

GCE

Economics

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

Advanced GCE

Mark Scheme for June 2017

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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, using Fig.1., the percentage difference in average gross annual earnings between; Northern Ireland and England</p> <p>$27376 - 23904 = 3472$</p> <p>$3472 / 23904 = 14.52\%$ accept 14-15%</p> <p>Allow NI figure is 87.3% of the English figure. (1)</p> <p>Accept 87-88% and/or 12-13%</p>	1		
1	aii	<p>North East and London</p> <p>$35328 - 24084 = 11,244$</p> <p>$11,244 / 24084 = 46.69\%$</p> <p>Accept 46-47%</p> <p>Allow N.E. is 68.17% of London figure (1)</p> <p>Accept 68-69% and/or 31-32%</p>	1		

Question		Answer	Mark	Content	Levels of Response
1	b	<p>Explain why significant regional differences in earnings are an example of labour market failure.</p> <p>In a highly competitive labour market with factor mobility any significant regional differences would not exist (1). Wages would act as a signalling mechanism to labour. (1) High wage regions would attract labour from low wage regions (1). Market forces operating in the labour market would remove any significant differences. The existence of such differences are therefore an example of a labour market failing. (1) The result of a number of causes not least that of Labour immobility (1), both geographically and occupationally.(1)</p>	4		
1	c	<p>Using Fig.2, compare the earnings and the growth in earnings of male and female workers in the 18 to 49 years old age group bands.</p> <p>Earnings in the period are always HIGHER for males (1) Increase in earnings is HIGHER for females (1) Consequently the gap has narrowed (1)</p>	2	<p>For 2 marks must compare both earnings and the growth in earnings</p> <p>Accept any clear accurate comparisons using fig. 2</p> <p>No credit for basic age group by age group approach</p>	
1	d	<p>Explain TWO reasons for the existence of the difference between male and female earnings in the UK.</p> <p>Reasons might include;</p>	4		<p>No marks for simply stating.</p> <p>Up to 2 marks for each explanation.</p>

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	<p>Occupational segregation – the highest paid jobs are dominated by men.</p> <p>Women have reduced opportunity to access the highest paid jobs/occupations and as a result have lower earnings.</p> <p>Discrimination.</p> <p>Lack of investment by employers in education and training for female workers.</p> <p>Women having to break their careers due to maternity leave and child care</p> <p>Credit any well-made and relevant reason.</p>			
1 e	<p>Comment on the economic impact of removing the gender pay gap</p> <p>The removal may result in incentivising women to apply and train for jobs which have, in the past, involved occupational segregation. Thus firms will have a greater supply of all levels of skilled labour. This could create a situation where any increased costs of production are outweighed by increases in productivity.</p> <p>The removal of the gender pay gap may be achieved by increasing the pay in female dominated jobs/occupations, providing training and opportunities for women. These may reduce flexibility and</p>	5	Focus must be on economic impact	<p>Up to 2 marks for one sided analysis.</p> <p>Up to 2 marks for an analysis of the other side of the question</p> <p>Plus – one further mark for a judgement/conclusion – if both sides have been analysed.</p>

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	<p>thus impose extra costs on firms resulting in costs being passed on in the form of higher prices. If this is not possible then the firm may decide to reduce the number of employees.</p> <p>Credit any well made and relevant analysis.</p>			
1 f	<p>Discuss the effectiveness of legislation in reducing the regional and gender earnings differences in the UK.</p> <p>Any legislation will be backed by the power of the law and should therefore be effective. Also legislation provides clarity and helps with the provision of information to both employer and employee. This should increase the effectiveness of legislation. The greater the penalty/fine for breaking the law then the more effective the legislation would become.</p> <p>On the other hand legislation can be difficult to monitor and this may simply encourage avoidance. UK experience suggests that in some areas legislation has not been effective since the gender gap persists despite the Equal Pay Act.</p>	8	Focus must be on effectiveness of legislation	<p>Up to 3 marks – analysis of why legislation might be effective or not in reducing differences in regional and gender earnings</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.</p> <p>Plus 2 further marks for a clearly evaluated judgement of the extent to which legislation is effective in reducing earnings differences.</p>

