order to ensure a first class final product in terms of coverage of matches. (1 mark)</p> <p>This will require the firm to spend a significant amount of money and time and such costs will act as a barrier to entry.(1 mark)</p> <p>Accept any well explained relevant example of a barrier to entry.</p>			
1 c	<p>How does economic rent help to explain the wages received by top Premier League footballers?</p> <p>ER is a payment over and above transfer earnings. (1 mark) Highly skilled footballers can earn a significant amount/proportion of ER given the next best paid occupation. (1 mark)</p> <p>The high level of skill means that the PL footballers will have a very inelastic or even totally inelastic supply curve (1 mark)</p> <p>This will result from the fact that a skilled footballer is very difficult to be substituted by another player and can therefore command a relatively high wage.(1 mark)</p>	4	<p>A correct and relevant annotated diagram can receive a maximum of 3 marks with no written explanation.</p> <p>Correctly labelled lines/curves and axes (1 mark)</p> <p>Area of economic rent correctly identified (1 mark)</p> <p>An inelastic/relatively inelastic supply curve (1 mark)</p> <p>If credit has been given for the identification of an inelastic/relatively inelastic supply curve on the diagram then do NOT repeat the mark in the narrative</p> <p>Up to 2 marks for a numerical example</p>	

Question		Answer	Mark	Content	Levels of Response
				Full marks can only be awarded to candidates who either draw a relatively inelastic supply curve OR correctly identifying that top PL footballers have relatively inelastic supply	
1	d	<p>Comment on the market failure associated with selling live Premier League TV broadcasting rights to Sky and BT.</p> <p>Sky and BT form a duopoly and the limited competition results in relatively high prices to view live PL football – especially when compared to the BBC.</p> <p>Also the text indicates allocative inefficiency and a lack of consumer welfare due the fact that a limited number of matches are shown compared to other countries.</p> <p>On the other had Sky and increasingly BT have the technology and expertise to provide a high quality product.</p> <p>In the long run, contestability may increase – for example, when broadcasting rights expire and are up for renewal. This may create a more allocatively efficient solution.</p>	5		<p>Up to 2 marks for one sided analysis. (Use green tick)</p> <p>Up to 2 marks for an analysis of the other side of the question (Use L4 button)</p> <p>Plus – one further mark for a judgement/conclusion – if both sides have been analysed (Use EE button).</p>

Question	Answer	Mark	Content	Levels of Response
1 e	<p>Discuss the extent to which the market for the broadcasting of sport is a monopoly.</p> <p>On the one hand the financial power of Sky and BT means that two providers would seem to hold well over 25% of the market for televised broadcasting of football and can therefore be classed as a 'real world' monopoly.</p> <p>The existence of very high barriers to entry in the broadcasting of all sports suggests a monopoly.</p> <p>Certain types of sports broadcast support can be controlled by price makers due to the exclusivity.</p> <p>On the other hand a broad definition of sports broadcasting would produce a much more competitive market. If sports such as cricket, snooker, horse racing, athletics, darts are included then the degree of monopoly power is much reduced.</p> <p>Similarly the a broader view of broadcasting to include highlights rather than live coverage, radio broadcasting and on line viewing of sporting events suggest a more competitive model.</p>	8		<p>Up to 3 marks – analysis of why the market for the broadcasting of sport may be a monopoly or may not be a monopoly. (Use green tick)</p> <p>Up to 3 marks – for a two sided analysis producing an overall two sided argument or analysis which explains what a positive or negative argument depends upon (Use L4 button)</p> <p>Plus 2 further marks for a clearly evaluated judgement of the extent to which the market for the broadcasting of sport is a monopoly. (Use EE button).</p>

Question	Answer	Mark	Content	Levels of Response
2 a	<p>Explain, using a diagram, how the profit earned by a firm is influenced by the relationship between its marginal cost and its marginal revenue</p> <p>A simple diagram using just a MC curve (upward sloping) and an MR curve (downward sloping) is sufficient to be able to answer the question.</p> <p>Candidates are expected to identify the profit maximising level of output at the level of output where $MC = MR$.</p> <p>Candidates should then analyse why a level of output below the profit maximising level would produce a situation where for an increase in output the MR will be greater than MC. This means that there will be an addition to the amount of profit. This process will continue until $MC = MR$.</p> <p>Similarly any output beyond the profit maximising level would create a situation where MC is greater than MR and total profit will fall. Thus this decision to increase output will not happen as it will move the firm away from the profit maximising level.</p>	15	No diagram or incorrect diagram. Max mark = 6 marks	<p>Level 3 (9-15 marks)</p> <p>9-10 marks. Basic analysis of one explanation</p> <p>11-12 marks. Good analysis of one explanation or basic analysis of two.</p> <p>13-15 marks. Good analysis two or more explanations</p> <p>Level 2 (5-8 marks)</p> <p>Application of knowledge. In this case an answer which applies the concept of marginal cost and marginal revenue to a firm</p> <p>5-6 marks= 1 factor identified and applied</p> <p>7-8 marks = 2 or more factors identified and applied</p> <p>Level 1 (1-4 marks)</p> <p>Knowledge and understanding of what is meant by marginal cost, marginal revenue and profit</p>

