



GCE

Economics

Advanced GCE

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

Mark Scheme for June 2012

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

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Any enquiries about publications should be addressed to:

OCR Publications
PO Box 5050
Annesley
NOTTINGHAM
NG15 0DL

Telephone: 0870 770 6622
Facsimile: 01223 552610
E-mail: publications@ocr.org.uk

Annotations

Annotation	Meaning
	Unclear
	Benefit of doubt
	Cross
	Effective evaluation
	Irrelevant
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Noted but no credit given
	Too vague
	Tick
	Development of point

Question		Answer	Marks	Guidance
1	(a)	<p>$20.4+17.2+7.4 = 45\% =$ two marks.</p> <p>Correct value but no percentage = one mark eg 45</p> <p>One mark if method correct but wrong total.</p> <p>Candidates may treat BBC One, BBC Two and BBC Three as one firm, with same for ITV and Channel 4. This would produce 28.6 (BBC) + 21.3 (ITV) + 9.2 (C4+E4) = 59.1% Reward as two marks.</p>	2	Up to two marks.
	(b)	<p>Fixed costs = costs which do not vary with output (1). Reference must be made to output, level of production. Passage – both licence bid of £2,500 and annual fee of £1,000 can be seen as fixed costs (1). Accept rental of small studio.</p> <p>Final mark for explanation of why these are fixed costs in the TV broadcasting industry (1).</p>	3	<p>Up to three marks. For third mark, explanation must go beyond the basic definition of fixed cost and relate specifically to output in terms of number of programmes, viewers, hours.</p>

Question	Answer	Marks	Guidance
(c)	<p>Possible reasons for declining trend as a percentage might include:</p> <p>Increased cost of advertising. Advertisers switching to other forms of media, eg Internet. TV advertising falls as % of total advertising expenditure. Increased reliance on subscription by providers such as Sky. Advertisers spending less during recession. Advertising slots cheaper due to more channels (increased competition) or recession. Subscription revenue increases faster than advertising revenue, therefore percentage falls. Loss of effectiveness of TV advertising – must be linked to decisions by firms to switch away from TV advertising</p> <p>Needs two reasons – two marks for each reason. One mark for state, second mark for explanation. The decline in the proportion of television revenue generated from advertising might be caused by the fact that new forms of media, such as the internet, have developed (1). The emergence of these new places to advertise might mean a reduction in the amount of advertising on television as advertisers switch to potentially cheaper and more effective outlets (1).</p>	4	<p>One mark for correct identification, up to a maximum of two identifications, plus a further one mark for each of the explanations.</p> <p>Question refers to broadcasting as a whole and not individual channels.</p>

Question		Answer	Marks	Guidance
	(d)	<p>Regulation can take the form of:</p> <p>Reducing barriers to entry/exit. Maintaining or increasing standard of product. Regulating how product is sold. Consumer protection – impartiality</p> <p>Accept – correcting market failure if the market failure is clearly identified. This might include abuse of monopoly power, lack of information, under-consumption of merit goods, over-consumption of demerit goods. Protection of the viewer from harmful or offensive material.</p> <p>Accept any recognised impact of regulation. in the context of the TV broadcasting industry</p>	3	<p>One mark for each explanatory statement, up to a maximum of three such statements, but allow development.</p> <p>One form of regulation well developed can gain three marks.</p>

