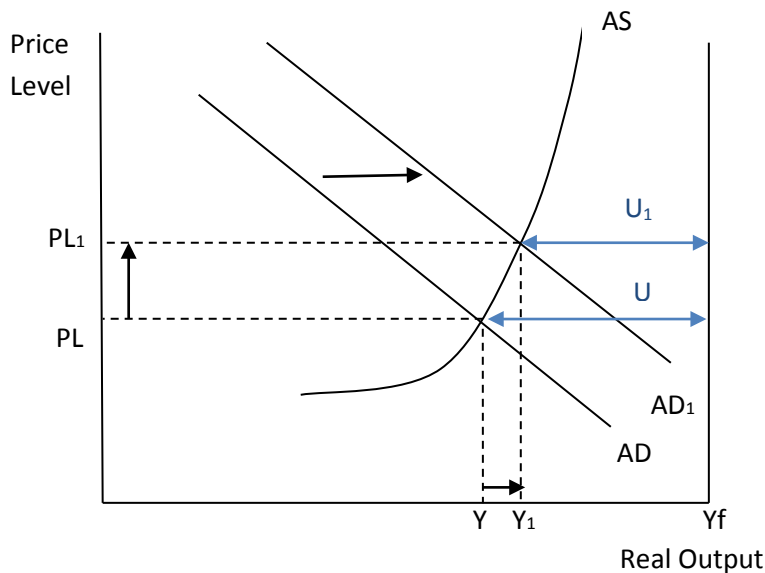


[Student explained how decreased demand for onshore fish processing affected local unemployment using the Labour Market model.]

13

If overseas demand for our exports rises because of rising world incomes like in China then aggregate demand would increase to AD₁ as exports rise. With greater aggregate demand then output will increase from Y to Y₁ on the AS/AD model.

14



This means that unemployment in NZ will fall from $Y - Y_f$ to $Y_1 - Y_f$, as seen on the model U decreases to U_1 . Since this is growth in the whole economy, then it is an upturn in the trade cycle and less cyclical unemployment as jobs that had been lost when the economy was weak would now be picked up again. The unemployment is not structural as the workers have the necessary skills or work experience to pick up the new jobs, and had only been unemployed because of the weak AD.

14

With more jobs being created, households will have greater incomes and a better standard of living. They will have reduced stress and better health. They will have extra costs like childcare to be able to take the new jobs so some may find that their incomes won't really increase as much as those without children. This extra childcare will create jobs for others and these people will get the benefits of the new childcare jobs.

15

Producers will find it easy to produce more as they can increase the hours of existing workers, using up spare capacity first before they employ new staff. They may however find it hard to get all the skilled workers they want as some may have left the area (migrated) to find extra work overseas. Some producers may want to produce more for China in areas that the workers do not have the existing skills for, and this may mean extra costs to train the workers or extra immigration of trained workers.

15

[Student also explained the impacts of the change in demand for onshore fish processing on local groups in detail, using economic concepts and the Labour Market model.]

16