

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
ADVANCED GCE
2884
ECONOMICS

Economics of Work and Leisure

THURSDAY 21 JANUARY 2010: Morning

DURATION: 1 hour 30 minutes

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the Answer Booklet.

OCR SUPPLIED MATERIALS:

8 page Answer Booklet

OTHER MATERIALS REQUIRED:

None

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully and make sure that you know what you have to do before starting your answer.**
- **Answer Question 1 and ONE question from Section B.**
- **If you need to use additional answer sheets, fasten these sheets securely to the Answer Booklet.**

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 45.**
- **The quality of your written communication will be taken into account in the marking of your answer to Section B.**

SECTION A

Answer this question.

1

PAY DIFFERENCES AND SKILL SHORTAGES IN THE UK.

**Fig. 1 UK GROSS WEEKLY PAY FOR SELECTED
OCCUPATIONAL GROUPS, 2007**

OCCUPATIONAL GROUP	WEEKLY PAY [£, MEDIAN]
Managers and senior officials	648
Professional occupations	619
of which: Health professionals	894
Teaching/Research professionals	593
Business/Public service professionals	611
Associate professional and technical occupations	474
of which: Culture, media and sports occupations	417
Skilled manual workers	415
Administrative and secretarial occupations	298
Personal service occupations	225
Retail sales assistants	173
ALL EMPLOYEES	375

Source: Annual Survey of Hours and Earnings, ONS, 2008

Fig. 2 PAY DIFFERENTIALS AND MORALE

There is a possibility of Manchester United's Cristiano Ronaldo being transferred to Real Madrid on a wage of more than £170 000 per week. "It would be bad for the dressing room if he gets a much higher salary than the rest of the squad", commented Wesley Sneijder, the club's Dutch midfield player.

Source: Guardian Sport, 22.07.08.

Fig. 3 PAY AND SKILL SHORTAGES

Tales of plumbers who earn £80 000 a year have led to a surge of interest in the job, according to new data that show traditional trades are back in vogue. Data from the Learndirect careers helpline, which has fielded more than 900 000 calls in the past year, show lots of bored office workers lining up to become electricians or plumbers. "I'm delighted and encouraged by this emerging trend towards people in the UK pursuing traditional trades careers", said the Chief Executive of Edge, an organisation that promotes vocational learning.

Other recent research, for the Economist Intelligence Unit, has shown that many leading UK companies are planning to target the over-55s in an attempt to fill growing skills gaps. The principal policy adviser to the CBI, the employers' association, recently said that companies had to start targeting different groups if they hoped to fill skills gaps. Fifty per cent of CBI members, he said, were struggling to recruit suitably qualified staff, especially those with maths and science skills.

Source: The Observer, 27.01.08.

Fig. 4 HOW TO FILL SKILLS SHORTAGES

The UK needs to act urgently to prevent an acute shortage of skills in strategic sectors of the economy, the Secretary of State for Innovation, Universities and Skills has warned. He is to hold talks next month with employers to discuss how government and industry can prevent major skills gaps in construction, science, engineering and IT between now and 2014. By then we need to train up to 2 million new workers in these sectors to remain competitive in a global marketplace. “Too much of our skills training is based on a hope that employers will train people in the skills the economy will need in the medium term”, he said. “In the future, we will need to do more than to continue to rely on hope.”

Source: The Guardian, 19.05.08.

- (a) Fig. 1 indicates the extent to which different categories of occupations in the UK are paid different amounts.**
- (i) Compare the median pay in 2007 of health professionals, skilled manual workers and retail sales assistants. [2]**
 - (ii) Define the term marginal revenue product of labour. [2]**
 - (iii) State and explain ONE possible reason why the average professional worker is paid more than twice the average administrative and secretarial worker. [3]**
- (b) Using the information provided, explain ONE possible effect of wage differentials on the operation of the labour market. [3]**
- (c) Comment on the plans (Fig. 3) to reduce skills shortages by recruiting older workers. [4]**
- (d) Discuss the extent to which private firms should be solely responsible for training the workers they need. [6]**

SECTION B

Answer ONE question.

- 2 (a) Explain how a perfectly competitive industry is economically efficient. [10]**
- (b) For a leisure market of your choice, discuss the extent to which there is an efficient allocation of resources. [15]**
- 3 (a) Explain possible consequences of labour market failure. [10]**
- (b) Discuss the likely effectiveness of government policies that aim to make the labour market more flexible. [15]**
- 4 (a) Explain why wealth in the UK is unequally distributed. [10]**
- (b) Discuss the view that progressive taxation of income is the best long-term way to reduce the extent of inequality of wealth. [15]**

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