



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

Friday 28 January 2011
Afternoon

Duration: 2 hours



Candidate forename		Candidate surname	
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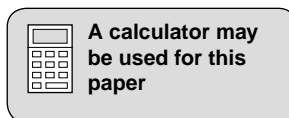
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- 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.
- Answer Section A and **one** question from Section B.
- Do **not** write in the bar codes.

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**.
- This document consists of **20** pages. Any blank pages are indicated.
- You will be assessed on the quality of your written communication in Section B.



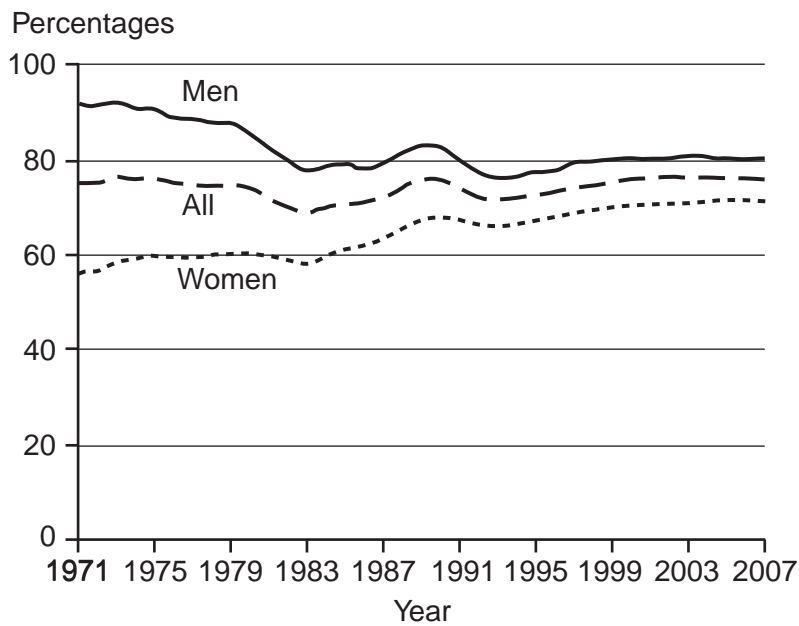
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Economic activity rates and the changing age profile of the UK's working population

Many people spend a large proportion of their lives in the labour force, so their experience of work has an important impact on them. Although still large, this proportion has been falling. Young people are remaining longer in education; older people are spending more years in retirement, a contributory factor to this being the increase in life expectancy. Employment in the service sector continues to increase, while employment in manufacturing continues to fall. There have also been differences between the sexes in the trends of those in employment, unemployed people and those who are economically inactive.

5

Fig. 1 Employment rates by sex in the UK



A snapshot of the labour force in 2020

In 2020, the number of economically active people is projected to be 32.1 million. Of these, 53.3 per cent (17.1 million) will be men and 46.7 per cent (15.0 million) will be women. This compares with 54.2 per cent and 45.8 per cent respectively in 2005.

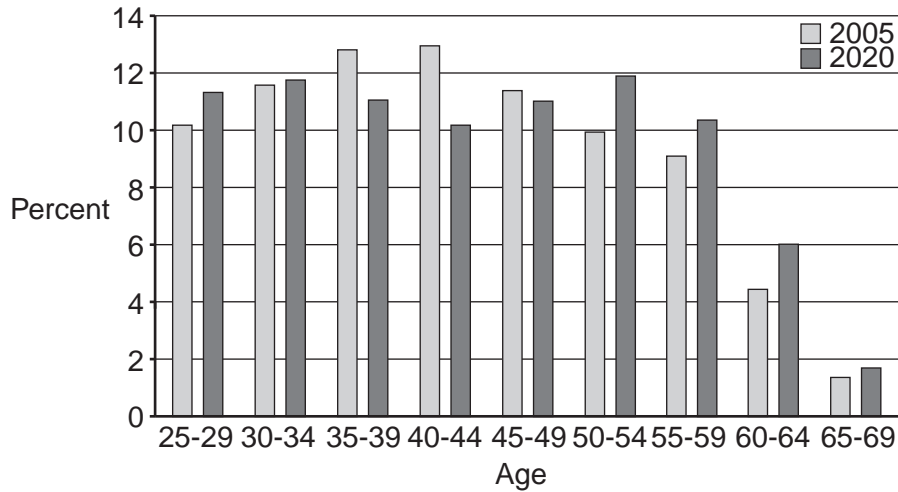
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Looking at age structure, the ageing of the labour force will be the most significant development by 2020. Fig. 2 shows the number of economically active people as a percentage of the entire labour force in five-year age bands for those aged between 25 and 69. The proportion of economically active people who belong to older age groups will be significantly higher in 2020, compared with 2005. This is a direct effect of the underlying demographic trends.

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Fig. 2 The age profile of the working population, 2005 and 2020



One of the most interesting characteristics of the labour force in 2020 relates to the number of economically active people who have exceeded the age at which they are eligible for state pension. In particular, there are projected to be 775,000 economically active people above the age of 65 in 2020. This compares with 582,000 in 2005 and represents an increase of around 33 per cent. This is a combined effect of the increasing number of people in older age groups due to demographic movements, as well as the increasing trend in the participation of older people in the labour market.

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Section A

Answer **all** questions from this section

1 (a) (i) Explain what is meant by the derived demand for labour.

..... [2]

(ii) State and explain **two** possible reasons which could account for the fall in employment in manufacturing.

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(b) Distinguish between the actual and potential labour force.

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(c) Explain what is meant by the term 'participation rate'.

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(d) Using the information in Fig. 1:

(i) describe the main changes in the labour supply between 1971 and 2007

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(ii) comment on the causes of these changes in the labour supply

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8**Section B**

Answer **one** question from this section

- 2 (a)** Analyse how the concepts of diminishing returns and diseconomies of scale can be applied to leisure markets. **[15]**
- (b)** Discuss the extent to which firms in the leisure industry always seek to maximise profits. **[20]**
- 3 (a)** Using examples from the labour market, analyse the difference between transfer earnings and economic rent. **[15]**
- (b)** Discuss the extent to which marginal revenue product is the main determinant of wages. **[20]**
- 4 (a)** Analyse **two** policies which have been used by the UK government to improve labour market flexibility. **[15]**
- (b)** Discuss how successful such intervention has been in the UK economy. **[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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