Question	Answer	Marks	Guidance
(e)	<p>Benefits might include: greater choice bringing in the idea of allocative efficiency/ increased consumer satisfaction/welfare The fact that greater competition is usually thought to reduce price and increase quality in a competitive market place. Scope for minority channels therefore provides for all sections of society. More contestable with low entry and exit costs.</p> <p>Why consumer may not benefit might include lower quality of programmes. Reliance on repeated programmes. Competition has no impact on price of viewing many channels as they are free once licence fee has been paid and therefore competition might have no impact on price or improving quality.</p> <p>An increase in the number of channels might benefit the consumer, as there is more potential choice of channels (1). This could be seen as increasing consumer welfare and creating a more allocatively efficient allocation of resources (1). On the other hand, there can be no guarantee that the quality of the material broadcast would be maintained (1) as many channels rely on repeated material and high levels of advertising rather than programme content (1).</p> <p>In conclusion, it could be argued that the ease of entry into the broadcasting market has been, very much, at the expense of quality and it has actually created an allocatively inefficient situation where consumers are faced with a great deal of choice but between a large number of channels producing low quality output (1).</p>	5	<p>Up to two marks for a one-sided analysis. Up to a further two marks for an analysis of the second side.</p> <p>Plus one mark for a reasonable judgement (based on the preceding analysis).</p> <p>Judgement mark can only be awarded if both sides have been analysed.</p> <p>On both sides the second mark can only be accessed if there is clear economic analysis.</p> <p>Benefit or lack of benefit must relate to more channels not more TV viewing eg obesity.</p>

Question	Answer	Marks	Guidance
(f)	<p>TV might be thought of as an oligopoly because of its high concentration ratio – a market dominated by a small number of producers/broadcasters. Entry into the market seems to be relatively easy but in trying to compete with the major channels the barriers become much larger. eg buying major sports events. The ability to earn abnormal profits seems to exist in the shape of subscription channels such as Sky. Candidates might discuss price rigidity and nature of the product which could be either homogenous or differentiated.</p> <p>On the other side, TV might be seen as either a monopoly, based on analysis of the BBC, or a monopolistic market.</p> <p>Candidates could legitimately point to the market share of the BBC with its three channels accounting for over 25% of market share. Also the fact that it is subsidised by the state and is free at the point of use for consumers.</p> <p>Alternatively candidates might analyse the market as monopolistic with many channels, ease of entry, some product differentiation. Also, that TV competes in a wider entertainment market which is growing all the time and providing even more competitors, eg on line activities.</p> <p>Another route would be to analyse the market as contestable with the focus on the ease of exit and entry, rather than the number of firms.</p> <p>Television broadcasting might be considered an oligopoly as a few major broadcasters dominate the market on a limited number of channels (1). The three firm concentration ratio for both broadcasters and channels is high at 45% by channel and 59% by broadcaster, which is typical of an oligopoly (1). There are also high barriers to some parts of the industry. For example, Sky TV has a strong hold on major sporting events and attempts to enter the market, by Setanta for example, have resulted in competitors having to leave the market (1).</p>	8	<p>Up to three marks for a one-sided analysis. Up to a further three marks for the analysis of the second side. Plus up to two marks for a reasoned judgement (based on the preceding analysis).</p> <p>No marks for simply stating the characteristics of oligopoly or for a response which makes no explicit reference to TV broadcasting.</p> <p>Judgement marks can only be awarded if both sides have been analysed.</p>

F583/01

Mark Scheme

June 2012

Question	Answer	Marks	Guidance
	<p>However, it can be argued that there are much lower barriers to entry into the market indicated by the arrival of the 1000th channel (1). The costs involved in entering the market are relatively low at less than £4000 per year and therefore the sunk costs are low, suggesting a much more contestable market (1). With a focus on simply the number of firms, the market could be described as monopolistic as the barriers to entry are low, the product is slightly differentiated and there are a large number of firms (1).</p> <p>In conclusion, it could be argued that the market can be split into two sub-markets. BBC, ITV and Sky seem to operate in an oligopolistic market where the need to attract advertising – and the existence of public funding in the BBC’s case – make it very difficult for new firms to enter the market (1). At the other end of the scale, minority channels, such as Revelation, with low entry costs and no real desire or need to maximise profit, can exist in monopolistic competition (1).</p>		

