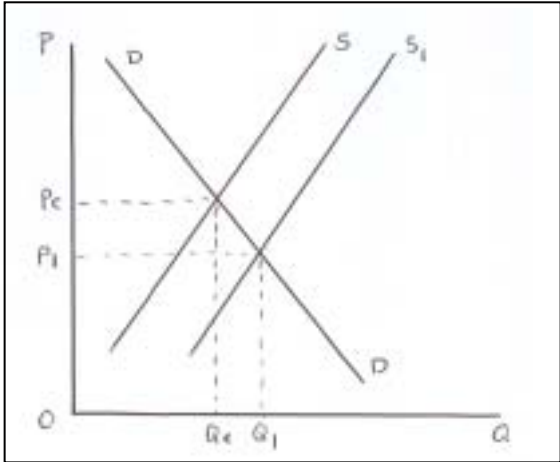


F583 Economics of Work and Leisure

Section A			
Question	Expected Answer	Mark	Rationale
1	<p>Static caravan holidays are <u>one</u> sub market in the camping holiday industry.</p>		
(a)	<p>Using the information provided, identify <u>two</u> other sub markets within the camping holiday industry.</p> <p>Any two reasonable suggestions acceptable for one mark each. Tenting (1), Caravanning (1) the Mobile Home market (1), Ready erected tents (1), Camping equipment (1), 'Environmentally friendly holidays' (1), short term breaks (1).</p>	[2]	<p>Candidates do not need to mention mobile caravans to gain a mark.</p> <p>Candidates may offer two valid sub-markets within the same section of the response – e.g. tents and caravans</p>
(b)	<p>Explain <u>two</u> likely reasons for the increase in demand for camping holidays in the summers of 2008 and 2009.</p> <p>1 mark for a correct statement plus 1 mark for an appropriate explanation. A fall in the real cost of camping (1) would encourage an increase in demand for this type of holiday as it is financially more accessible for more people. (1) An increase in the price of alternative forms of holiday e.g. hotels home and abroad (1) would lead to a shift in demand for camping. (1) The general fall in Incomes, (1) may cause an increase in demand for the cheaper holiday alternative that camping can provide. (1) A favourable change in taste in favour of camping.(1) This may be due to a change in fashion, successful advertising, consideration of the environment or a greater appreciation of the benefits such a healthy active holiday can provide. (1) A weakening of the pound against the euro (1) may lead to an increase in demand for camping (1).</p>	[4]	<p>We expect candidates to highlight a change in an element of the demand function – we will accept substitutes and compliments as two separate reasons. The reference to the increase in demand for camping may be implicit and does not necessarily need to be explicitly stated.</p> <p>Do not give credit for two examples of one element of the demand function. E.g. two substitutes or two references to income.</p>

Question	Expected Answer	Mark	Rationale
(c)	<p>Using the information provided, comment on the extent to which <u>one</u> identified trend is likely to continue in the future.</p> <p>Candidates may select anyone of a number of trends reflected by the data. The trends described in the material presented spell good news for the camping industry as a whole.</p> <p>Not only do campsite owners and camping holiday organisers benefit from such trends but also the materials suppliers of related equipment are likely to benefit e.g. tent makers, caravan producers, equipment, manufacturers etc. If the UK economy continues to suffer economic recession it is likely that this growth trend will continue. However, holiday maker's tastes are fickle, and the UK weather could have a serious part to play. Camping in good weather is enjoyable, healthy and very conducive to successful family holidays. Cold wet summers of recent experience could soon reverse the trend, even if the economy remains weak. Should the economy recover quickly the domestic camping industry will have to have done much to improve its image if it is to keep its new found converts. Otherwise this temporary favourable change in tastes could quickly be reversed.</p> <p>1 to 2 marks for a one sided answer suggesting that camping is or is not likely to continue to enjoy increasing popularity.</p> <p>3 marks for a one sided answer with an evaluative comment.</p> <p>4 to 5 marks if the above is offered with some qualification of the statement and/or makes a clear judgement regarding the extent to which the identified trend is likely/not likely to continue.</p>	[5]	<p>Identify a trend, look for supporting evidence from the information provided and an evaluative comment as to the likelihood (or otherwise) of this trend continuing.</p> <p>For 4 marks the candidate is likely to offer a point of qualification of the statement, but will not develop this point. For example, "the pound may strengthen in the future".</p> <p>For 5 marks, there must be a development of a point of qualification.</p>