Question	Answer	Mark	Content	Levels of Response
	Diagram 		Axis – Horizontal. Accept quantity Candidates who produce the full set of curves MC, MR, AC and AR can be awarded full marks as long as the analysis is based on the relationship between MC and MR at different levels of output.	
2 b	<p>Discuss, using examples, whether profit maximisation is likely to be the main objective of firms.</p> <p>Firms might seek to profit maximise by producing at the level of output where $MC=MR$. The objective of maximising profit is traditionally seen as an equilibrium objective, in the sense that at the profit maximising level there are no forces for change as different levels of output will produce lower levels of profit.</p> <p>There are other reasons which candidates might put forward as reasons for firms to pursue this objective and candidates can be expected to analyse the following;</p>	20	To score a mark of 11+ candidates must have offered valid economic analysis upon which the discussion is based. If this economic analysis is not provided then the attempted discussion is no more than unexplained assertion and therefore scores a maximum level 2 mark.	<p>Level 4(a)</p> <p>16-17 marks = weak judgement and balanced analysis. 18-20 marks = good judgement and balance discussion</p> <p>Level 4(b)</p> <p>11-12 = basic discussion which is predominantly one-sided 13-15 = balanced, two sided discussion with relevant economic analysis of both sides.</p>

Question	Answer	Mark	Content	Levels of Response
	<ul style="list-style-type: none"> • Abnormal profits are a reward for risk taking, otherwise owners/shareholders may not invest in a business. • Abnormal profits are one of the major sources of funds for investment. Firms will use retained profits to invest in more efficient production techniques, training and developing new products and processes. The aim is therefore to secure growth of the firm and remain competitive both domestically and internationally. • Abnormal profits might allow a firm in a highly competitive market to adopt price cutting strategies. Again increasing market share and generating growth. • Abnormal profits might attract the most efficient factors of production e.g. labour as the rewards to the factors are likely to be higher. • Abnormal profits will allow workers to have higher wages thus increasing their motivation and MRP. This might be especially true in profit sharing and bonus schemes. <p>On the other hand candidates could point out that profit maximisation is highly theoretical and go on to analyse the reasons why it is not practical in the real world. This could include;</p> <ul style="list-style-type: none"> • Inability to calculate MC • Inability to calculate MR • Difficult to apply to multiproduct firms • Lack of perfect information. 			<p>Level 4 (11-20 marks)</p> <p>Discussion of the difficulties in choosing to operate at the profit maximising level and/or alternative objectives.</p> <p>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well constructed using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 (5-10 marks)</p> <p>Analysis of how and why a firm would choose to produce at a profit maximising level of output or an alternative objective.</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p>

Question	Answer	Mark	Content	Levels of Response
	<p>Candidates might also analyse examples of alternative objectives such as;</p> <ul style="list-style-type: none"> • Sales max • Sales rev max • Satisficing • Survival • Utility maximisation <p>Accept analysis of any relevant objective.</p>			<p>Level 2 (3-4 marks)</p> <p>Application of knowledge and understanding of objective(s) which a firm might pursue. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar, some of which may be noticeable and intrusive.</p> <p>Level 1 (1-2 marks)</p> <p>Knowledge of profit maximisation and/or alternative objectives. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may lack legibility.</p>