Question		Answer	Marks	Guidance	
				Content	Levels of response
2	(a)	<p>The responsiveness of the supply of labour to a change in the wage rate is the elasticity of supply of labour and the factors which influence it are:</p> <p>the qualifications and skills required,</p> <ul style="list-style-type: none"> - supply of skilled workers is more inelastic than that of unskilled. <p>length of training</p> <ul style="list-style-type: none"> - the longer the training period the more inelastic <p>the immobility of labour both geographical and occupational</p> <ul style="list-style-type: none"> - the greater the level of mobility the more elastic the supply. <p>the time period</p> <ul style="list-style-type: none"> - inelastic in the short term and more elastic in the long term. <p>Vocational aspects</p> <ul style="list-style-type: none"> - changes in wages do not have an impact in some occupations as people are not motivated by wages. <p>Level of unemployment in the economy</p> <ul style="list-style-type: none"> - high levels of unemployment are usually associated with an elastic supply of labour especially to lower skilled jobs. Must be related to occupations, as in question, and not a simple macroeconomic argument. <p>Candidates are expected to state and explain the factors and use them to explain why, when wages change, the reaction may be either responsive or non responsive.</p>	15	<p>Be careful not to credit any material based on factors affecting the supply of labour.</p> <p>Answers must be related to the elasticity of supply of labour how the supply of labour responds to a change in the wage.</p>	<p>Level 3 (9-15 marks) Analysis which focuses on the factors which influence elasticity, if focus is on only one of these factors then max 12.</p> <p>9-10 – basic analysis of one factor.</p> <p>11-12 – good analysis of one factor or basic analysis of two factors.</p> <p>13-15 – good analysis of two or more factors with width and depth.</p> <p>Level 2 (5-8 marks) Application of knowledge. In this case an answer which makes assertions about the factors affecting elasticity of supply of labour without going on to provide any analysis. If appropriate examples are given then award at least 6 marks.</p> <p>Level 1 (1-4 marks) Knowledge and understanding of what elasticity of supply is.</p>

Question		Answer	Marks	Content	Guidance
					Levels of response
	(b)	<p>Candidates may take their starting point from a positive or negative impact on labour markets.</p> <p>The supply of labour is influenced by the emigration and immigration of economically active people. Migration needs to analyse both net emigration and net immigration. Both aspects should be considered and analysis might include:</p> <p>Overcoming skill shortages/countries losing workers might suffer skill shortages. Reducing/increasing the dependency ratio. Impact on government tax revenue/impact on government spending (must be related to labour markets). Helping the economy to expand without encountering inflationary pressure/ reducing the quantity and quality of labour</p> <p>May disadvantage low paid workers when immigrants are prepared to work for lower wages. Downward pressure on wages/Reward mobile labour.</p> <p>Pressure on services such as housing, health care and education. Especially if immigrants bring families and are concentrated in particular regions/problems of depopulation and areas losing skilled income earners – negative multiplier effect. (Must be related to labour markets eg labour mobility.)</p>	20	Only emigration or immigration = bottom of band.	<p>Level 4(a) (16-20 marks) Discussion which includes a judgement of the extent to which migration has a positive or negative impact on labour markets.</p> <p>18-20 – balanced discussion with good judgement</p> <p>16-17 – weak judgement</p> <p>Level 4(b) (11-15 marks) For a balanced discussion of the extent to which migration impacts labour markets. A discussion lacking balance should receive no more than 13.</p> <p>13-15 – balanced two sided discussion with relevant economic analysis of both sides</p> <p>11-12 – basic discussion which is predominantly one-sided</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>

