



National Certificate of Educational Achievement
TAUMATA MĀTAURANGA Ā-MOTU KUA TAEA

Exemplars for Internal Achievement Standard Economics Level 2

This exemplar supports assessment against:

Achievement Standard 91225

Analyse unemployment using economic concepts and models

An annotated exemplar is an extract of student evidence, with a commentary, to explain key aspects of the standard. It assists teachers to make assessment judgements at the different grade levels.

New Zealand Qualifications Authority

To support internal assessment

Grade: Achieved

For Achieved, the student needs to analyse unemployment using economic concepts and models.

This involves:

- Identifying, defining, or describing unemployment concepts
- Providing an explanation of causes of changes in unemployment using economic models
- Providing an explanation of the impacts of changes in unemployment on various groups in NZ society.

The student has defined the economic concepts related to unemployment (1).

Two causes of changes in unemployment have been explained (2) using the Labour Market Model and the AS-AD model with the recessionary gap (3).

The student has explained the impacts of changes in unemployment on various groups of NZ society, using a journalist in their early 20s, with no family, living in Hamilton, compared to a journalist in their 30s-40s, with family, living in Wellington (4).

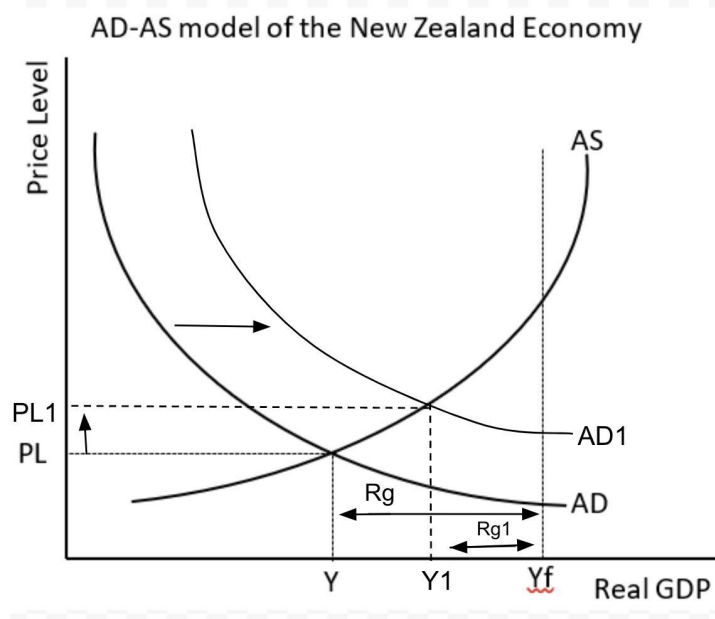
To reach Merit, a more detailed explanation would include an explanation of the recessionary gap (use of resources). In the market for commercial construction workers, an explanation of the changes in involuntary and voluntary unemployment, with reasons, would add further depth.

Part A Causes of changes in unemployment

The task included an article for government funding through the Provincial Growth Fund (PGF) and other regional development initiatives that has led to a variety of infrastructure projects and other business developments being completed.

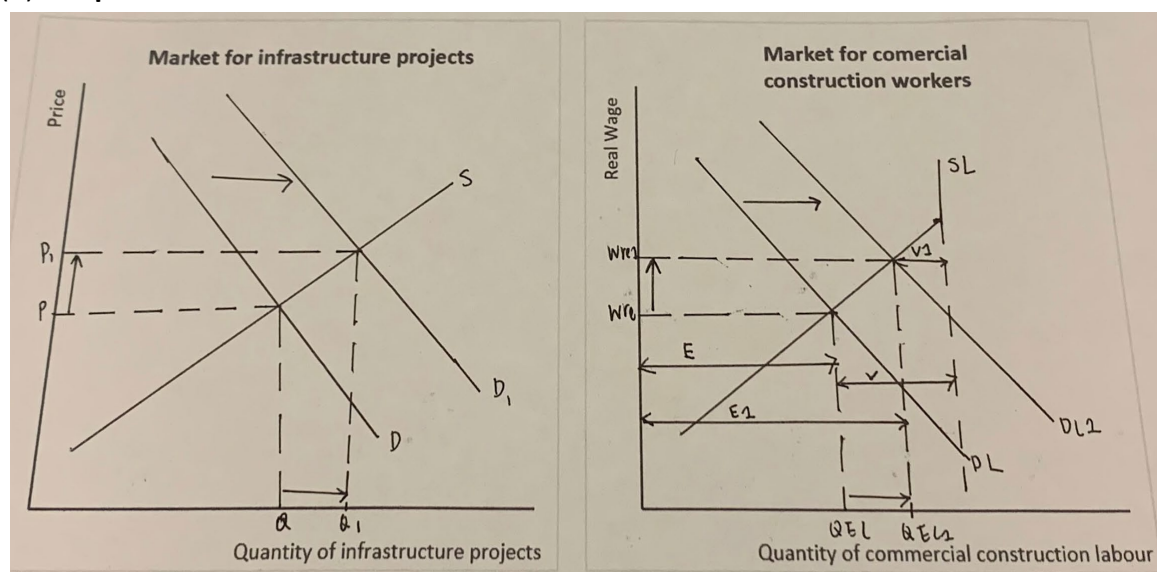
Labour market for commercial construction workers

