

General Certificate of Education
January 2009
Advanced Level Examination



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

Monday 26 January 2009 1.30 pm to 3.10 pm

For this paper you must have:

- an 8-page answer book.

You may use a calculator.

Time allowed: 1 hour 40 minutes

Instructions

- Use black ink or black 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, 5, 6 and 7, which can be unfolded.

Information

- The maximum mark for this paper is 84.
Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.

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.

Setting the scene

It is August 2009, and the UK government has decided to conduct a review of its policy towards the free movement of labour between the UK and the EU's new entrant countries.

You are a researcher working for Claire O'Brien, an economics journalist preparing an article on the EU labour market as it affects Britain and the new entrant countries. To help her to prepare, she has asked you to write a report on the positive and negative aspects of recent developments.

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: 'Free movement of labour: good or bad for an economy?'

Your report should:

- use economic analysis to explain how the free movement of labour is likely to affect the markets for workers such as plumbers in **both** the UK **and** Poland;
- assess the likely **costs** to the economies of the UK **and** new entrants such as Poland of the free movement of labour in the enlarged Single European Market;
- assess the likely **benefits** to the economies of the UK **and** new entrants such as Poland of the free movement of labour in the enlarged Single European Market;
- make a recommendation as to whether the UK and other 'old' EU countries should continue to welcome the free movement of labour from 'new' EU entrants, or whether they should insist on restrictions. 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: How many Polish plumbers?

Extract A contained text adapted from *European Voice*.
It has not been reproduced here due to third-party copyright constraints.

Extract B: In defence of Polish plumbers

During the referendum campaign in France for the European constitution, the ‘Polish plumber’ became a symbol of the threat that European integration was supposed to pose to French workers’ standards of living. But the impact of free migration (when allowed) on French plumbers’ incomes is in fact minimal, not least because of the smallness of the new member states compared to the whole of Western Europe. 1
5

Workers’ incomes in Britain and Ireland have not fallen measurably, despite both countries’ openness to immigration from the enlarged EU. Free migration in the EU means that Polish plumbers will not only catch up with French plumbers but also with Polish bankers. Middle-class people in Poland are being hit by the increased cost of the services of skilled workers, such as plumbers, and also of the less skilled, such as decorators, and the highly skilled but low paid, such as doctors. 10

Source: adapted from an article by JAN KRZYSZTOF BIELECKI, *Project Syndicate*, accessed on 15 August 2007

Extract C: Yes, we love Polish plumbers, but how many more does Britain need?

The ‘Polish plumber’ is back in the news. Are they a threat to British jobs? Or are they filling skills vacancies essential to our continued prosperity? The answers depend on how many have come, or will come, and what they actually do. Should we worry? After all, many of them are doing useful jobs that cannot otherwise be filled at the wages being offered. And there is the rub. Wages are the key. In a free market, if employers cannot recruit, they must raise wages. This will attract people to the jobs. These higher wages become an incentive to employers to invest in new equipment and thus raise productivity. 1
5

But that process is being impeded. Low wages are staying low. This is good news for employers. They have a supply of cheap labour. Interest rates can be slightly lower and growth a little faster. They can even have cheaper restaurants and affordable nannies. Do we really want to import an underclass of people working for a pittance and too often exploited by employers who know that they need the job? 10

Source: adapted from an article by SIR ANDREW GREEN, Chairman, Migration Watch UK, www.migrationwatchuk.org, accessed on 15 August 2007

Extract D: Loach film stirs new controversy

Veteran director Ken Loach called for a repeal of anti-trade union laws and tighter health and safety controls as his latest film, *It’s a Free World*, which highlights the plight of migrant workers, was premiered at the Venice Film Festival. 1

Loach criticised what he called the British ‘exploitation’ of cheap foreign labour. ‘We’ve allowed the working infrastructure of our country to disintegrate,’ he said. ‘Both sides are losing out – Britain has an unmonitored workforce while other countries are losing people in the prime of their working life who are taking their talents out of their home nation.’ 5

Source: adapted from an article by JASON SOLOMONS, *The Observer*, 2 September 2007

Extract E: Facts and figures from the European Year of Workers' Mobility 2006

Job-to-job mobility	<ul style="list-style-type: none"> Workers in the EU stay in the same job for an average of 10.6 years, compared to 6.7 years in the USA.
Geographical mobility	<ul style="list-style-type: none"> 1.5% of EU-25 citizens live and work in a different member state from their country of origin (this figure has hardly changed in 30 years). Every year, 7.2% of EU citizens move house, of which 15% give a change of job as the main reason. This compares to the USA's 16.2% and 17% respectively.
Cross-border workers	<ul style="list-style-type: none"> Cross-border commuting has increased steadily, but is still low at 0.2% of the working population. Belgium has the highest rate at 1.7% of the working population.
Skills and labour shortages	<ul style="list-style-type: none"> Several regions of the EU are predicted to have employment rates of 80% or above by 2010, and skilled labour shortages. These include Denmark, Sweden, central France, southern Germany, and the south of the UK.
Enlargement of EU	<ul style="list-style-type: none"> The EU Commission reports 'lower than expected' mobility from Central and Eastern Europe. New member state nationals represent less than 1% of the working-age population in all countries except Austria (1.4%) and Ireland (3.8%).
Foreign language learning	<ul style="list-style-type: none"> Language is one of the main barriers to geographical mobility. 70% of UK citizens speak only one language. 50% of all EU citizens have a second language. In Denmark, Sweden, the Netherlands, the Baltic States, Malta and Luxembourg, more than 87% of the population have at least one other language. English is the most widely spoken foreign language, spoken by 34% of Europeans.
Public attitudes to mobility	<ul style="list-style-type: none"> When asked in a Eurobarometer survey what the EU meant to them, 53% of respondents said 'freedom to travel and work in the EU', 44% said 'the euro' and 36% said 'peace'. In Denmark and Sweden, the countries with the highest job mobility, respondents strongly believed that job mobility is 'good for people' (72% and 79% respectively).