Question			Answer	Marks	Content	Guidance
						Levels of response
						<p>Level 3 (5-10 marks) Analysis of how migration will have a positive or negative impact on labour markets.</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 how migration might impact on 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) Knowledge of migration and/or labour markets. Some simple ideas have been expressed.</p> <p>There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may lack legibility.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
3	(a)	<p>The meaning of income inequality should be explained in terms of an unequal distribution of income within an economy, eg the gap or difference between low income and high income. Application might be made by comparing different types of economy and different countries.</p> <p>Candidates who do not go beyond an explanation and do not analyse measurement will be limited to Level 2.</p> <p>Measuring changes in inequality can be dealt with in a number of ways with analysis of only one being required for Level 3.</p> <p>Ways might include the use of Lorenz curves and Gini coefficients with candidates using diagrams and formulas to show how this information helps to measure income inequality.</p> <p>Diagrams must be substantially correct and for Level 3 candidates must be able to interpret the meaning of a Gini coefficient value if they have chosen that route. The nearer to 1 the more unequal the distribution of income.</p> <p>Another approach is to focus on percentiles and then use the information to compare income groups. Again candidates must be clear and precise in their analysis in order to achieve Level 3.</p>	15	<p>Question is specifically about INCOME equality.</p> <p>Question refers to CHANGES. Analysis must involve how changes are measured – for instance how the Lorenz curve or Gini coefficient would show this.</p> <p>Accept comparison between countries/different economies as a method of demonstrating change.</p> <p>Lorenz curve axis should be cumulative but allow % of income and % of population. i.e. predominantly correct.</p> <p>13 -15 range applies to answers with correct diagrams/formulas and analyses change</p>	<p>Level 3 (9-15 marks) Analysis which focuses on both the meaning of income inequality and how it is measured.</p> <p>9-10 – basic analysis of one feature.</p> <p>11-12 – good analysis of one feature or basic analysis of two features.</p> <p>13-15 – good analysis of two or more features with width and depth.</p> <p>Level 2 (5-8 marks) Application of knowledge. In this case an answer which makes broad assertions about what the inequality of income is and how it is measured.</p> <p>Level 1 (1-4 marks) Knowledge and understanding of income inequality and/or a measure.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<p>Reform of the tax and benefit system might include analysis of;</p> <p>Making the income tax system more progressive and therefore increasing the % of income paid in tax by higher income groups. This could be achieved by widening the bands and/or increasing the higher rates of tax. Also at the lower end the tax free personal allowance could be increased and the lowest rate reduced or a new lower band reintroduced (used to be 10% for a short period). The impact would hopefully reduce income inequality post tax and benefits.</p> <p>Alongside this benefits could be increased in real terms and directed to low income groups with more efficiency.</p> <p>Examples might include increasing the old age pension and unemployment benefits. Candidates might cover the argument that more benefits could be means tested rather than universal. The impact would hopefully reduce income equality post tax and benefits.</p> <p>Candidates might then go on to the problems associated with reform and the suitability of alternatives.</p>	20	<p>The question specifies income but taxes on wealth could be considered as inequality of wealth is a cause of income inequality. This analytical point should be made to make such taxes relevant analysis.</p>	<p>Level 4(a) (16-20 marks) Discussion which includes a judgement of the extent to which reform of the tax and benefit system alone can reduce the level of inequality.</p> <p>18-20 – balanced discussion with good judgement</p> <p>16-17 – weak judgement</p> <p>Level 4(b) (11-15 marks) For a balanced discussion of the extent to which the reform of tax and benefits system alone can reduce level of inequality. At this stage alternatives might be introduced and analysed.</p> <p>13-15 – balanced two sided discussion with relevant economic analysis of both sides</p> <p>11-12 – basic discussion which is predominantly one-sided</p> <p>A discussion lacking balance should receive no more than 13.</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>