(a) Graph One



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(b) Graphs Two and Three



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- (c) **Explain** the derived demand for labour **and** the impact of the government's regional development initiatives, including PGF funding for infrastructure and other business development projects, on employment in New Zealand. In your answer refer to Extracts and Graphs One, Two and Three

Derived demand is the demand for labour as producers obtain their demand for labour from the demand for the goods and services they produce. An increase in the demand for goods and services leads to an increase in the demand for labour to produce those goods and services.

In Graph 1, AD has increased. AD has shifted to the right to AD1 as investment (I) and government spending (G) have increased, driven by the PGF and associated investment spending. The PGF has "committed \$3 billion in funding" and "1,359 projects approved for funding", resulting in over "16,000 jobs" and "improved economic outcomes for regions", "successfully creating jobs and boosting regional economic growth". As a result of increased AD, price level has increased from p to p_1 and real GDP has increased from Y to Y_1 . More people are being employed. There is less unemployment for workers as the recessionary gap, has decreased from RG to RG_1 , and therefore more people are being employed.

In graph 2 the increased demand for the 'market for infrastructure projects' as D shifts right to D_1 . This increase in demand has led to the price increasing from p to p_1 and the quantity of infrastructure projects increased from Q_e to Q_{e1} . As more infrastructure projects are created, the need for skilled labour in construction increases as a larger workforce would be needed to meet project demands. The increase in projects shown in Graph 2 has caused the shifts in Graph 3 due to derived demand. This is shown as DL shifts to the right to DL_1 , the real wage increases from W_r to W_{r1} and the quantity of commercial construction labour increases from Q_L to Q_{L1} .

- (d) When infrastructure projects are complete, some workers on the projects may experience cyclical or frictional unemployment. Explain why any unemployment that occurs at the end of a large-scale construction project would be cyclical or frictional in nature rather than structural. Use examples of each type of unemployment to support your answer.

Frictional unemployment occurs when people are in between jobs, are frequently unemployed temporarily and will search for jobs later. This applies to those who have quit their jobs and are seeking new ones and people joining the labour for the first time or returning to it.

The unemployment could be frictional as after the completion of the project, some workers may find themselves temporarily unemployed while they search for new construction jobs. They could be skilled and experienced in their field however would need some time to find new projects that match their qualifications and can choose whether they enter or re-enter the industry.

Cyclical unemployment is unemployment caused by changes in the business cycle. Businesses lay off employees or do not hire many people when economic activity is down but hire more when it is up. When the economy enters a recovery phase, jobs lost during a recession under cyclical unemployment will return (in the case of structural unemployment jobs lost as a result of structural changes in production will not return)

Cyclical unemployment could occur as the economy enters a recession. When the project is finished, overall demand for new infrastructure projects decreases as businesses cut back on spending. The construction businesses would lay off workers as there are fewer projects to work on and economic activity is down. They might see a decrease in aggregate demand potentially leading to lower economic activity and therefore higher unemployment rates. These laid-off workers experience cyclical unemployment as their job loss is linked to the economic downturn, not due to their skills and job requirements.

Structural unemployment is when the industry people once worked in no longer exists or advancement in technology has led to workers' skills becoming redundant. It is permanent that the jobs the unemployed workers did will not return. This leads workers to either shift their skills to another industry or abstain from a different kind of occupation.

The unemployment that occurs due to the project being completed wouldn't be structural unemployment as at the end of a large-scale construction project, workers generally have relevant skills and through PGF, new infrastructure projects will appear and demand for construction workers will keep rising. Barely any advancement in technology has led to construction workers being unemployed.

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The task also included articles for the impacts of internet-based media on traditional media such as television and radio. Learner evidence was provided for the impacts of this second cause of changes in unemployment using the labour market model.

