

[Student has provided a detailed explanation of two causes of changes in unemployment using the AS/AD and Labour Market models.]

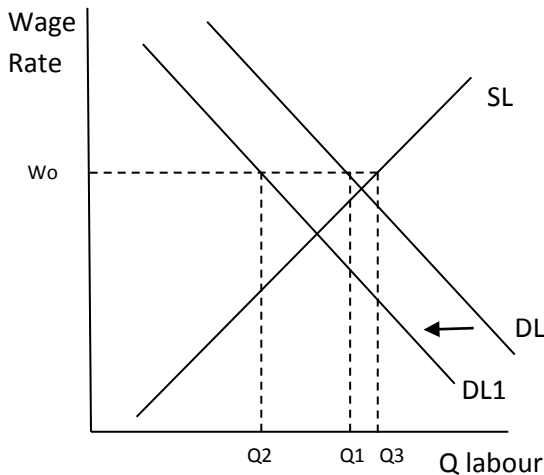
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Impacts of changes in unemployment on various groups

Structural changes due to the new technology means the business is now part of a declining sunset industry and the resulting decreased demand for the business's output means the demand for labour has decreased in this labour market, which is shown on the graph below.

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They need to lay off some workers to reduce costs, because currently they have Q1 amount of workers, and they only want Q2 amount of workers. This means involuntary unemployment has increased from Q3-Q1 to Q3-Q2 at the current wage Wo.



Laying off workers is not nice for the business so they need to choose whom to layoff. Logically they layoff the least productive to reduce the wage cost first. If all other factors are the same, then they are more likely to lay off the younger workers.

Businesses will generally lay off the less experienced and younger workers before they lay off the older, more experienced workers that has a family that relies on that income to be fed and housed, etc.

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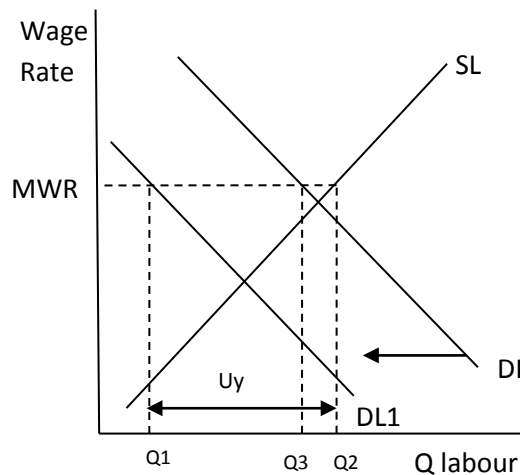
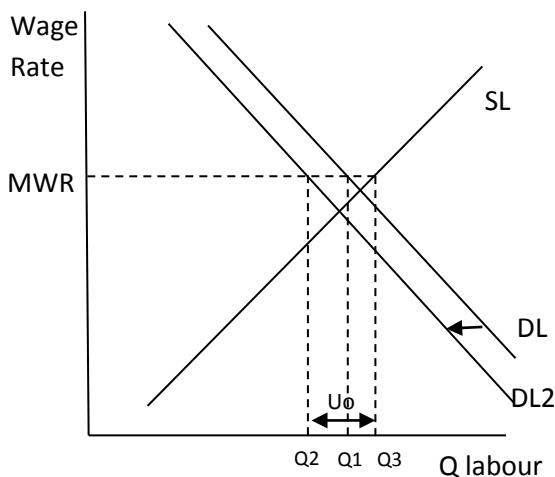
Statistics New Zealand says that youth unemployment was at 25% in 2012. Studies have shown that if someone between the ages of 16 and 21 is economically inactive, they are likely to be economically inactive at age 25.

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The government finds this worrying because there are such high rates of unemployment in people from the ages of 15 to 19, and if studies are correct, it means that those people will still be economically inactive at 25. This means that there will be a whole lot of people that will not have jobs, and will be on transfer benefits and have less income for consumption spending.

Labour Market for older workers

Labour Market for young workers



People from the age of 15 to 19 have a much higher and unsteady rate of unemployment than people from the age of 35-39. This can be due to the inexperience of many of the younger people. Also, because if a business needs to lay off some workers, they are more likely to lay off the newest workers, and this is quite often the younger workers. The fall in demand for young workers, DL to DL1 is greater than the fall in demand for older workers DL to DL2 as seen on the models above. This means the involuntary unemployed after the layoffs is greater with the young workers (Uy) than it is with the older workers (Uo) as is reflected in the unemployment statistics.

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While unemployment on a parent can affect both the parent and their children. If a child has unemployed parents it can cause them to have less wellbeing, and increase the chance of them having a chronic illness. If a parent is unemployed, it can affect their mental health. If they are unemployed, especially for a long period, they can develop low self-esteem. This can also go on to affect their children, by the parent starting

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to be neglectful, or even aggressive. Children who see this behaviour from their parents are more likely to imitate this behaviour. Which means that they may start to have low self-esteem, and become aggressive. These children are also more likely to smoke and drink alcohol when they are older. The similarities between the social effects on the two groups is that unemployment gives both negative mental effects.