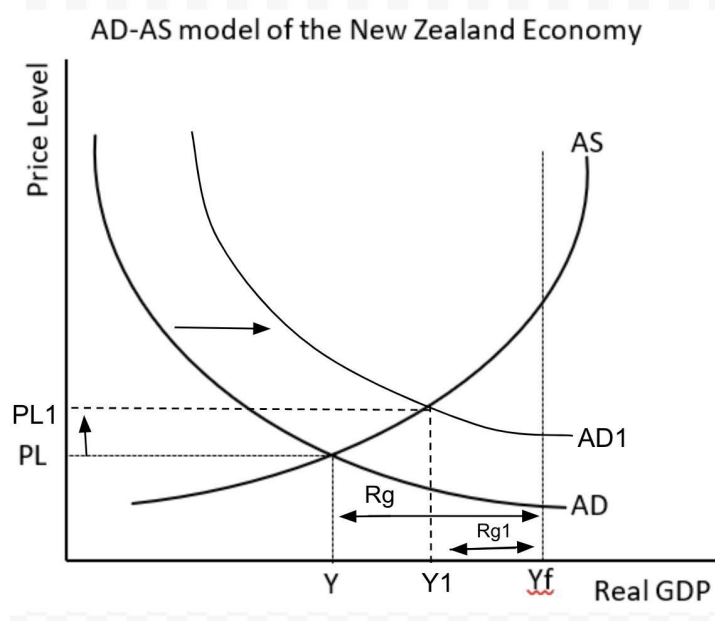


## Part A Causes of changes in unemployment

The task included an article for government funding through the Provincial Growth Fund (PGF) and other regional development initiatives that has led to a variety of infrastructure projects and other business developments being completed.

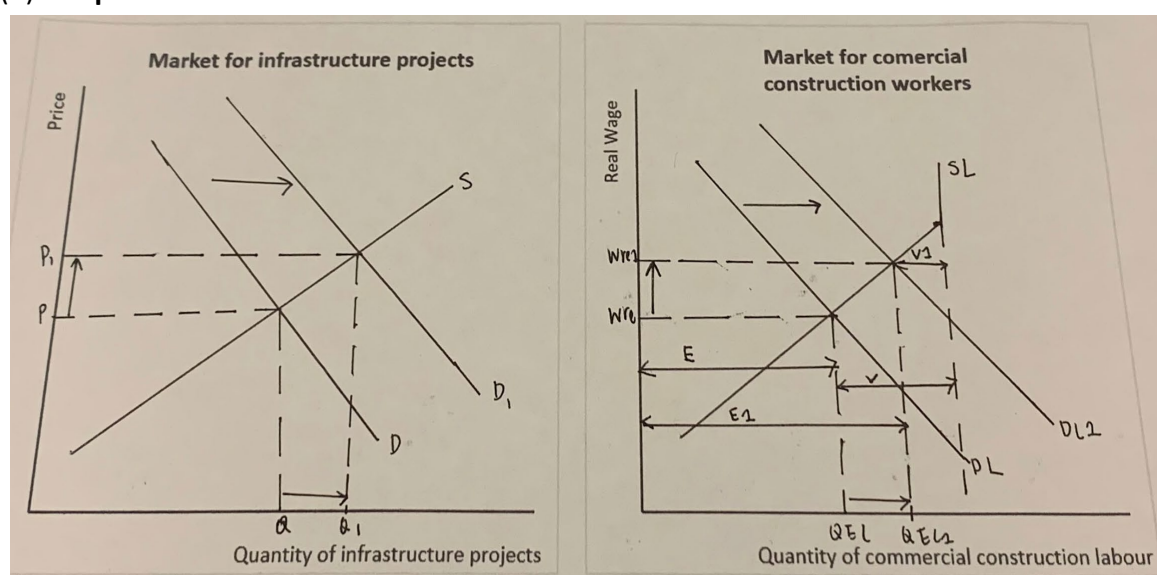
### Labour market for commercial construction workers

#### (a) Graph One



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#### (b) Graphs Two and Three



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- (c) **Explain** the derived demand for labour **and** the impact of the government's regional development initiatives, including PGF funding for infrastructure and other business development projects, on employment in New Zealand. In your answer refer to Extracts and Graphs One, Two and Three

Derived demand is the demand for labour as producers obtain their demand for labour from the demand for the goods and services they produce. An increase in the demand for goods and services leads to an increase in the demand for labour to produce those goods and services.

