

Economies of Scale

8 marks

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1 Job Shop (JS)

JS is a public sector organisation in country X. The mission statement of JS is in Fig. 1.1.

To match up businesses that need workers with workers who need jobs

Fig. 1.1: JS mission statement

JS is one of the largest businesses in country X. It benefits from many economies of scale but also suffers from some diseconomies of scale. There is an outlet of JS in every main town and city in country X. Each outlet must cooperate with the others to provide the best service to those looking for new employment and businesses looking for new employees.

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The employees of JS are all highly trained and skilled. They work in three different departments (see Table 1.1).

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Table 1.1: Employee data for JS

Department	Main functions	Total number of employees	Number of employees who left in 2018
A	Dealing with people looking for jobs	25 000	6 250
B	Dealing with businesses looking for workers	5 000	550
C	Paperwork and general administrative duties	10 000	600

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The management team at JS are concerned about the poor motivation in Department A, which has led to high labour turnover. They interviewed those leaving Department A to ask for their reasons for leaving (an exit survey). The results are shown in Fig. 1.2.

c) Analyse one economy of scale and one diseconomy of scale that may affect JS. [8]

Solution

Marketing economies of scale Because JS has an outlet in every major town and city, JS can use nationwide advertising campaigns which are likely to have less cost per potential customer who sees it. This means JS has more money to spend on finding people jobs.

Communication diseconomies of scale. Because JS is spread out over the whole of country X This means that messages may not get properly communicated, and some jobs might not get filled. This means that JS does not get as many people out of unemployment.