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		Also victims of such discrimination are often the least empowered and are deterred from challenging legislation			
2	a	<p>Analyse the objectives a firm might pursue as an alternative to profit maximisation.</p> <p>The objectives that a firm may follow are influenced by a number of factors and alternatives to profit maximisation may include:</p> <ul style="list-style-type: none"> • Sales revenue maximisation • Sales volume maximisation • Growth maximisation • Various forms of satisficing eg profit satisficing • Utility maximisation • There are a multitude of potential objectives which can be accepted as long as they are reasoned and relevant. <p>One objective is sales revenue maximisation. This is because managers' salaries are often linked to the growth of sales rather than profit. Sales growth can help to attract external finance and might result in economies of scale. Sales can be measured in value terms by total</p>	15	Accept any reasoned and relevant objective.	<p>Level 1 (1-4 marks) Knowledge and understanding of what is meant by profit maximisation and/or alternative objectives.</p> <p>Level 2 (5-8 marks) Application of knowledge. In this case an answer which applies alternative objectives</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 3 (9-15 marks)</p> <p>9-10 marks. Basic analysis of one alternative</p> <p>11-12 marks. Good analysis of one alternative or basic analysis of two.</p> <p>13-15 marks. Good analysis two or more alternatives.</p>

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	<p>revenue. In theory as long as marginal revenue is positive then total revenue will increase. As a result a sales revenue maximiser will produce at the level of output where marginal revenue is zero.</p> <p>In practice this is likely to be unrealistic and will probably involve some kind of profit constraint.</p>			
2 b	<p>Discuss, using examples from the leisure industry, whether a market dominated by one firm is beneficial for an economy</p> <p>A market dominated by one firm can be seen as a monopoly and also an oligopoly.</p> <p>Market domination is usually associated with a loss of consumer surplus and a gain in producer surplus. This is because the barriers to entry and inelastic nature of demand for the product allow a firm to increase the price of the product without any significant loss of quantity demanded.</p> <p>Alongside this impact is the fact that in theory there will be a lack of both productive and allocative efficiency due to</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(b) 11-12 =basic discussion which is predominantly one-sided 13-15 = balanced, two sided discussion with relevant economic analysis of both sides.</p> <p>Level 4(a) 16-17 marks = weak judgement and balanced analysis. 18-20 marks = good judgement and balance discussion</p> <p>Level 4 (11-20 marks)</p> <p>Discussion of why a market dominated by one firm may and may not be beneficial for an economy.</p>

Question	Answer	Mark	Content	Levels of Response
	<p>the lack of competition.</p> <p>In some cases, there could be price discrimination further reducing any consumer surplus by separating markets.</p> <p>In the oligopoly scenario there could be some form of collusion between the firms maintaining a relatively high price. It could also be argued that oligopolies are characterised by a kinked demand curve and are reluctant to compete on price but instead opt for non-price competition which may not be as beneficial to the consumer.</p> <p>Again this scenario may be associated with a lack of both productive and allocative efficiency.</p> <p>It could also be argued that large dominant firms may use practices such as predatory pricing, entry limit pricing, take-overs and mergers in order to maintain their market power and prevent competition.</p> <p>Examples using the leisure industry might come from a variety of leisure industries such as the package holiday industry, premier league football clubs, multiplex cinemas.</p> <p>On the other hand, markets dominated by a single producer might be seen to</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 why a market dominated by one firm may or may not be beneficial for an economy. 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 why a market dominated by one firm may be beneficial for an economy. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of</p>