In Graph 1, AD has increased. AD has shifted to the right to AD1 as investment (I) and government spending (G) have increased, driven by the PGF and associated investment spending. The PGF has "committed \$3 billion in funding" and "1,359 projects approved for funding", resulting in over "16,000 jobs" and "improved economic outcomes for regions", "successfully creating jobs and boosting regional economic growth". As a result of increased AD, price level has increased from  $p$  to  $p_1$  and real GDP has increased from  $Y$  to  $Y_1$ . More people are being employed. There is less unemployment for workers as the recessionary gap, has decreased from  $RG$  to  $RG_1$ , and therefore more people are being employed.

In graph 2 the increased demand for the 'market for infrastructure projects' as  $D$  shifts right to  $D_1$ . This increase in demand has led to the price increasing from  $p$  to  $p_1$  and the quantity of infrastructure projects increased from  $Q_e$  to  $Q_{e1}$ . As more infrastructure projects are created, the need for skilled labour in construction increases as a larger workforce would be needed to meet project demands. The increase in projects shown in Graph 2 has caused the shifts in Graph 3 due to derived demand. This is shown as  $DL$  shifts to the right to  $DL_1$ , the real wage increases from  $W_r$  to  $W_{r1}$  and the quantity of commercial construction labour increases from  $Q_L$  to  $Q_{L1}$ .

- (d) When infrastructure projects are complete, some workers on the projects may experience cyclical or frictional unemployment. Explain why any unemployment that occurs at the end of a large-scale construction project would be cyclical or frictional in nature rather than structural. Use examples of each type of unemployment to support your answer.

Frictional unemployment occurs when people are in between jobs, are frequently unemployed temporarily and will search for jobs later. This applies to those who have quit their jobs and are seeking new ones and people joining the labour for the first time or returning to it.

The unemployment could be frictional as after the completion of the project, some workers may find themselves temporarily unemployed while they search for new construction jobs. They could be skilled and experienced in their field however would need some time to find new projects that match their qualifications and can choose whether they enter or re-enter the industry.

Cyclical unemployment is unemployment caused by changes in the business cycle. Businesses lay off employees or do not hire many people when economic activity is down but hire more when it is up. When the economy enters a recovery phase, jobs lost during a recession under cyclical unemployment will return (in the case of structural unemployment jobs lost as a result of structural changes in production will not return)

Cyclical unemployment could occur as the economy enters a recession. When the project is finished, overall demand for new infrastructure projects decreases as businesses cut back on spending. The construction businesses would lay off workers as there are fewer projects to work on and economic activity is down. They might see a decrease in aggregate demand potentially leading to lower economic activity and therefore higher unemployment rates. These laid-off workers experience cyclical unemployment as their job loss is linked to the economic downturn, not due to their skills and job requirements.

Structural unemployment is when the industry people once worked in no longer exists or advancement in technology has led to workers' skills becoming redundant. It is permanent that the jobs the unemployed workers did will not return. This leads workers to either shift their skills to another industry or abstain from a different kind of occupation.

The unemployment that occurs due to the project being completed wouldn't be structural unemployment as at the end of a large-scale construction project, workers generally have relevant skills and through PGF, new infrastructure projects will appear and demand for construction workers will keep rising. Barely any advancement in technology has led to construction workers being unemployed.

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*The task also included articles for the impacts of internet-based media on traditional media such as television and radio. Learner evidence was provided for the impacts of this second cause of changes in unemployment using the labour market model.*

## Part B

### Impacts of unemployment

Compare and contrast the impact of unemployment on a public servant or journalist who is aged in their early 20s with no family commitments, living in Hamilton and just starting their career with a public servant or journalist who is aged in their 30s or 40s with a young family and a mortgage, living in Wellington. Include in your answer the possible long-term impact of remaining unemployed for 12 months or more.

Refer to Graphs 5 and 6 and Extracts 5 to 8 as relevant – Note: these were not included as part of the submission.