Question		Answer	Mark	Content	Levels of Response
3	a	<p>Explain, using examples, why elasticity of demand for labour varies between occupations.</p> <p>Candidates are expected to state and explain the factors that determine the elasticity of demand for labour and use them to explain why different occupations will have different elasticities of demand.</p> <p>Elasticity of demand is the responsiveness of the demand for labour in reaction to a change in the wage rate.</p> <p>Factors influencing elasticity of demand for labour include;</p> <ul style="list-style-type: none"> • The price elasticity of demand for the product – e.g. if demand for product is inelastic then demand for labour may be inelastic as wage increases can be easily passed on to the consumer. • The proportion of wage costs in total costs – if labour costs are a very high percentage then changes in wage costs will be significant to the firm and demand for labour will be elastic. • Ease with which labour can be substituted- if labour can be easily replaced then elastic. • Elasticity of supply of complementary factors – if wages fall and it is easy to obtain more of the factors that are used with labour then demand for labour will be elastic. • Time period – more elastic in long run. 	15	<p>No examples – lowest mark in appropriate level. Max 9</p> <p>Do not reward answers that consider the elasticity of supply of labour.</p>	<p>Level 3 (9-15 marks) Analysis which focuses on why the elasticity of demand for labour varies between occupations.</p> <p>13-15 Good analysis of two reasons for variation. With examples</p> <p>11-12 Good analysis of one reason or basic analysis of two reasons With examples</p> <p>9-10 basic analysis of one reason.</p> <p>Level 2 (5-8 marks) Application of knowledge. In this case an answer which makes assertions about the factors affecting elasticity of demand for labour without going on to provide detailed analysis.</p> <p>7-8 marks 2 or more reasons identified and applied. With examples</p> <p>5-6 marks 1 reason identified and applied</p>

Question	Answer	Mark	Content	Levels of Response
	<p>For example, "One factor which determines the elasticity of demand for labour is the price elasticity of demand for the product which labour produces (L1). If the demand for the product produced is inelastic then the demand for labour will be inelastic (L2). This is because any increase in wages will not result in a significant fall in demand for labour as the firm can increase the price of the product without suffering any significant fall in demand. In effect the increase in wages is passed on to the consumer. Workers in such occupations are therefore able to receive relatively high wages (L3). An example of this could be the demand for legal services. As the demand for the service is inelastic then barristers can earn relatively high wages which are passed onto the consumer in the form of high legal fees.</p>			<p>Level 1 (1-4 marks) Knowledge and understanding of the elasticity of demand for labour</p>
3 b	<p>In October 2014 real wages had fallen for seven consecutive years and were 6.9% below their 2007 level.</p> <p>Discuss the extent to which a reduction in bargaining power was the main determinant of the fall in real wages in the U.K. between 2007 and 2014.</p> <p>In recent years the bargaining power of trade unions is thought to have declined and hence TU activity in bargaining has been unable to prevent the fall in real wages.</p>	20	<p>To score a mark of 11+ candidates must have offered valid economic analysis upon which the discussion is based. If this economic analysis is not provided then the attempted discussion is no more than unexplained assertion and therefore scores a maximum level 2 mark.</p>	<p>Level 4(a)</p> <p>16-17 marks = weak judgement and balanced analysis.</p> <p>18-20 marks = good judgement and balance discussion</p> <p>Level 4(b)</p> <p>11-12 =basic discussion which is predominantly one-sided</p> <p>13-15 = balanced, two sided discussion with relevant economic analysis of both sides.</p>

Question	Answer	Mark	Content	Levels of Response
	<p>Candidates might use the example of a strong bargaining unit to push wages up at a higher rate than inflation. This could then be contrasted with a weak bargaining unit being unable to keep wages increasing in line with inflation.</p> <p>On the other hand a variety of reasons might be put forward for the fall in real wages.</p> <ul style="list-style-type: none"> • Large increases in unemployment associated with the recession • A lack of aggregate demand as consumers lacked confidence and were more willing to pay off debt than consume • A growth in flexible forms of employment such as temporary work, part time work and zero contract deals all of which tend to be less able to increase their wages • A public sector wage freeze – candidates might point out the monopsony nature of many public sector employers • An increase in labour supply, such as an increase in immigration 			<p>Level 4 (11-20marks)</p> <p>Discussion of the factors affecting changes in real wages in the UK between 2007 and 2014.</p> <p>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well constructed using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 (5-10 marks)</p> <p>Analysis of how a reduction in bargaining power can reduce and/or factors affecting real wages</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p>

Question	Answer	Mark	Content	Levels of Response
				<p>Level 2 (3-4 marks) Application of knowledge and understanding of bargaining power and/or factors affecting real wages</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar, some of which may be noticeable and intrusive.</p> <p>Level 1 (1-2 marks) Knowledge of bargaining and/or real wages. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may lack legibility.</p>

