

**ADVANCED GCE
ECONOMICS**

Economics of Work and Leisure

THURSDAY 19 JUNE 2008

2884

Afternoon
Time: 1 hour 30 minutes

Additional materials (enclosed): Answer Booklet (8 page)

Additional materials (required):
None



INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the spaces provided on the separate Answer Booklet.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- Answer Question 1 and **one** question from Section B.
- Write all your answers in the separate Answer Booklet provided.
- If you need to use additional answer sheets, fasten these sheets securely to the Answer Booklet.

INFORMATION FOR CANDIDATES

- The number of marks for each question 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** printed pages.

Section A

Answer this question.

1

Extract 1: Migration good?

More than 300,000 Polish workers have settled in the UK since Poland, along with nine other countries, joined the European Union (EU) in 2004. An independent survey shows that 12% of British businesses now employ workers from Poland and the other accession states. Furthermore, 59% of the 345,000 applicants to the Work Registration Scheme between May 2004 and December 2005 were Polish: whilst during the same period only 1,279 Poles applied for state benefits. It is a far cry from the doomsday predictions which were made during the months leading up to the EU accession of countries such as Poland. The statistics suggest that most of the Poles and other eastern Europeans have not come to take advantage of the UK's benefit system; they have come to work. 5

The level of pay is the biggest difference between Poland and UK. Poland has the highest unemployment rate in the EU; while average earnings there are equivalent to only £4,000 a year. A spokesperson for the Recruitment and Employment Confederation said, "People who come from Poland may work in a fairly low-skilled job to start with, but once their English improves, they tend to progress rapidly within the labour market, which benefits the economy as a whole". It is predicted that the workforce from the accession countries will boost the UK's growth by 0.2% in 2006 and by 0.4% in 2007. It will also contribute £300 million to the government's tax receipts this year. 10 15

According to an economic advisor, the current generation of eastern European workers is more enterprising than previous immigrants: "They have gone to areas of the UK economy where they are needed, both geographically and occupationally. They haven't really displaced British workers directly. In addition, the cost in terms of pressure on local community services and housing is less because they aren't concentrated in one location". 20

Extract from Matt Keating, *Cream of the crop*, The Guardian, 20 May 2006 © Guardian News & Media Ltd 2006

Extract 2: Nurse Recruitment

Thousands of nurses and midwives are still being poached from the world's poorer countries, such as the Philippines, to work in the UK. A code of practice which banned the NHS from recruiting from poor countries was tightened last year by extending it to include private agencies which supply the NHS, but the latest figures show that it is still far from effective; 3,301 nurses were recruited into the UK from countries on the banned list in 2004-5. The impact of losing trained medical staff can be huge for poor countries which have high burdens of disease, as well as chronically understaffed hospitals. 25 30

Adapted from Sarah Boseley, *UK agencies still hiring poorest nations' nurses*, The Guardian, 20 December 2005

3

- (a) Using the information in Extract 1, identify **two** possible economic advantages and **two** possible economic disadvantages to the UK of immigration by Polish workers. [4]
- (b) (i) Explain what is meant by the term 'labour market failure'. [2]
- (ii) Using the extracts, explain **one** way in which labour market failure in the UK may be reduced by immigration. [4]
- (c) Comment on the suggestion (lines 20-21) that the current generation of east European migrant workers "haven't really displaced British workers directly". [4]
- (d) Discuss the economic consequences for countries such as Poland or the Philippines which have experienced substantial emigration of labour. [6]

Section B

Answer **one** question.

- 2 (a) Explain why firms which operate in an oligopolistic market structure tend to use non-price methods of competition. [10]
- (b) With reference to a leisure market of your choice, discuss the circumstances under which firms may choose to compete on price. [15]
- 3 (a) Explain how a trade union may be able to increase the relative pay of its members. [10]
- (b) Discuss the view that unit labour costs matter much more than actual levels of pay. [15]
- 4 (a) Explain why, when their hourly wage rate increases, some workers may prefer to increase the amount of leisure time available to them, even if this means less income. [10]
- (b) Discuss the impact on the operation of the UK labour market of an increase in the taxation of personal income. [15]

[Total: 45 marks]

Copyright Acknowledgements:

Extract 1 Extract from Matt Keating, *Cream of the crop*, The Guardian, 20 May 2006 © Guardian News & Media Ltd 2006, www.guardian.co.uk
Extract 2 Adapted from Sarah Boseley, *UK agencies still hiring poorest nations' nurses*, The Guardian, 20 December 2005

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