Tuesday 10 June 2014 – Afternoon

A2 GCE ECONOMICS

F583/01 Economics of Work and Leisure

Candidates answer on the Question Paper.

OCR supplied materials:
None

Other materials required:
- Calculators may be used

Duration: 2 hours

Candidate forename		Candidate surname	

Centre number						Candidate number				

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. HB pencil may be used for graphs and diagrams only.
- Answer Section A and **one** question from Section B.
- 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.
- 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**.
- The quality of your written communication will be taken into account in the marking of your answer to Section B.
- This document consists of **20** pages. Any blank pages are indicated.

A calculator may be used for this paper

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Cinema – the big picture

A recent report from the UK Film Council has highlighted the continued growth in the number of multiplex cinemas. Multiplex cinemas are defined as purpose-built cinema complexes with five or more screens. In 2010 39% of all cinema sites were multiplex cinemas and their dominance was even greater when considering the number of screens, as shown in Fig. 1.

	1999	**2010**
Multiplex cinema screens	1624	2767
Other cinema screens	1134	904
Total number of cinema screens	2758	3671

Fig. 1 – Number of UK cinema screens by type of cinema provider

One possible reason for the trend towards the multiplex cinema has been the existence of internal economies of scale in the industry. Purchasing economies, such as bulk buying, provide cost advantages to the large multiplex providers such as Odeon, Cineworld and Vue. Total labour costs tend not to be as important as in other industries with cinemas employing small numbers of relatively low paid workers. Their major costs come in the shape of fixed costs, such as rents, rates and the rights to show the latest films. As a result of these advantages the large providers have gained a significant share of a growing market, as shown in Fig. 2.

Provider	**Number of sites**	**Number of screens**	**% of total screens**
Odeon	106	840	22.9
Cineworld	77	784	21.4
Vue	67	642	17.5
National Amusements	21	274	7.5
Ward Anderson	27	229	6.2
Others*	n.a.	n.a.	24.5

** including 20 major providers and 301 independent single venue providers.*

Fig. 2 – UK cinema screens and sites by provider, 2010

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Cinema competition in Newbury

For many years people in Newbury who wanted to go to the cinema were forced to travel elsewhere if they wanted to see newly released films. The large local cinema had closed and for a period the Corn Exchange was the only place to watch films in Newbury. The Corn Exchange has a single screen with a fixed capacity of only 40 seats and is unable to show the latest new film releases until later than the main multiplex providers. The cinema is only one part of the Corn Exchange's business. It also has space for live performances and exhibitions.

The recent opening of a new Vue multiplex cinema in Newbury did not, however, cause problems for the Corn Exchange. The Corn Exchange remains price competitive, operates a popular loyalty card system and shows a variety of mainstream and minority interest films. It also has showings dedicated to specific groups such as 'Silver Screen' for over-60s and 'You Shall Go To the Bawl' for parents and carers with babies under 18 months.

The Vue cinema, part of a national group, has the benefit of being a high capacity multiplex cinema showing the latest film releases as soon as possible and has little local competition for the service it provides. On a national scale the main challenge to the market dominance of the major multiplex providers might be the growth in the variety of ways in which films are now viewed, as shown in Fig. 3.

Method of viewing films	%
DVD bought	19.8
Live television	19.5
Recorded from television	14.5
Cinema	11.1
Subscription television	10.9
DVD rented	6.2
Others	18.0

Fig. 3 – Share of UK film viewing by viewing method

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SECTION A

Answer **all** parts of the question in this section.

1 **(a)** Using Fig. 1, compare the percentage of all cinema screens operated by multiplex cinema providers in 1999 and in 2010. (Show all relevant calculations in your answer.)

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..... **[3]**

(b) Other than purchasing economies, state and explain **two** economies of scale which might arise in the cinema industry.

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(c) **(i)** Explain how the Corn Exchange in Newbury could calculate its unit labour cost.

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(ii) Comment on the implications for a cinema of an increase in its unit labour cost.

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(d) Using information in the case study, discuss the extent to which the cinema industry can be described as contestable. **[8]**

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SECTION B

Answer **one** question from this section.

2 **(a)** Analyse, using a diagram, the impact of a monopsonist employer on the labour market from which it recruits. **[15]**

(b) Discuss the extent to which government intervention is the best method of reducing the labour market failure caused by a monopsonist employer. **[20]**

3 **(a)** Analyse, using diagrams, how changes in marginal revenue product explain the quantity of labour that will be employed. **[15]**

(b) Discuss the extent to which demand side factors alone explain wage differentials in real-world labour markets. **[20]**

4 **(a)** Analyse the main causes of poverty in the UK. **[15]**

(b) Discuss the extent to which reform of the tax and benefits system alone is the best method to reduce poverty in the UK. **[20]**

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SECTION B

Question No. .....

Start your answer to part **(a)** here

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Start your answer to part **(b)** here

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END OF QUESTION PAPER

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ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margins.

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