Question	Answer	Mark	Content	Levels of Response
4 a	<p>Explain, using examples, the impact of labour market failure on the labour market.</p> <p>Candidates may choose from a number of examples of market failure such as:</p> <ul style="list-style-type: none"> • Monopsony • Union power • Imperfect information • Skill shortages • Unemployment • Economic inactivity • Immobility – geographic and occupational • Discrimination • Supply side constraints – e.g. labour market inflexibilities/legislation • segmented labour markets <p>Candidates will analyse the impact of their chosen market failure/s on both the wage rate and the quantity of labour employed.</p> <p>A starting point would be the equilibrium wage rate and quantity of labour demanded in a market where the supply and demand for labour operate freely and the labour market clears.</p> <p>Due to the chosen labour market failure wages may be pushed below the equilibrium rate (monopsony) or above the equilibrium rate (Trade union activity). Analysis should be supported by examples. Diagrams may be included and should be credited where relevant.</p>	15	No examples – Max Level 1 (Knowledge only)	<p>Level 3 (9-15 marks) 9-10 Basic analysis of one impact on the labour market.</p> <p>11-12 Good analysis of one impact or basic analysis of two.</p> <p>13-15 Good analysis two or more impacts.</p> <p>Level 2 (5-8 marks) Application of knowledge. In this case an answer which makes assertions about the impact of labour market failure upon wage rates and the quantity of labour employed</p> <p>5-6 marks 1 impact identified and applied</p> <p>7-8 marks 2 or more impacts identified and applied</p> <p>Level 1 (1-4 marks) Knowledge and understanding of labour market failure and/or its causes.</p>

Question	Answer	Mark	Content	Levels of Response
	<p>Similarly the impact on the quantity of labour demanded should be analysed in terms of movement away from the equilibrium using examples. Diagrams may be included and should be credited where relevant.</p>			
4 b	<p>Discuss the extent to which different types of government intervention fail to solve the negative impacts of labour market failure.</p> <p>Government intervention can take many forms and will depend upon the cause of market failure.</p> <p>Candidates might analyse interventions such as,</p> <ul style="list-style-type: none"> • legislation (including national minimum wage) • information provision • reform of tax and benefit systems • subsidies e.g. for education and training <p>Analysis should be two-sided providing a discussion of the problems associated with operating a particular intervention contrasted with the advantages.</p> <p>E.g. Legislation used to solve the problem of regional unemployment</p> <p>Candidates might focus on the problems associated with regional policies such as;</p> <ul style="list-style-type: none"> • Cost of policies – opportunity cost. 	20	<p>To score a mark of 11+ candidates must have offered valid economic analysis upon which the discussion is based. If this economic analysis is not provided then the attempted discussion is no more than unexplained assertion and therefore scores a maximum level 2 mark.</p>	<p>Level 4(a)</p> <p>16-17 marks = weak judgement and balanced analysis.</p> <p>18-20 marks = good judgement and balance discussion</p> <p>Level 4(b)</p> <p>11-12 =basic discussion which is predominantly one-sided</p> <p>13-15 = balanced, two sided discussion with relevant economic analysis of both sides.</p> <p>Level 4 (11-20 marks)</p> <p>Discussion of the extent to which government intervention may not solve the negative impacts of market failure</p> <p>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex</p>

Question	Answer	Mark	Content	Levels of Response
	<ul style="list-style-type: none"> • Regional policy usually associated with some form of subsidy. Candidates could analyse this in terms of creating productive inefficiency. • Most regional policies rely on increasing mobility of either labour or capital or both. The incentives might not be great enough to encourage sufficient changes in mobility. • Problem of picking regions to focus upon. • EU might see this as a type of protectionist measure • Increased labour mobility might be hampered by lack of affordable housing. <p>On the other hand, such policies can be seen as positive.</p> <ul style="list-style-type: none"> • Increased capital mobility will allow unemployed labour resources to be utilised more efficiently. • Labour mobility will solve the problem of labour shortages in regions of high growth. • Overall a more efficient allocation of scarce resources. • Potential local multiplier impacts acting to regenerate growth in low growth areas. • Lower costs of production e.g. rents and wages in low growth areas could increase productive efficiency and competitiveness. 			<p>subject matter. Sentences and paragraphs, consistently relevant, have been well constructed using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 (5-10 marks)</p> <p>Analysis of why government intervention may not solve the negative impacts of market failure</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 (3-4 marks)</p> <p>Application of knowledge and understanding of using government intervention to cure market failure</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling,</p>

Question	Answer	Mark	Content	Levels of Response
				<p>punctuation and grammar, some of which may be noticeable and intrusive.</p> <p>Level 1 (1-2 marks)</p> <p>Knowledge of government intervention to cure market failure</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may lack legibility.</p>

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