Question	Expected Answer	Mark	Rationale
(d)	<p>Analyse the impact an increase in the capacity of campsites may have on the UK camping holiday industry.</p> <p>A simple demand and supply diagram, correctly labelled showing a rightward shift in supply of campsite capacity can score up to 2 marks. A poorly drawn diagram would score 1 mark. An explanation of the potential impact on the UK camping industry will secure up to a further three marks subject to the overall maximum of 4 marks. For example, a rightwards shift/increase in supply (1) due to an excess of supply over demand (1) leads to a fall in price (1) and an increase in the quantity bought and sold (1).</p> <p>The increase in capacity should bring about an increase in the opportunity to camp in the UK (1). The increase in supply may put downward pressure on prices (1) and lead to more demand (1). The increase in popularity should lead to an increase in demand for labour thus increasing employment opportunities (1). Higher profits may be available to entrepreneurs in the UK holiday market (1). This may lead to an increase in investment (1). An increase in demand for complimentary goods (1).</p>	[4]	<p>If candidates label the curves as AD and AS then the diagram is worth a maximum of 1 mark (assuming the correct shift of the supply curve).</p> <p>Full marks may be achieved without a diagram.</p>

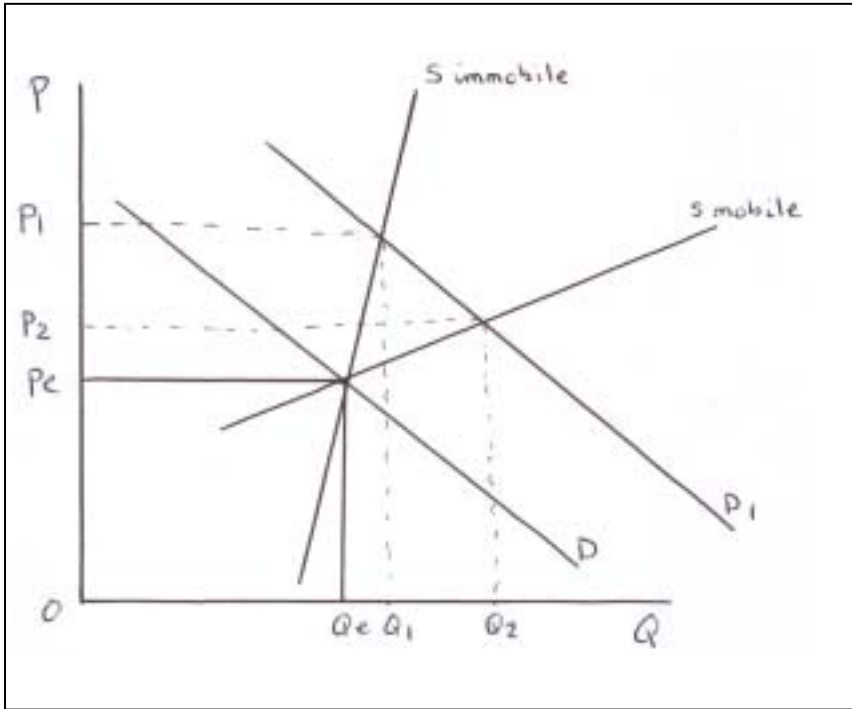


Question		Expected Answer	Mark	Rationale
	(e) (i)	<p>State two characteristics of a contestable market.</p> <p>1 mark each for any two characteristics:</p> <ul style="list-style-type: none"> • no brand loyalty • no/low barriers to entry • no/low barriers to exit • no long-run abnormal profits/supernormal profits • good knowledge of existing technology • no significance to the number of firms in the market • susceptible to hit and run tactics • no/low sunk costs • long run economic efficiency • allocative efficiency • productively efficiency 	[2]	<p>Do NOT accept:</p> <ul style="list-style-type: none"> • a stated number of firms • differentiated products • homogenous products • reference to concentration ratios • non-price competition • price rigidity • price takers. <p>Candidates may offer two valid characteristics within the same section of the response e.g. "low/no barriers to entry/exit". This is worth 2 marks.</p>