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	<p>produce benefits. This could be in the shape of economies of scale resulting in lower long run average costs, lower prices and greater output. This could also be allied to the natural monopoly argument where a market is best left in the hands of a single producer.</p> <p>There may be potential dynamic efficiencies gained by a powerful firm's reinvestment of abnormal profit into R and D.</p> <p>It could be argued that some oligopolies can be highly competitive. An example being Thomas Cook and TUI. This often relies on the degree of homogeneity of the product. The more homogenous the product then the more likely there is to be price competition.</p> <p>The concept of contestability adds to the debate with the argument focussing on potential entrants rather than the number of incumbent firms. Some monopolies are forced to act in a beneficial manner by the existence of potential entrants, low sunk costs and the ability to take hit and run action.</p> <p>It can also be argued that large abnormal profits allow research and development to improve the quality of the product. This could be linked to increased allocative efficiency and also the creation or</p>			<p>spelling, punctuation and grammar, some of which may be noticeable and intrusive.</p> <p>Level 1 (1-2 marks)</p> <p>Knowledge of monopoly or oligopoly. 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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	<p>maintaining of international competitiveness.</p> <p>It can also be argued that the monopolies might be run as non-profit making organisations with a focus on more social objectives rather than a profit maximising objective.</p> <p>A discussion of the concept of what is beneficial for an economy would focus on the impact on different stakeholders.</p>			
3 a	<p>Analyse, using examples, how differences in the elasticity of supply of workers in different occupations influences their wages.</p> <p>Elasticity of supply of labour is the responsiveness of the supply of labour to a change in the wage rate. It can be measured by using the formula;</p> $\frac{\% \text{ change in quantity of labour supplied}}{\% \text{ change in the wage rate}}$ <p>In general the more inelastic the supply of labour to an occupation the higher the wage will be in that occupation. Elasticity of supply is influenced by a number of factors. In different occupations different factors may be more important.</p>	15	<p>No relevant examples.</p> <p>Max mark = 6</p>	<p>Level 1 (1-4 marks) Knowledge and understanding of the elasticity of supply of labour and/or factors influencing the elasticity of supply of labour.</p> <p>Level 2 (5-8 marks) Application of knowledge. In this case an answer which makes basic assertions about the influence of the supply elasticity factors on relative wages.</p> <p>5-6 marks 1 effect identified and applied</p> <p>7-8 marks 2 effects identified and applied</p> <p>Level 3 (9-15 marks) 9-10 Basic analysis of one effect</p>

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	<p>The major factors are the qualifications and skills required, the length of training, the degree of mobility of labour (both geographical and occupational) and the time period involved.</p> <p>A long period of training will make the supply of labour to an industry inelastic with respect to wages. A long period of training may discourage some people from undertaking the occupation. This may be because the returns, in the form of wages, during training may be low. It may also mean that it will take some time before people are qualified to do the job even if wage rises do attract more people into the training period.</p> <p>This inelastic supply due to a long training period will result in relatively higher wages whereas occupations with a short training period are associated with relatively low wages.</p> <p>Examples of this are chefs and waiters. Chefs have a longer training period and receive relatively higher wages than waiters.</p>			<p>11-12 Good analysis of one effect or basic analysis of two effects with examples</p> <p>13-15 Good analysis of both effects with examples.</p>

Question	Answer	Mark	Content	Levels of Response
3 b	<p>Discuss the extent to which the bargaining power of an employer is the main determinant of wages in an occupation.</p> <p>The bargaining power of an employer can be dependent on a variety of factors. A powerful employer has the ability to depress wages and at the extreme is a monopsonist employer. In theory this is a single buyer of labour in a particular labour market with the power to push wages below the equilibrium level.</p> <p>Diagram.</p> <p>An example of this is the National Health Service and nurses.</p> <p>There are however many factors which influence wages. The power of an employer may be counteracted by a strong Trade Union. This may create the bi-lateral monopoly situation where a monopsonist buyer of labour is faced with a monopsonist seller of labour. The outcome is argued to be indeterminate within certain limits.</p> <p>Diagram</p> <p>Other wage influencing factors which</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>Candidates can analyse either a high bargaining power scenario and/or a low bargaining power scenario. Both are not required.</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(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 (11-20marks)</p> <p>Discussion of the importance of the role of an employer's bargaining power in the process of wage determination.</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>

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	<p>might counteract the bargaining power of an employer are the elasticity of supply of labour in the market. Again the NHS and junior doctors could be used as an example. The relatively inelastic supply of junior doctors, due to the length of training, may force wages up wards.</p> <p>Some elasticity of demand factors may also have an impact. An example here might be the percentage of total costs of a firm made up by wage costs. A small percentage might mean that a powerful employer would still be prepared to award large pay increases as this would not have a significant impact of the total costs of a firm.</p> <p>Employers may be limited by government intervention in the form of a National Minimum or Living Wage. No matter how powerful an employer they are legally required to pay a certain amount per hour for workers.</p> <p>The state of the economy and closeness to full employment may also be a countervailing factor.</p>			<p>Level 3 (5-10 marks) Analysis of how the bargaining power of an employer might affect wage determination.</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) Application of knowledge and understanding of bargaining power and wage determination.</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 power or wage determination. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable</p>