Part B

Impacts of unemployment

Compare and contrast the impact of unemployment on a public servant or journalist who is aged in their early 20s with no family commitments, living in Hamilton and just starting their career with a public servant or journalist who is aged in their 30s or 40s with a young family and a mortgage, living in Wellington. Include in your answer the possible long-term impact of remaining unemployed for 12 months or more.

Refer to Graphs 5 and 6 and Extracts 5 to 8 as relevant – Note: these were not included as part of the submission.

Journalists at both TVNZ and Newshub are facing job cuts. The chances of getting this job are due to "low demand for their services" and "hundreds of journalists are facing significant job uncertainty as it is becoming tougher for employment opportunities. As seen in Graph 5, the labour market for journalists and public servants has decreased with DL shifting to the left to DL1. As a result, the number of involuntarily unemployed increases from $U=0$ to $U1$, as with W_r staying constant, the number of people who want a job stays the same, but the number of people who get a job

decreases from E to E1. As a result, these people in order to get a job, may decide to retrain for another job or industry that is more of high demand for employment. An example of this is hospitality and tourism. In Graph 6 it is seen that more people are now employed in hospitality and tourism, and DL has shifted to the right to DL1. There is also increased supply as seen in SL shifts to the right to SL1 as more people have lost their jobs so more people are entering the labour market to seek employment, increasing the overall labour of supply. If they now work in hospitality and tourism, the individuals may have to be ready for a decreased wage rate which means they will have to spend less or switch to cheaper necessities. Because of this hospitality and tourism jobs may now have higher overall productivity rates.

It would be harder for the journals who are in their 20s to find a new job with the main reason being lack of experience. Someone in their 20s likely would've just started their career and have limited professional experience. Jobs would be more likely to have more trust in someone who is in their 30s-40s as they would be perceived as more mature and reliable due to them having family commitments and more years in the industry. Young journalists might not have had enough time to establish a professional reputation that is strong enough to accumulate their significant works however an older journalist would've been more likely to have one. However, some employees might actually prefer to actually employ younger workers with no family commitment due to their willingness to accept lower starting salaries as they have fewer financial responsibilities and mortgages plus family to support.

In the short term, there are many advantages for a journalist in their 20s to get a new job in a different way like getting re-educated. This is mainly due to them still needing family commitment, allowing them to have more time and resources to study in order to gain new skills and knowledge. they can explore different career pathways, one that has more opportunities are more in demand for example hospitality and tourism which was discussed before. Another advantage for the person in their 20s to find employment is due to mobility. It is easier for younger people to go between locations for job opportunities, especially the option to move overseas. Again, this is due to the person in their 20s having no family commitment, mortgages to pay and not yet settled in properly, therefore relocation is more flexible and easy.

According to Stats NZ, people in Hamilton have an unemployment rate of 5.6% which is higher than people aged 30-40 living in Wellington as the unemployment rate is 4.6% in Wellington. There is a significant difference between the two age groups as in general in New Zealand, those aged 20-24 have an unemployment rate of 9.8% while those 30-40 years old have an unemployment rate of 2.7-3.4%. It will be even harder for journalists who are in their 20s living in Waikato to get a job as the unemployment rate in Waikato is higher than in Wellington. In early March this year, official unemployment rose by "31,000 people with youth, 15-24-year-olds, comprising more than half of that increase - rising by 21,000", showing that many more young adults are becoming unemployed. Higher population areas exhibit higher unemployment rates which is why Wellington and Hamilton have higher rates than Taranaki and Southland. If you are unemployed, there is a greater chance that you will fall into a cycle of unemployment in which you remain unemployed, find it more difficult to find work and acquire the experience you will need to find work in the future. It may be

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necessary for people of the Waikato, in particular, to move to Southland or another region with a lower unemployment rate. In either case, the unemployment rate will be lower in Waikato and Wellington than in other regions, making it less difficult for individuals of all ages to find work.

Long-term unemployment of 12 months or longer can result in lower income for individuals which may make it more difficult for them to pay for necessities such as housing and medical costs. The journalist who lives in Wellington has a family of their own and would need to pay for their child's utilities, making this even more difficult for them. Their mental health may suffer as a result of this since they are always worrying about the future and probably wouldn't be able to go out with friends or family to restaurants or entertainment places meaning less societal connections. This will raise feelings of unworthiness which will develop into anxiety and depression, an overall decrease in their mental health.