Question	Expected Answer	Mark	Rationale
(ii)	<p>Discuss the extent to which the camping holiday industry may be considered an example of a contestable market.</p> <p>The camping industry as a whole displays a considerable degree of evidence to suggest that it may be considered quite contestable. The industry appears relatively easy to enter, there do not appear to be a great many barriers to entry especially when starting an operation e.g. many farmers in recent years have looked to camping as an alternative extra source of income. The amount of sunk cost necessary for such an undertaking appears to be small, and consequently should a particular firm exhibit signs of making abnormal profits; one imagines firms outside the market would quickly enter to compete away such extra gains.</p> <p>On the other hand article two does suggest in the sub-market of ready erected tents, two firms dominate; 65% of the market shared by Eurocamp and Keycamp. Clearly this is strong evidence of a Duopoly. Do they attempt to erect barriers through advertising campaigns? It is difficult to imagine that barriers to entry due to scale economies do not exist in the manufacture of some camping equipment goods or perhaps the production of caravans and mobile homes. We have no evidence as to the structure of other sub-markets within the industry. It may be that there are chains of campsites all owned by one firm thus significantly reducing the amount of competition in the market.</p> <p>On the basis of the evidence provided above, the market would appear to be displaying more evidence to support the view that this is a market that is tending towards a contestable market as an industry as a whole. However, in a number of sub-markets this is not necessarily the case. Without more evidence to confirm, one must be careful of making too positive a judgement in the absence of such information.</p>	[8]	

Question	Expected Answer	Mark	Rationale
	<p>1 to 2 marks for a one sided approach.</p> <p>3 marks maximum for a one sided approach with a judgement that the camping holiday industry is/is not a contestable market.</p> <p>3 to 4 marks if the answer is clearly two sided with no judgement made.</p> <p>5 to 8 marks if the answer offers discussion followed by a clearly evaluative judgement as to the extent to which the camping industry as a whole may be considered to be an example of a contestable market.</p>	[8]	

Section B			
Question	Expected Answer	Mark	Rationale
2	(a)		
	<p>Analyse using examples how the immobility of labour may lead to labour market failure.</p> <p>Labour immobility comes in two main forms, one is geographical immobility and the other is occupational immobility. Candidates are then likely to go on to explain in depth these two different types. Labour market failure occurs when the market forces of supply and demand do not produce an efficient allocation of resources. Evidence of such failure occurs in a number of forms and for a number of reasons and immobility is one of those reasons. This can be illustrated using supply and demand analysis. Markets which are experiencing an increase in demand for labour will face a supply curve that is less elastic than otherwise would be the case in the absence of mobility problems (this is a key point of analysis). Consequently wages will be pushed to a higher level than would otherwise be the case and costs to firms will increase causing potential productive inefficiency.</p> <p>Level 3 (9-15 marks) For an explanation of how immobility may lead to market failure in the labour market. For a 13+ mark candidates must offer clear analysis of both types of immobility.</p> <p>10 maximum if candidates only consider one type of immobility.</p> <p>Level 2 (5-8 marks) For an application of knowledge as to how immobility may lead to market failure in the labour market.. For a 7+ mark candidates must offer a clear real world application.</p> <p>Level 1 (1-4 marks) For knowledge and understanding of how immobility may lead to market failure in the labour market or for a simple explanation of geographical or occupational immobility.</p>		