Journalists at both TVNZ and Newshub are facing job cuts. The chances of getting this job are due to "low demand for their services" and "hundreds of journalists are facing significant job uncertainty as it is becoming tougher for employment opportunities. As seen in Graph 5, the labour market for journalists and public servants has decreased with DL shifting to the left to DL1. As a result, the number of involuntarily unemployed increases from  $U=0$  to  $U1$ , as with  $W_r$  staying constant, the number of people who want a job stays the same, but the number of people who get a job

decreases from E to E1. As a result, these people in order to get a job, may decide to retrain for another job or industry that is more of high demand for employment. An example of this is hospitality and tourism. In Graph 6 it is seen that more people are now employed in hospitality and tourism, and DL has shifted to the right to DL1. There is also increased supply as seen in SL shifts to the right to SL1 as more people have lost their jobs so more people are entering the labour market to seek employment, increasing the overall labour of supply. If they now work in hospitality and tourism, the individuals may have to be ready for a decreased wage rate which means they will have to spend less or switch to cheaper necessities. Because of this hospitality and tourism jobs may now have higher overall productivity rates.

It would be harder for the journals who are in their 20s to find a new job with the main reason being lack of experience. Someone in their 20s likely would've just started their career and have limited professional experience. Jobs would be more likely to have more trust in someone who is in their 30s-40s as they would be perceived as more mature and reliable due to them having family commitments and more years in the industry. Young journalists might not have had enough time to establish a professional reputation that is strong enough to accumulate their significant works however an older journalist would've been more likely to have one. However, some employees might actually prefer to actually employ younger workers with no family commitment due to their willingness to accept lower starting salaries as they have fewer financial responsibilities and mortgages plus family to support.

In the short term, there are many advantages for a journalist in their 20s to get a new job in a different way like getting re-educated. This is mainly due to them still needing family commitment, allowing them to have more time and resources to study in order to gain new skills and knowledge. they can explore different career pathways, one that has more opportunities are more in demand for example hospitality and tourism which was discussed before. Another advantage for the person in their 20s to find employment is due to mobility. It is easier for younger people to go between locations for job opportunities, especially the option to move overseas. Again, this is due to the person in their 20s having no family commitment, mortgages to pay and not yet settled in properly, therefore relocation is more flexible and easy.

According to Stats NZ, people in Hamilton have an unemployment rate of 5.6% which is higher than people aged 30-40 living in Wellington as the unemployment rate is 4.6% in Wellington. There is a significant difference between the two age groups as in general in New Zealand, those aged 20-24 have an unemployment rate of 9.8% while those 30-40 years old have an unemployment rate of 2.7-3.4%. It will be even harder for journalists who are in their 20s living in Waikato to get a job as the unemployment rate in Waikato is higher than in Wellington. In early March this year, official unemployment rose by "31,000 people with youth, 15-24-year-olds, comprising more than half of that increase - rising by 21,000", showing that many more young adults are becoming unemployed. Higher population areas exhibit higher unemployment rates which is why Wellington and Hamilton have higher rates than Taranaki and Southland. If you are unemployed, there is a greater chance that you will fall into a cycle of unemployment in which you remain unemployed, find it more difficult to find work and acquire the experience you will need to find work in the future. It may be

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necessary for people of the Waikato, in particular, to move to Southland or another region with a lower unemployment rate. In either case, the unemployment rate will be lower in Waikato and Wellington than in other regions, making it less difficult for individuals of all ages to find work.

Long-term unemployment of 12 months or longer can result in lower income for individuals which may make it more difficult for them to pay for necessities such as housing and medical costs. The journalist who lives in Wellington has a family of their own and would need to pay for their child's utilities, making this even more difficult for them. Their mental health may suffer as a result of this since they are always worrying about the future and probably wouldn't be able to go out with friends or family to restaurants or entertainment places meaning less societal connections. This will raise feelings of unworthiness which will develop into anxiety and depression, an overall decrease in their mental health.

Grade: Achieved

For Achieved, the student needs to analyse unemployment using economic concepts and models.

This involves:

- Identifying, defining, or describing unemployment concepts
- Providing an explanation of causes of changes in unemployment using economic models
- Providing an explanation of the impacts of changes in unemployment on various groups in NZ society.

The student has defined the economic concepts related to unemployment (1).

Two causes of changes in unemployment have been explained (2) using the Labour Market Model and the AS-AD model with the recessionary gap (3).

The student has explained the impacts of changes in unemployment on various groups of NZ society, using a journalist in their early 20s, with no family, living in Hamilton, compared to a journalist in their 30s-40s, with family, living in Wellington (4).

To reach Merit, a more detailed explanation would include an explanation of the recessionary gap (use of resources). In the market for commercial construction workers, an explanation of the changes in involuntary and voluntary unemployment, with reasons, would add further depth.