Grade: Merit

For Merit, the student needs to analyse unemployment in depth, using economic concepts and models.

This involves:

- providing a detailed explanation of causes of changes in unemployment using economic models
- providing a detailed explanation of the impacts of unemployment on various groups in New Zealand society.

The student has analysed, in depth, the causes of changes in unemployment.

The student has explained in detail the causes of changes in unemployment using models. Cuts in government spending were explained using the AS-AD model with recessionary gap and Labour Market model. An explanation of the recessionary gap was included. An increase in the minimum wage was also explained using the Labour Market model and the AS-AD model with a recessionary gap. An explanation of why E, IU and VU would change was also included for both causes. (1)

A detailed explanation of the impacts of changes in unemployment on low-skilled minimum wage workers and higher-skilled managers over the short and long term has been provided. (2)

The impacts of change in unemployment on low-skilled minimum-wage workers versus highly skilled managers in the short term have been compared and/or contrasted. The Labour Market models were referenced, but changes on the models were not integrated into explanations. (4)

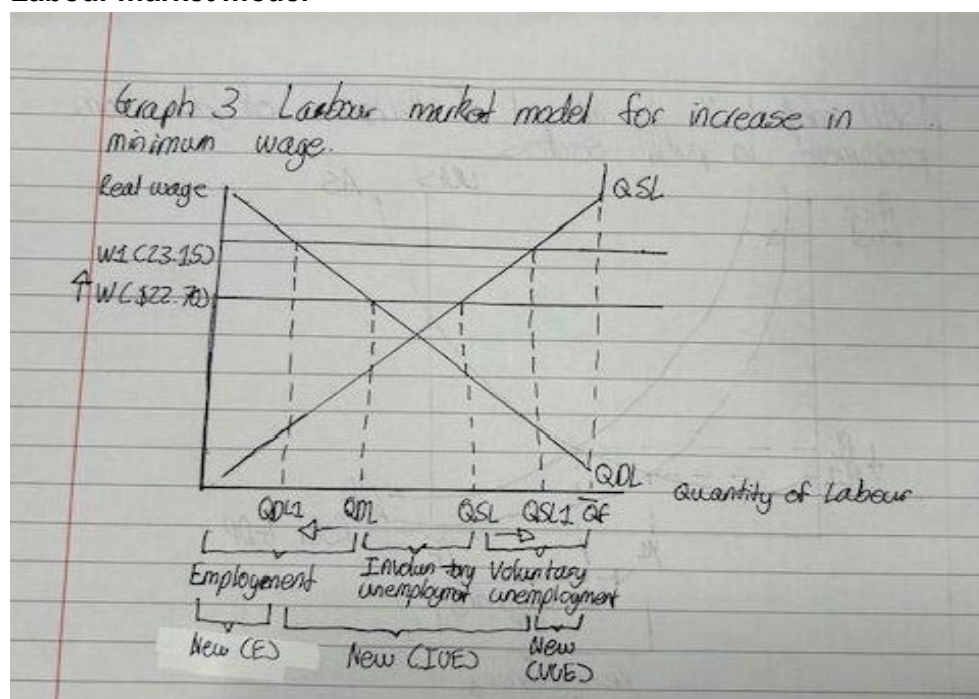
To reach Excellence, the evidence would include a more comprehensive comparison of the causes of changes in unemployment using the models. An explanation of why one cause is greater than the other was included by referencing the number of affected workers, and models were used. However, adding a minimum wage line to model 2 (Labour Market model for the first cause—cut in government spending) would have provided the opportunity to include a more detailed comparison of the size of the impacts on IU and VU, using the model. (3)

Student evidence was provided for cause 1 - impacts of cuts in government spending using the AS-AD model with recessionary gap and labour market model.

Cause 2 - Explanation

In cause 2 there is an increase in the minimum wage from \$22.70 to \$23.15 an hour. There is 59,500 people that are on the minimum wage meaning that this affects all of them. Other than workers, it also affects businesses as it increases their cost of production as they now have to pay staff higher rates. This cause can lead to unemployment due to an increase in the cost of production and firms are unable to employ staff or an increase in income and consumer confidence for those that are still employed.