Section B			Mark	Rationale
Question	Expected Answer	Mark	Rationale	
	 <p>The graph shows a coordinate system with Price (P) on the vertical axis and Quantity (Q) on the horizontal axis. The origin is labeled O. There are two downward-sloping demand curves, both labeled P_1, and two upward-sloping supply curves, both labeled S_{mobile}. One supply curve is steeper than the other. The equilibrium point is at the intersection of the steeper supply curve and the steeper demand curve, with equilibrium price P_e and quantity Q_e. A horizontal line at price P_1 intersects the steeper supply curve at quantity Q_1 and the flatter supply curve at quantity Q_2. Dashed lines indicate these intersections. The graph illustrates that for a given price P_1, the quantity supplied is higher when supply is more mobile (flatter supply curve).</p>	[15]		

Question	Expected Answer	Mark	Rationale
(b)	<p>Discuss the extent to which government intervention can reduce labour market failure caused by the immobility of labour.</p> <p>This question can be tackled in a number of ways adopting a wide or narrow focus. As long as the required assessment objectives are covered, either approach is acceptable. Candidates might be expected to build up an answer along the lines of the example offered below.</p> <p>One or a number of types of government intervention can be explained and analysed. For example, government measures to achieve a more flexible labour force, government training initiatives, regional policy and measures to overcome information failure. The policies chosen for illustration must be analysed and then questioned as to their effectiveness, perhaps using some illustrative evidence from the real world. This approach would satisfy the need for a balanced approach to the answer.</p> <p>Finally candidates should directly address the question of effectiveness of policy and are likely to draw a conclusion that intervention can go some way to alleviating problems caused by immobility of labour. However, in a dynamic economy it is difficult for labour to keep pace with the ever changing requirements of the labour market and perhaps the best steps taken by government are those to improve labour flexibility.</p> <p>Level 4 (a) (16-20 marks) For a discussion that includes a judgement of the extent to which government intervention can reduce market failure caused by immobility of labour. The judgement must be clear as to the degree to which government intervention can reduce market failure caused by immobility.</p>	[20]	

Question	Expected Answer	Mark	Rationale
	<p>Level 4 (b) (11-15 marks) For a balanced discussion of government intervention to reduce market failure caused by immobility of labour. A discussion lacking balance should receive no more than 13 marks.</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) For an analysis of how government intervention can reduce market failure caused by immobility of labour. For 8+ marks there should be an in-depth analysis of at least one case of active involvement targeting a form of immobility.</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) For an application of knowledge and understanding of government intervention to reduce market failure caused by immobility of labour.</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>A balanced discussion with a limited focus can score 13 marks (i.e. equal to a good unbalanced answer).</p> <p>11-12 marks for a one sided approach with only simple analysis and evaluative comment.</p> <p>A maximum of 13 still applies to a good one sided, analysed and evaluative response.</p>

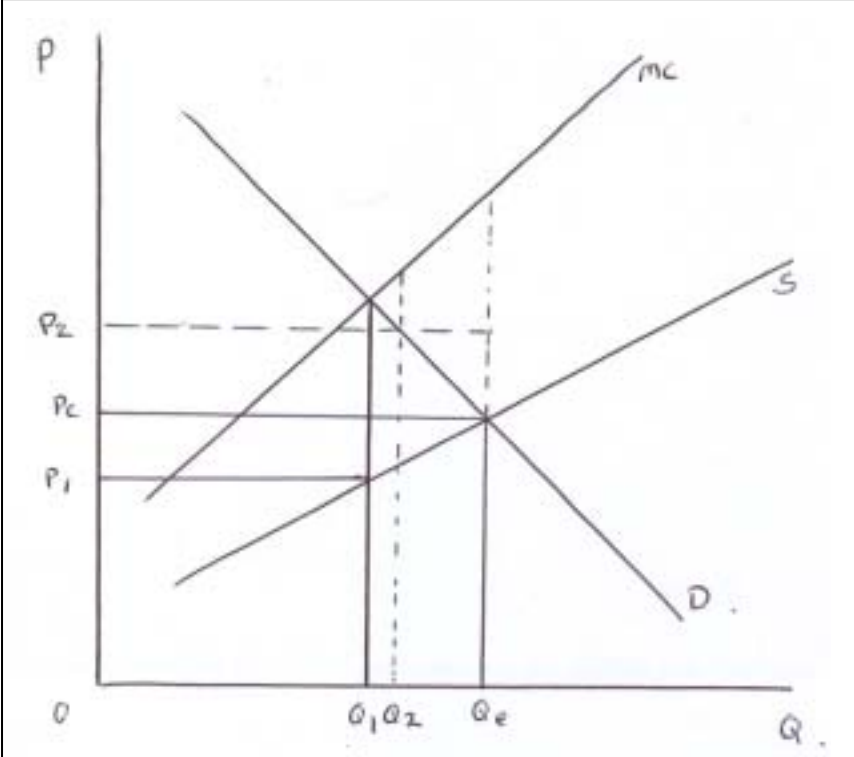
Question			Expected Answer	Mark	Rationale
			<p>Level 1 (1-2 marks) For a knowledge of government intervention to reduce market failure caused by immobility of labour . Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may lack legibility.</p>		