Question		Answer	Marks	Guidance	
				Content	Levels of response
		<p>However, problems with reform might include the loss of revenue for the government, disincentive effects on working, the creation of a benefits culture and the problems associated with means testing.</p> <p>Several alternatives to reform of the tax and benefit systems exist and candidates might analyse one or more of these alternatives.</p> <p>Policies to reduce the inequality of wealth.</p> <p>Introduction of/increase in a national minimum wage.</p> <p>Information provision linked to take up and provision of private pension schemes.</p> <p>Supply side policies such as education and training aimed at providing transferable skills and mobility in order to reduce chances of unemployment.</p> <p>Accept any appropriate analysis.</p>			<p>Level 3 (5-10 marks) Analysis of how the reform of tax and benefit system or an alternative method might reduce level of income inequality.</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 how the reform of tax and benefit system could reduce income inequality. 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 the tax and benefit system and/or income inequality. 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	Marks	Guidance	
				Content	Levels of response
4	(a)	<p>Skill shortages occur when firms have difficulties recruiting people with appropriate skills. Labour market failure is associated with a lack of allocative and productive efficiency in the labour market.</p> <p>Skill shortages create market failure in that firms are either unable to produce through lack of skills or the wage of the scarce skill is bid up leading to an increase in costs and, ultimately, leading to a lack of competitiveness in both the domestic and international market.</p> <p>Labour market failure occurs when market forces do not result in an efficient allocation of resources. Skill shortages may result in workers being in jobs they are not suited to. Productivity might be adversely affected and job vacancies may remain unfilled therefore generating inefficiencies.</p> <p>A lack of skill was cause occupational immobility with the associated inefficiencies.</p>	15	Do not reward answers offering solutions to labour market failure.	<p>Level 3 (9-15 marks) Analysis of how skill shortages cause market failure.</p> <p>9-10 – basic analysis of one reason.</p> <p>11-12 – good analysis of one reason or basic analysis of two reasons.</p> <p>13-15 – good analysis of two or more reasons with width and depth.</p> <p>Level 2 (5-8 marks) Application of knowledge. In this case an answer which makes broad assertions about skill shortages and how they cause market failure.</p> <p>Level 1 (1-4 marks) Knowledge and understanding of skill shortages and/or market failure.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<p>EU directives are instructions to member countries to achieve particular outcomes. They usually allow countries some flexibility in terms of national laws.</p> <p>Candidates might give examples of the Working Time Directive, the Parental Leave Directive and Equal Treatment Directive.</p> <p>The analysis of the beneficial effect should lead candidates into the protection of workers rights and the correction of some forms of market failure, for instance, discrimination. Candidates might also point out that the flexibility allowed to countries is a positive point and might recognise that the UK has opted out in the past on various issues. A level playing field across the EU could be argued to encourage mobility and flexibility thus helping to fill any skill shortages and provide a greater potential supply of labour.</p> <p>Changes to elasticity of supply might also be considered.</p> <p>Candidates must focus on the impact on the labour market and might sensibly focus on the impact on labour market failure and flexibility.</p> <p>Also, an approach which considers the effect on earnings and employment is relevant and candidates might produce arguments on migration which are relevant, if related to the labour market rather than the whole economy.</p>	20		<p>Level 4(a) (16-20 marks) Discussion which includes a judgement of the extent to which EU directives might impact the labour market.</p> <p>18-20 – balanced discussion with good judgement</p> <p>16-17 – weak judgement</p> <p>Level 4(b) (11-15 marks) For a balanced discussion of the extent to which EU directives might impact the labour market.</p> <p>13-15 – balanced two sided discussion with relevant economic analysis of both sides</p> <p>11-12 – basic discussion which is predominantly one-sided</p> <p>A discussion lacking balance should receive no more than 13.</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>

F583/01

Mark Scheme

June 2012

Question		Answer	Marks	Guidance	
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		<p>However there are aspects which are not a benefit. It is argued that excessive protection for those in work may depress economic growth and job creation by increasing the cost of labour and even reduce the desire of firms to employ new labour.</p> <p>Again candidates must focus on the impact on the labour market and might sensibly focus on the impact on labour market failure and flexibility. The negative impacts of migration might be considered but must focus on the labour market.</p> <p>Discussion could also introduce the power of trade unions and the willingness or ability of governments to fully implement EU directives. The desire to create national flexibility in operation could lead to the lack of a level playing field and, hence, market failure. This could be seen as government failure.</p> <p>Candidates might broaden the arguments to include the freedom of movement of labour within the EU as part of economic integration – credit this approach if relevant to labour markets.</p> <p>The Social Charter/Chapter made agreements on social provisions including a minimum wage, equal pay for male and female workers and minimum standards for health and safety. Credit analysis of these areas eg. minimum wage. Better answers will link analysis to the Social Charter/chapter.</p>			<p>Level 3 (5-10 marks) Analysis of how EU directives might have a beneficial impact on the labour market. 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 EU directives on the UK labour market.</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 EU directives and the labour market.</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>

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

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