

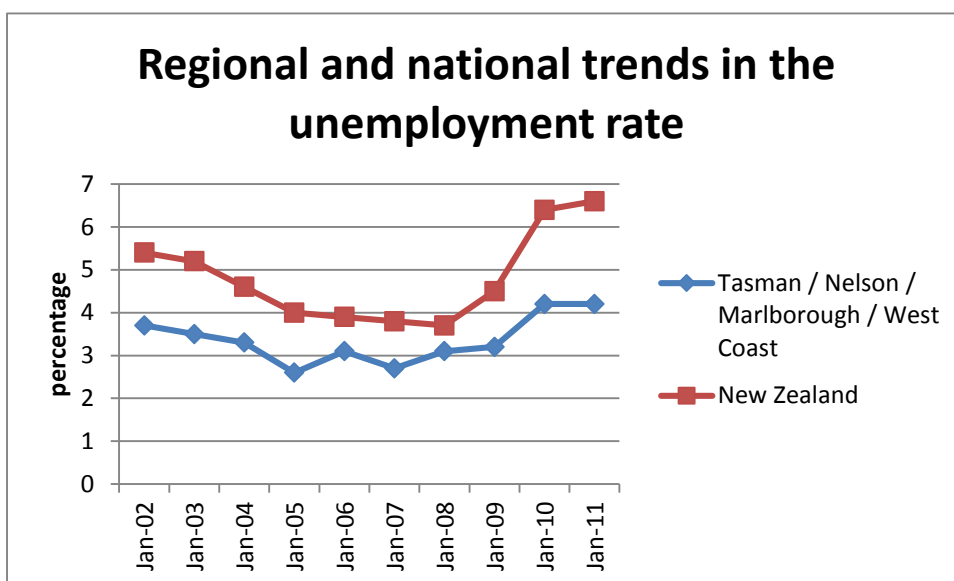
[Student has partially explained how increasing the minimum wages rates (MWR) would affect unemployment. A Labour Market model was presented with an existing MWR, but the changes to MWR, QDL, QSL, and voluntary and involuntary unemployment were not shown and explained.]

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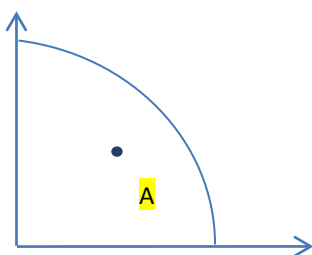
Unemployment fell from 2002 to 2005 due to Nelson/ Tasman having an economic boom with lots of tourism and high house prices. This has created wealth, spending and jobs. However, unemployment in Nelson increased from 2.7% in March 2007 to 4.2% in March 2011.

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Unemployment rose due to job losses from major producers in the Nelson region; especially at Sealords, Nelson Pine Industries and Nelson Forests Limited caused by the global recession. This downturn meant many jobs were lost.



### Production Possibility Frontier



Since A is inside the production possibility frontier, it shows unemployment and this was caused by the global recession. Unemployment can also be shown on an AS/AD model, since the economy is below full employment ( $Y_f$ ) it has unemployed resources.

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Unemployed workers will have more financial hardship and greater stress. Some will chose to leave the area to find work – even go to Australia like the logger who did not wish to be named, said he would move out of Nelson, and would probably go to Australia. On-going unemployment also means that more and more people apply for each job and it is possible that you will keep missing out, even if you are a good worker, and this will make you feel worse and worse. This also causes financial stress for others as lower demand means lower profits and will also mean more of the governments tax income will need to be spent on Unemployment benefits and other assistances.

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