Question		Expected Answer	Mark	Rationale
3	(a)	<p>Analyse how, in theory, wages are determined in a competitive labour market.</p> <p>Candidates will be expected to explain a competitive labour market and analyse how wages are determined in such a market. Simple demand and supply analysis will be sufficient to achieve a level 3 score. However, in order to gain top marks reference to marginal productivity theory is desirable.</p> <p>There will be ample opportunity for candidates to display their skills of using market diagrams.</p> <p>Candidates might be expected to build up an answer along the lines of the example offered below.</p> <p>In a competitive labour market, the demand for and the supply of labour play key roles in determining wages. Wages are likely to be high when demand is high and inelastic and supply is low and inelastic. In contrast wages are likely to be low when demand is low and elastic and supply is high and elastic.</p> <p>Clearly a diagram opportunity does arise here and an occasion when candidates may illustrate using real world examples eg cleaners and high court judges. Then analysis may be taken further to consider changes in demand and supply. More sophisticated analysis may consider demand or supply in greater depth e.g. the marginal productivity theory applied to the demand for labour or income and substitution effects on the supply of labour.</p>	[15]	

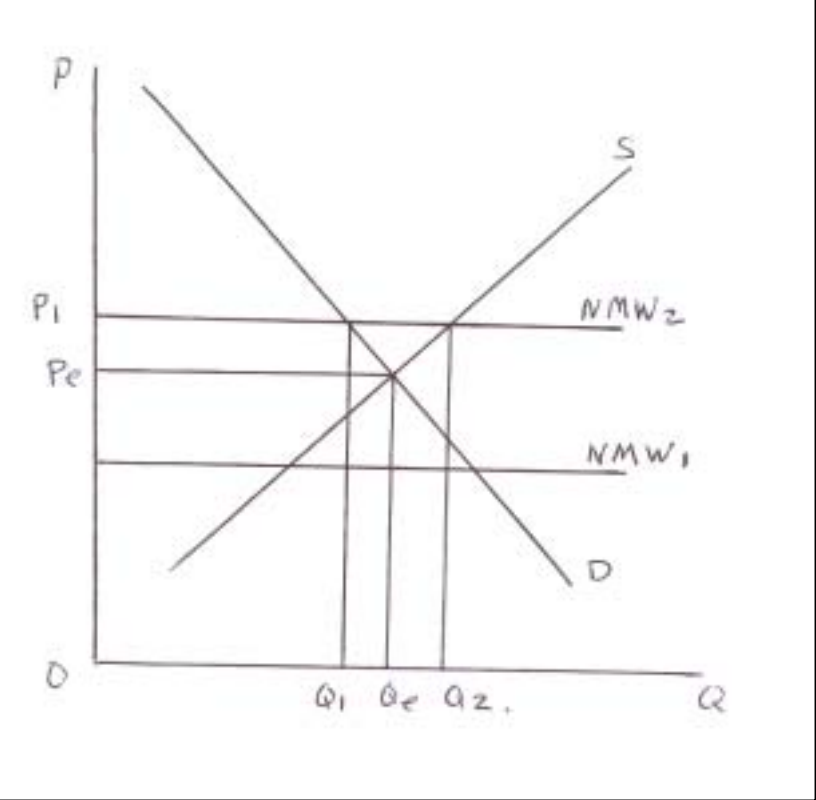
Question	Expected Answer	Mark	Rationale
	<p>Level 3 (9-15 marks) For an explanation of how, in theory, wages are determined in a competitive labour market. For a 13+ mark candidates must offer clear analysis using the marginal productivity theory of how wages are determined in a competitive labour market.</p> <p>Level 2 (5-8 marks) For an application of knowledge of how wages are determined in competitive labour markets. For a 7+ mark candidates must offer a clear real world application.</p> <p>Level 1 (1-4 marks) For knowledge and understanding of how competitive labour markets work.</p> <div data-bbox="434 794 1308 1393" style="border: 1px solid black; padding: 10px; margin-top: 20px;"> </div>		<p>Reference to the individual supply curve is not deemed relevant analysis and thus should be given no credit. The focus is on MARKET supply.</p>

