

General Certificate of Education
June 2004
Advanced Level Examination



ECONOMICS **EC4W**
Unit 4 Working as an Economist: The European Union

Wednesday 16 June 2004 Morning Session

In addition to this paper you will require:
an 8-page answer book.
You may use a calculator.

Time allowed: 1 hour 40 minutes

Instructions

- Use blue or black ink or ball-point pen. Pencil should only be used for drawing.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is EC4W.
- Answer the compulsory question.
- **At the very start of the examination**, tear along the perforations in order to detach the question on page 2 from the extracts.
- **The extracts** are printed on pages 3, 4 and 5, which can be unfolded.

Information

- The maximum mark for this paper is 84. This includes up to 4 marks for Quality of Written Communication.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.

Advice

- You are advised to spend the first 20 minutes reading the Case Study.

Answer the compulsory question.

You may detach this page by tearing along the perforations.

Case Study:

THE EUROPEAN UNION

You are advised to spend the first 20 minutes thoroughly reading the Case Study before writing the report. The instructions below set the scene of the Case Study and explain what you should include in your report. The whole report will be marked out of 84, including 4 marks for Quality of Written Communication.

Setting the scene

You are an economist working for Jean Duparc, who has recently been appointed as President of the European Commission. The President is working on a new employment initiative. There will shortly be a meeting of EU employment ministers in Manchester, and the President wishes to launch the 'Manchester Accord' which will contain ideas on job creation across the EU. You have been asked to write a report on current economic thinking about the unemployment problem to brief the President on the main issues to be addressed.

When writing your report, you should make use of the information in **Extracts A to H**, together with any other relevant knowledge you possess.

Requirements of the report

You are to write a report entitled: 'Unemployment and job creation in the EU'.

Your report should:

- describe the extent of unemployment across the EU;
- explain the main causes of unemployment in the EU;
- discuss the effects of unemployment on the economy of the EU;
- evaluate the costs and benefits of alternative policies for job creation in the EU that could be included in the 'Manchester Accord';
- conclude by recommending which of these policies would be most effective, giving reasons to justify your recommendation.

Use economic concepts and principles where appropriate. You will be given credit for demonstrating your ability to analyse, comment critically on, and make effective use of the data provided. (84 marks)

Extract A: The Confidence Pact on Employment

This was an extract of text. It has not been reproduced here due to third-party copyright constraints.

Extract B: Employment in the EU

The Treaty of Rome, which created the original EU institutions in the 1950s, was drafted at a time of high employment in Western Europe. Treaty provisions on employment were few, and were limited to relatively minor aspects such as vocational training. Only recently has employment become a major area of policy.	1
In 1993, the European Commission drew up a white paper entitled, ‘Growth, Competitiveness and Employment’, which was accepted by member states at the European Council as a ‘reference point for future work’. The report showed how unemployment in the EU had risen during the late 1980s and that, compared with the USA and Japan, the EU had a higher proportion of long-term unemployment (more than 40% of the total had been unemployed for more than a year) and a preponderance of young people unemployed.	5 10
Another Commission white paper referred to the ‘European social model’, defined as a ‘unique blend of economic well-being, social cohesiveness and overall quality of life’. At the same time, it accepted the importance of international competitiveness as the key to job creation, which was identified as the main priority against a background of high unemployment.	
Unemployment might be cyclical, structural or technological. The Commission set a target of 15 million new jobs over approximately a decade, an ambitious total given the failure of member states to create more than about 3 million jobs since 1974, compared with 30 million in the USA.	15

Source: adapted from T. BAINBRIDGE, *The Penguin Companion to European Union* (Penguin) 2002

Extract C: Mr Greenspan believes in market forces

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Extract D: Brown urges EU to embrace competition

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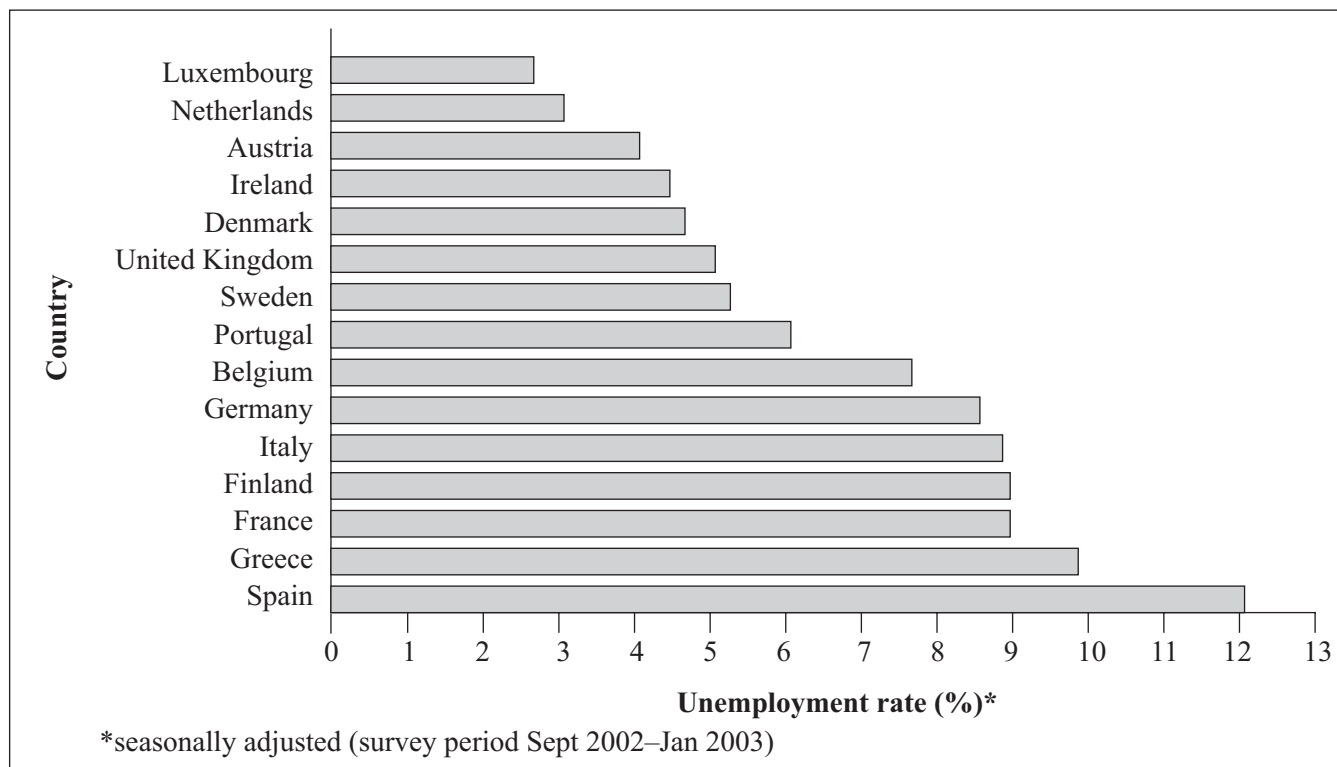
Extract E: Labour flexibility hurts workers while boosting business