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					and intrusive. Writing may lack legibility.
4	a	<p>Analyse how changes in wages and productivity affect unit labour costs.</p> <p>Unit labour costs are labour costs per unit of output. Labour costs include the complete range of costs employers incur when they employ workers. They include not only wages but also the cost of recruiting and training workers, national insurance contributions, redundancy payments and payments in kind.</p> <p>Wages are thought to account for over 80% of total labour costs. Productivity is a measure of efficiency and is commonly measured by output per worker or output per worker hour.</p> <p>Wages and productivity are key influences on unit labour costs.</p> <p>An increase in wages might be thought to increase unit labour costs but this depends upon what is happening to productivity. If productivity increases faster than wages, then unit labour costs are likely to fall. This could be</p>	15		<p>Level 1 (1-4 marks) Knowledge and understanding of unit labour costs or productivity.</p> <p>Level 2 (5-8 marks) Application of knowledge. In this case an answer which makes assertions about the impact of changes in wages and productivity on unit labour costs.</p> <p>5-6 marks 1 impact identified and applied</p> <p>7-8 marks 2 or more impacts identified and applied</p> <p>.</p> <p>Level 3 (9-15 marks)</p> <p>9-10 Basic analysis of one impact on unit labour costs..</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>

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	<p>demonstrated with prose and/or a simple numerical explanation.</p> <p>Conversely if productivity changes are unable to keep up with increases in wages then unit labour costs are likely to rise. Again prose and/or a simple numerical explanation could be used.</p> <p>In extreme circumstances the non-wage factors affecting unit labour costs may move in an opposite direction to the change in wages. This may produce a change in unit labour costs which is not as large or even in the same direction as the basic theory suggests.</p>			
4	<p>b</p> <p>Discuss whether the removal of all government intervention in the labour market would increase the efficiency of the labour market.</p> <p>Government intervention in the labour market can take many forms and could from local government, central government or, in the case of the UK, directives from the EU. These interventions can include the government acting as an employer, the provision of information, regional policy, education and training, minimum wage legislation, TU legislation and other forms of</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(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(a)</p> <p>16-17 marks = weak judgement and balanced analysis.</p>

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	<p>legislation and directives e.g. EU working hours directive.</p> <p>Government legislation is usually aimed at increasing the flexibility of the labour market. The government interventions attempt to increase the mobility of labour – both occupational and geographical. The tax system could be used to incentivise the supply of labour through reducing the real value of benefits, increasing the NMW and reducing marginal tax rates. Legislation aimed at reducing the bargaining power of Trade Unions may keep wages lower and reduce the use of restrictive practices and industrial action.</p> <p>All these measure attempt to increase the output per worker of the economy and if this increase is greater than any wage impacts then unit labour costs will fall.</p> <p>Successful intervention in these areas can help to create a flexible labour market with an increase in both the quality and quantity of labour supplied to the labour market. This flexibility would help to remove some of the market failures associated with the labour market.</p> <p>On the other hand, it can be argued that removing some aspects of legislation can make labour markets more efficient in</p>			<p>18-20 marks = good judgement and balance discussion</p> <p>Level 4 (11-20 marks)</p> <p>Discussion of the extent to which the removal of government intervention may or may not make labour markets more flexible and efficient.</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 why the removal of government intervention may or may not make labour markets more flexible and efficient.</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</p>

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	<p>responding to labour market changes. examples might include maternity/paternity leave requirements adding to the cost of employing workers. Other examples may include unfair dismissal legislation, employment protection legislation and, on an EU basis, the working hours directive.</p> <p>The National Minimum/Living Wage could be argued to impose a cost on employers and act to increase unit labour costs. This could reduce the demand for labour.</p> <p>The government acting as an employer may be seen as an inefficient use of resources. The historical reduction of the role of the public sector through denationalisation and privatisation might be used as an example of trying to increase efficiency and reduce unit labour costs in a variety of industries and labour markets.</p> <p>At the extreme the removal of unemployment benefit /JSA could be argued to be an incentive to supply labour.</p> <p>In conclusion the discussion can be seen in terms of efficiency and equity. The removal of all government legislation can be argued to create a much freer labour market. This might impact on the level of wages and output per worker in a manner</p>			<p>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 how the removal of government intervention may or may not impact labour markets.</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)</p> <p>Knowledge of government intervention in labour markets.</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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	which reduced unit labour costs. However this could lead to a variety of labour market failures which would require government intervention to resolve.			

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