Labour market model

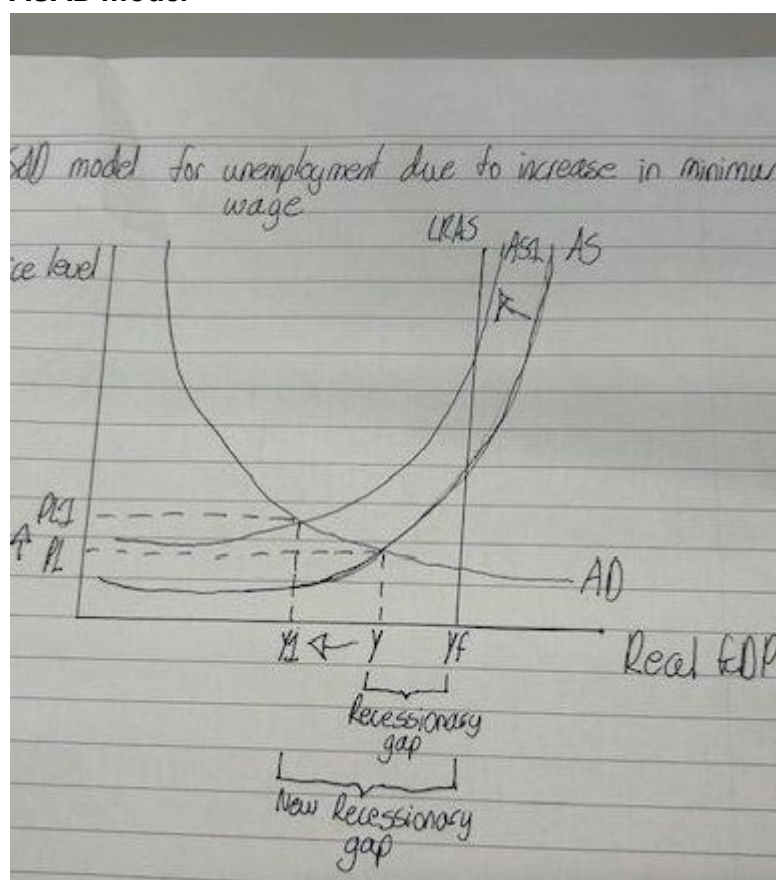


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Explanation

On the graph above the old minimum wage (\$22.70) has increased to W1 to (\$23.15). This means that employment has decreased from QDL to QDL1 as the minimum wage has increased, this is because it has become more expensive for businesses and firms to supply workers as the minimum wage has increased. Involuntary unemployment has increased from the gap between QDL to QSL to now QDL1 to QSL1. This is because of the higher wage rate more people are willing to work because they will be paid more increasing involuntary unemployment. Involuntary unemployment is those who are willing and able to work at the current wage rate but do not have a paid job. Because of this, voluntary unemployment decreases as now people move to being involuntarily unemployed. We can see this from the gap decrease from QSL to QF to now QSL1 to QF. Voluntary unemployment are those who are not willing and able to work at the current wage rate and do not have a paid job. This increase in minimum wage means more people that are unemployed are now wanting to work because it is a higher wage. However, firms cannot supply the same amount of workers that they had before because of the higher wage they cannot pay the same amount of workers with their current revenue. Therefore there is a surplus of labour as QSL has increased

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ASAD model

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Explanation

In this situation where there is unemployment due to the increase in minimum wage it means that the **aggregate supply (AS) shifts to the left as it is a decrease from AS to AS1**. This would mean that Y shifts and decreases to the left to Y1 which decreases Real GDP. This then increases the recessionary gap to a new recessionary gap as more people are now unemployed as **firms** cannot employ the same amount of workers as before the **minimum wage increase** because it has increased their **cost of production** making it more expensive to produce goods and services. Therefore the price level increases as well as it increases because supply decreases firms increase prices to maintain profit margins to decrease output. However, Long run aggregate supply would not shift even though people become unemployed because they are still a part of the labour force. The recessionary gap is the distance between the actual output the economy is producing and the full employment output is called a recessionary gap. **The recessionary gap increases (see model for new recessionary gap)** as more people are now unemployed because the minimum wage rate has increased which means it is now more expensive for firms to employ workers and increases their cost of production forcing them to lay off staff.