Question	Expected Answer	Mark	Rationale
(b)	<p>Discuss the extent to which the competitive labour market model is useful in explaining wage determination within contemporary, real world, labour markets.</p> <p>A good discussion of the question in point would probably bridge the content of part a) into part b) without wasteful repetition of the content of part a). The real world scenarios that candidates choose to consider are of course of their own choice, however the suggested approach is one that easily lends itself to a display of the appropriate skills required for a top level 4 mark.</p> <p>In the contemporary real world markets for labour tend to be less competitive than those referred to in section a). Indeed one extreme case might be a market in which a monopsony employer is negotiating with a monopoly trade union. Using an appropriate diagram the candidate could then offer a sophisticated analysis of the possible outcome of negotiation between the two parties. The balance of power in such situations being likely to determine how close wage settlements eventually arrive at a level closer to the upper or lower limits of negotiation.</p> <p>An alternative approach might be the introduction of a minimum wage above the equilibrium which will then interrupt the operation of a competitive labour market.</p> <p>Candidates will then go on to consider to what degree this and other or alternative scenarios depart from the competitive model, and what that means for its usefulness in the first place.</p> <p>A final conclusion evaluating the degree to which the model is useful in 2010 should then be made.</p>	[20]	

Question	Expected Answer	Mark	Rationale
	<p>Level 4 (a) (16-20 marks) For a discussion that includes a judgement of the extent to which the competitive model works as an explanation. The judgement must be clear as to the degree of usefulness of the model.</p> <p>Level 4 (b) (11-15 marks) For a balanced discussion of the usefulness of the model. A discussion lacking balance should receive no more than 13 marks.</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) For an analysis of how useful the model can be when applied to the real world. For 8+ marks there should be an illustration of a more sophisticated use of the model, not a repeat of the model used in the first section.</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) For an application of knowledge and understanding of how the competitive model can be used.</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>A balanced discussion with a limited focus can score 13 marks (i.e. equal to a good unbalanced answer).</p> <p>11-12 marks for a one sided approach with only simple analysis and evaluative comment.</p> <p>A maximum of 13 still applies to a good one sided, analysed and evaluative response.</p>

Question	Expected Answer	Mark	Rationale
	<p>Level 1 (1-2 marks) For a knowledge of how the competitive model can be used.</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> 		