Source: adapted from the European Commission,
http://ec.europa.eu/employment_social/news/2006/nov/employment_europe_en.pdf,
 accessed on 15 August 2007

Turn over for the next extract

Turn over ►

Extract F: Inward migration

**Foreign Nationals Entering the UK and Allocated a National Insurance Number
by Year of Registration and Continent of Origin**

	Thousands*			
	2002/03	2003/04	2004/05	2005/06
All	349.2	370.7	439.7	662.4
Europe – EU Accession Countries**	11.7	20.0	110.5	270.2
Europe – EU excluding Accession Countries	80.7	84.9	81.3	97.6
Europe – non-EU	21.0	24.5	22.8	22.0
Asia and the Middle East	114.5	115.0	110.0	134.2
Australasia and Oceania	27.3	24.2	23.4	32.5
The Americas	26.6	31.2	26.7	31.4
Africa	66.7	70.1	64.5	73.9
Others and Unknown	0.8	0.8	0.6	0.6

* Figures are rounded to the nearest hundred and may not sum due to rounding.
 ** ‘Accession Countries’ refers to the ten countries which joined the European Union on 1st May 2004: the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

The table above shows levels of immigration into the UK. Most of the increase in inward migration in 2005/06 was due to Polish nationals who accounted for 63% or 171 000 of registrations from accession countries. Next in line were 31 000 from Lithuania and 26 000 from Slovakia. 1

Most of these arrivals appear to have found and held jobs. Of those that arrived in 2004/05 for example, only 3% were claiming some sort of benefit after six months, which was a fall of three percentage points on the previous year. One advantage of immigration to our economy is that it is helping to offset our ageing population. In fact, of the 662 000 new registrations in 2005/06, 82% were under the age of 35 and only 7000 were over 55. 5

According to the Home Office, 37% of migrants from Eastern Europe work in factory jobs, 10% as packers and warehouse operatives, and 9% in catering. But are they taking our jobs or filling jobs which no one else wishes to do? According to Gareth Osborne, managing director of the *Recruitment and Employment Confederation*: ‘Currently, there are more than half a million vacancies in the UK. However, there are simply not enough people in the UK with the right skills to fill these positions. Migrant workers have helped to ease the pressure.’ 10 15

Source: adapted from N. TREE, *The UK and Global Economy*, Anforme Limited, 2006, accessed on 8 September 2007

Extract G: European migration works both ways

Sir,	1
Of course the largest influx to the UK has been from Eastern Europe. But, typically, the migrants are young, hard-working, plugging gaps in our labour market, and often working in public services.	
This free movement has also enabled British people to live, work and travel overseas. There are now thought to be three-quarters of a million British people living in Spain, and an estimated 10 000 British people live in Bulgaria. Over 2.2 million British people own holiday homes in Europe and elsewhere. Thousands of British students participate in exchange schemes such as the EU's 'Erasmus' programme. Millions of UK tourists take advantage of cheap flights to take their holidays in Rome, Paris or Barcelona.	5 10
As well as considering the inflow into the UK, we should be mindful of all the economic opportunities created by movement in the other direction.	

Source: adapted from a letter to the Editor from ZAKI COOPER (Director, Business for New Europe), *The Independent*, 1 September 2007

Extract H: Advantages and disadvantages of labour immigration

<p>Advantages</p> <ul style="list-style-type: none"> • Increased supply of labour; economic growth • Net contributions to taxes • Cultural enrichment <p>Disadvantages</p> <ul style="list-style-type: none"> • Added pressure on social infrastructure • Pressure on housing and wages • Income transferred abroad

Source: adapted from MARK JEWELL, *Immigration*, 'Posters for Economics' series, Anforme Limited

END OF EXTRACTS

There are no extracts printed on this page

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Extract D: © Guardian News & Media Ltd 2007.

Extract E: Centre for European Policy Studies, A New European Agenda for Labour Mobility, April 2004;
‘Labour markets in the 21st Century’, a joint US and EU conference, US Department of Labor, Bureau of International Labor Affairs, September 2002;
Mobility and Migration Update, 2001/0082, Employment and Social Affairs DG, Unit A1, 2002;
Eurobarometer 237 ‘Europeans and Languages’ 2005;
Eurostat LFS and 2000 Demographic Projections;
Report on the Functioning of the Transitional Arrangements set out in the 2003 Accession Treaty, February 2006;
Eurobarometer survey ‘Europeans and Mobility: First Results’, February 2006.

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