

[Student has compared and contrasted the impact on unemployment caused by the increased minimum wages rates implemented from 1 April 2014 with the impact of increased consumer spending on unemployment in Nelson. Student illustrated the changes using the AS/AD and Labour Market models, and integrated these changes into the detailed explanation.]

1

Impacts of changes in unemployment on various groups

December in Nelson sees an interesting comparison between young workers under 25 and older workers between 35 and 50. For all workers in Nelson, demand for labour increases through November and December as we lead into Christmas and seasonal tourism and picking jobs start. Therefore, seasonal unemployment, which is people who are unemployed at certain times of the year because they work in industries where they are not needed all year round, decreases.

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Due to increased demand for consumer goods in shops and tourist accommodation/activities with the holidays, businesses increase their demand for labour. This concept is known as derived demand, which means the demand for the resources (labour) comes from the demand for the goods or services they produce.

More demand for motor camp accommodation means that more services need to be provided so more workers are needed. This is shown on Figures 4 and 5 by an increase in demand for labour from DL to DL1. In both markets, there were workers who are involuntarily unemployed (wanted to work at the current wage but could not get work – Q1-Q2 on each model).

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In Fig 4, the market for older workers 35-50 we see that the involuntary unemployment has fallen from Q1-Q2 to Q3-Q2. As businesses wanted more workers, employment increased from Q1 to Q3. Since the same number of older workers were seeking jobs, involuntary unemployment fell.

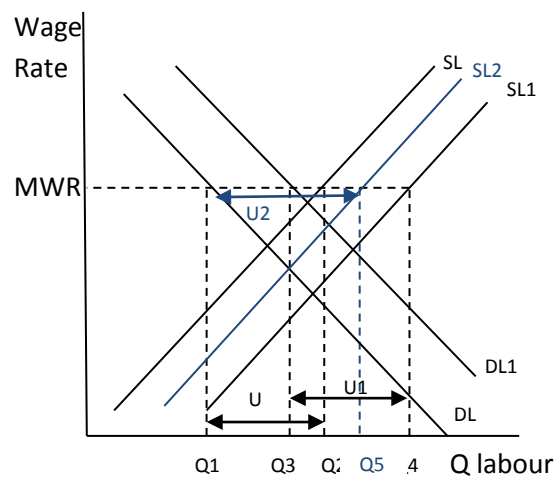
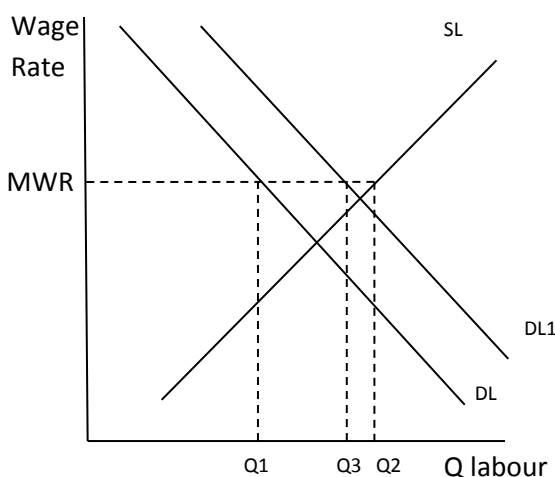
In Fig 5, the market for young workers under 25 we see the same increase in the demand for workers (many of the jobs are lower skilled jobs so I am assuming that employers will not discriminate between young or older workers if they all have the necessary skills).

However, at this time of year the supply of young workers in Nelson increases noticeably. This is due to students' finishing school and looking for employment and a large influx of university students returning to their parents for the holidays and wanting holiday work to pay for the next year of university. This is shown on the graph (Fig 5) by an increase in the supply of labour from SL to SL1. This means that involuntary unemployment in this age group, which was Q1-Q2 (U on Fig 5.), is largely unchanged despite the increase in jobs. The employment in this age group is Q1 to Q3, but the increased supply of labour means there is still involuntary unemployment from Q3 to Q4, it was U, it is now U1.

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Fig 4. Labour Market for older workers 35-50

Fig 5. Labour Market for young workers



This means that Nelson young people will suffer from the negative effects of unemployment, while the older workers financially benefit during this time. According to the Christchurch Health and Development Study, people who are unemployed between the ages 16 and 21, are very likely to remain unemployed until the age of 25. This means that these school leavers will find it difficult to find a job even after the university students leave Nelson, when the demand for labour falls again as the seasonal work finishes. This means

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that the school leavers are more likely to be involuntary unemployed than the university students and older workers.

Additionally, these students have matching qualifications to the next year's school leavers, but also now have a record of unemployment so they are more likely to become long term unemployed and they are now even less likely to get a job. In this case, a young worker who has been unemployed during the holidays is likely to find it more difficult to secure a permanent job in February, and may be stuck into having to accept part-time and seasonal low paying jobs. Unemployment in this situation can lead to mental problems such as depression, having less self-confidence and feeling unworthy.

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University students who could not secure work are also going to build up greater student loans meaning more borrowing from the government and less potential for these students to spend in the future once they secure jobs. However, this holiday unemployment is unlikely to affect their long-term employment, as their future employment is likely to be in a specialist labour market they are not part of yet.