Question		Expected Answer	Mark	Rationale
4	(a)	<p>Analyse the effects on the UK labour market of an increase in the National Minimum Wage.</p> <p>Candidates will be expected to produce an accurate diagram illustrating the impact of the national Minimum Wage (NMW) on the UK labour market. Better answers will provide a full and accurate explanation and clearly illustrate that the NMW will only disturb the operation of the market mechanism if it is imposed above the existing equilibrium.</p> <p>Another approach or additional piece of analysis that may be considered is the impact that the higher NMW may have on worker motivation and consequently worker productivity and hence the MRP.</p> <p>This rightward shift in demand may then allow the payment of higher wages and the same or even an enhanced level of employment, rather than the more simplistic conclusion that the NMW will inevitably lead to unemployment.</p> <p>Reference to actual UK NMW rates will help to secure application marks.</p> <p>Level 3 (9-15 marks) For an explanation of how, the minimum wage will affect the UK labour market. For a 13+ mark candidates must offer an analysis of an increase in the NMW as opposed to merely analysing the imposition of a NMW.</p>	[15]	<p>For up to 12 marks candidates are likely to offer a clear analysis using the standard diagram showing that the NMW will only disturb the market mechanism is imposed ABOVE the market equilibrium.</p> <p>Candidates MUST consider BOTH demand and supply effects for 12 marks.</p>

Question	Expected Answer	Mark	Rationale
	<p>Level 2 (5-8 marks) For an application of knowledge of how the minimum wage will affect the UK labour market. For a 7+ mark candidates must offer a clear real world application to the UK labour market.</p> <p>Level 1 (1-4 marks) For knowledge and understanding of how the NMW affects the labour market.</p> 		<p>Max of 6 marks if there is valid application of knowledge, but no reference is made to the UK labour market.</p>

Question	Expected Answer	Mark	Rationale
(b)	<p>Discuss the extent to which an increase in the National Minimum Wage is likely to reduce poverty.</p> <p>Candidates may tackle this question in a number of ways, no single approach is necessarily better than any other. What is crucial is that candidates demonstrate the necessary skills that are required to secure marks in the relevant level.</p> <p>One approach may be to start by considering what is meant by poverty. A distinction can be made between absolute and relative poverty. This must then be applied to the question. Next it would seem sensible to consider the impact of a rise in the NMW. Clearly this will only benefit those in employment, and on wages below the newly established level.</p> <p>Also the size of the increase of the NMW is also of considerable significance that may be open to discussion. Analysis may be in the form of graphical presentation, perhaps showing supply and demand curves of differing elasticity, and changes in NMW of differing amounts. This in itself may offer an opportunity for discussion of the policy effectiveness.</p> <p>An additional or alternative approach may consider that this policy will have no immediate impact on the registered unemployed, the retired, those below the age of work or others who are part of the economically inactive workforce. In other words the potential impact on the most disadvantaged in the population may be restricted to only a fraction of the total considered to be living in conditions of poverty.</p> <p>Alternative or additional policy options may be considered e.g. introduction or increase in supplementary benefit allowances, Increase in base rate tax thresholds, subsidised housing, food tokens or any number of other possible approaches to removing poverty from our economy.</p>	[20]	

Question	Expected Answer	Mark	Rationale
	<p>A final concluding section must make a clear judgement as to the effectiveness of the NMW in tackling poverty issues, be they absolute or relative.</p> <p>Level 4 (a) (16-20 marks) For a discussion that includes a judgement of the extent to which the NMW is likely to reduce poverty. The judgement must be clear as to the degree of usefulness of the policy.</p> <p>Level 4 (b) (11-15 marks) For a balanced discussion of the usefulness of the NMW in reducing poverty. A discussion lacking balance should receive no more than 13 marks.</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) For an analysis of how NMW is likely to reduce poverty. For 8+ marks there must be a clear explicit analysis of how the NMW is likely to reduce poverty.</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>A balanced discussion with a limited focus can score 13 marks (i.e. equal to a good unbalanced answer).</p> <p>11-12 marks for a one sided approach with only simple analysis and evaluative comment.</p> <p>A maximum of 13 still applies to a good one sided, analysed and evaluative response.</p>

F583

Mark Scheme

January 2010

Question	Expected Answer	Mark	Rationale
	<p>Level 2 (3-4 marks) For an application of knowledge and understanding of how the NMW is likely to reduce poverty.</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) For a knowledge of how the NMW is likely to reduce poverty.</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>		