

[Student explained the change in cyclical unemployment in Nelson due to increased consumer spending and investment supported by an AS/AD model.]

9

A sunrise industry is a new, emerging industry often using new, innovative technology. Whereas, a sunset industry is an industry that is declining, one that has passed its peak/boom periods, and may result in structural unemployment if due to changes in technology or automation.

10

The graph (Fig 5) below shows a sunset industry, with a decrease in demand for labour. This is shown by the shift from DL to DL1. This is because they do not need as many workers because their industry is in decline. This means that as the demand for their goods or services is on a decrease they do not need as many workers. This shows that demand for labour is derived from the demand for what they produce.

This will result in an increase in the unemployment rate (U to U1), because as the sunset business gets further into their decline, they will have to lay off more and more workers. Eventually the business may shut down, due to no demand or very little demand, for their goods or services. This means that everyone in that business will be unemployed. There will only be more involuntary unemployed people if the real wage does not drop (involuntary unemployment are those who want jobs at the current wage, but cannot get them).

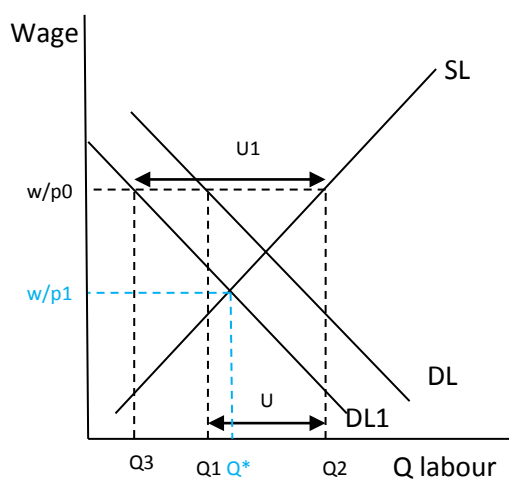
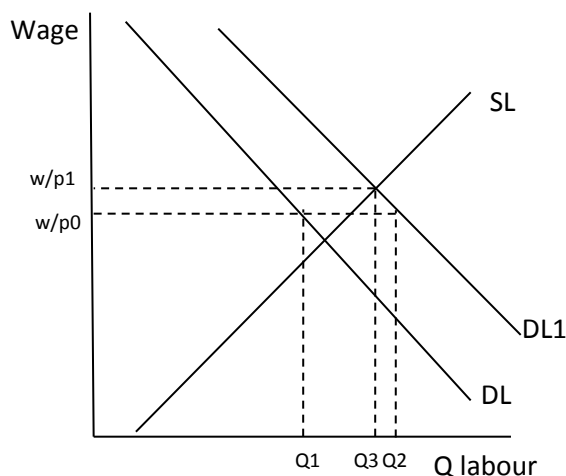
The wage would need to drop to $w/p1$ for there to be no involuntarily unemployed, because at the wage of $w/p0$ there are $Q3-Q2$ amount of people who are involuntarily unemployed. If the wage went down to $w/p1$ there would be no involuntarily unemployed people, because less people are willing to work at this lower wage. However, the wage may not be able to drop. This could be because the workers are on a contract price, or because it is minimum wage.

10

An example of a sunset business in Nelson is businesses involved in crop farming. Crop farm workers is the occupation that experienced the largest fall in employment. With them losing 257 jobs, and with crop farmers losing 190 jobs. Meat, poultry and seafood process workers also had a large fall in employment, with them losing 114 jobs.

Fig 4. Sunrise Industry

Fig 5. Sunset Industry



A sunrise business is a new or growing business. There are high demands for people to work in the health, and educational services in the Nelson region. With Nelson being an ideal place for elderly people to retire, it means that there is more of a demand for people to work in retirement villages as caregivers etc.

Although it is growing at slower rates than it was in the 2000's, it is still a growing industry. This is one of the many sunrise industries in Nelson. This industry will be a large contributing factor to the reason there has been a decrease in unemployment in Nelson. This means that more will be produced, which means that more workers will be needed. This is shown on the graph by the demand for labour shifting to the right from DL to DL1. Industries want to employ $Q2$ amount of employees.

11

The industry will need to increase their wage (unless there is sufficient involuntary unemployed workers at the current wage), otherwise they will not get any workers, as only $Q1$ amount of workers want to work at the current $w/p0$ wage, and they want $Q2$ amount of workers. This means that they will need to raise their wages to $w/p1$ for them to get the amount of workers that they want.

Involuntary unemployment was $Q1-Q2$, but is now zero after the real wage rises to $w/p1$, and employment rose from $Q1$ to $Q3$.

Because a sunrise industry is growing, it means that there is the potential for them to continually need more workers. This can lower the unemployment rate, so employment growth is found in the sunrise industry, but employment falls in the sunset industry. Overall employment may stay the same in the region; this could see structural unemployment in the sunset industries if the workers do not have the skills needed to gain the jobs in the sunrise industries.

11

The effects of unemployment in these two situations differ for the young compared to the old.

Young workers have less experience and fewer commitments meaning they can be more flexible and move cities if they need too. Older workers have more commitments (family, community ties, mortgages) so are less flexible. This means that businesses are more likely to lay off younger workers first to keep their experienced older workers (all else being equal). It is also morally harder for a boss to tell someone with a mortgage who cannot leave the area that they have lost their job. This means that youth unemployment in Nelson is higher than in the 30 – 50 age group. This means that the stress of unemployment and subsequent possible side effects like depression are more likely in the younger unemployed. They are also more likely to migrate out of the Nelson area as they have less ties so are more able to look for work in other places like Christchurch.

12

[Student also explained the impacts of the change in cyclical unemployment on various groups in detail using economic concepts and the AS/AD model.]