Labour flexibility brings heavy consequences for workers while boosting competitiveness and jobs, according to a new report by the International Labour Organisation (ILO). 1

An ILO study says that changes in manufacturing industries, arising from the incorporation of flexible labour practices, have been hard on workers, entailing increased part-time work, reduced overtime pay, higher job instability and ‘unsocial hours’ (i.e. night work, weekend work and long shifts during peak periods). 5

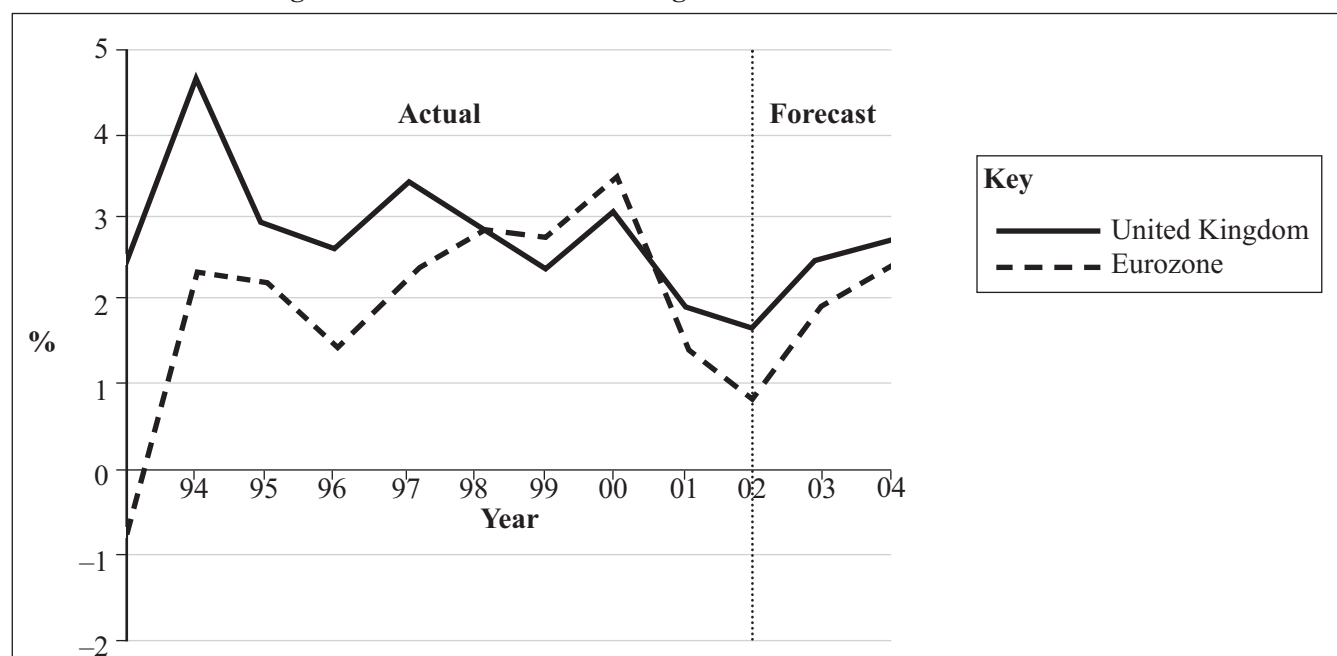
Meanwhile, “companies are doing better, productivity is rising and wage costs are falling”, the report adds.

Source: adapted from *IPS World News*, www.oneworld.net/ips, accessed 26 February 2003

Extract F: ILO unemployment in EU 15 member states**Extract G: Standardised unemployment rates (%)**

	2000	2001	2002
USA	4.0	4.8	5.8
UK	5.4	5.0	5.1
EU 15	7.8	7.4	7.6
Eurozone 12	8.5	8.0	8.3

Source: Main Economic Indicators, OECD, February 2003

Extract H: United Kingdom and Eurozone – Annual growth of real GDP

Source: Economic Forecasts, Autumn 2002, www.europa.eu.int, accessed 16 January 2003

END OF EXTRACTS

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