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Compare and contrast Cause 1 with Cause 2

In this case with the reduction in government spending from cause 1 and the increase in minimum wage from cause 2, I think that **cause 2 has more of an effect** on New Zealand. This is because more people are affected by if the minimum wage increases or decreases as **59,500 thousand people are on minimum wage** in New Zealand according to this

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government document.¹ But the amount of people losing their jobs who work in the government public sector is only 6,135 which is still significant but does not affect as many people². With 700 of these cuts coming from the ministry of education which you can see in the second graph. The increase in minimum wage will mean that those 59,500 people will earn a higher income and they will be able to increase their consumption and contribute more to the economy and real GDP. However, looking at graph 4 (ASAD model) we can see that QS decreases as it is now more expensive to employ the same amount of employees for firms because they have an increase in the cost of production due to the increase in minimum wage. This means that some minimum wage workers will lose their jobs because the firms cannot afford to hire them anymore. Looking at graph 3 (labour market model) we can see that there is an increase in involuntary unemployment as QDL and QSL shift further apart from each other to QD1 and QSL1 making the gap larger of involuntary unemployment. This means that as the minimum wage has increased more workers want to work at the given wage rate but there is not even jobs for them to be employed because firms cannot afford to hire them as it increases their cost of production. Therefore the short-term effects of an increase in minimum wage is that there will be layoffs or/and reduced hiring. These short-term effects would mainly apply to youth workers and entry-level positions as they are most likely to earn minimum wage. The long-term effects of the increase in minimum wage would be higher earnings for those who are employed and they will increase their consumer spending which boosts economic growth. Another long-term effect would be a shift to higher-skilled jobs, as firms are paying workers a higher income they will want them to have better skills to justify the higher wage with more productive workers.

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I think that cause 1 has less of an effect than cause 2 because it affects a smaller group of people. For example, 6,135 people are losing their job due to government spending cuts to public sectors in order to save money compared to all minimum wage workers. On graph 1 (ASAD model) we can see that AD decreases and shifts to the left to AD1 which is due to the fact those workers in the public sector are being let go. This means that there is less consumer spending due to having a decreased income or none at all which can affect businesses as less of their goods and services will be bought and consumed affecting their revenue and overall real GDP will decrease. In graph 2 (labour market model for the ministry of education) we can see that from the decrease in QDL as there is less demand for workers, overtime the sticky wage theory will come into play as immediately they will not be let off due to contracts and agreements which means that they will still be working for a little bit or get some sort of compensation as a result of the government and public sector making those jobs redundant. The short-term effects of this is loss of income which again decreases consumer spending. Due to a loss of income, it will be harder for those who lost their jobs to afford the same things as they did before which increases government spending if they have to go on an unemployment benefit or social services costs to help them out. The long-term effects of these people losing their jobs is that their skills might deteriorate as long periods of

¹ <https://www.mbie.govt.nz/dmsdocument/28018-minimum-wage-review-setting-the-2024-rates-proactiverelase-pdf#:~:text=The%20current%20adult%20minimum%20wage,population%20in%20this%20age%20range>

² <https://www.rnz.co.nz/news/political/513456/how-many-public-sector-roles-are-going-and-from-where>

time without a job can decrease your skills and knowledge because you are not employed any more. Another long-term effect is that it can lead to long-term debt to those who took out a long to help them out when they were unemployed which can cause financial instability. Therefore even though 6,135 people are losing their jobs due to cuts in government spending in the public sector, 59,500 people are affected by the increase in minimum wage whether they earn more money or lose their job which is more significant. Those who are losing their jobs in the public sector probably also have more skills and higher qualifications making it easier for them to find another job, whereas those on minimum wage probably have less skills and knowledge making them less valuable and harder to find a job which impacts them more.

Compare and contrast Groups in society discussion

The first group that I will be comparing is a **lower-skilled minimum wage worker** who has lost their job due to the increase in minimum wage. The second group is a **higher-skilled manager who lost their job from a public sector role**. Straight away we can realise that in the 3rd graph (labour market model) there is a big increase in involuntary unemployment as the minimum wage has increased so more people want to work at that current wage rate. However, the increase in minimum wage increases the cost of production for firms causing them to spend more on wages instead of producing more goods and services and therefore they might have to cut staff or freeze hiring to maintain production margins and not increase their cost of production. In this situation, **a lower-skilled worker on minimum wage** is more likely to be someone younger in high school or perhaps university and looking for a part-time job. This means that they **do not yet have the skills to apply for any job**. **This worker** is also not likely to have a family yet as they are younger and probably still in school which means they most likely need to **only provide for themselves**. If we compare this to the higher-skilled manager who lost their job in the public sector, they have lost their job due to the government making spending cuts. If we look at Graph 2 (labour market model) we can see that the demand for workers has decreased which means there is now involuntary unemployment as those people who lost their jobs still want to work at the wage rate they were on before but are unable to get a paid job. The **higher-skilled manager is more likely to be someone older with more experience which makes them more skilled**. If they are older it is likely that they **have a family to provide for** or contribute towards meaning their job is very important. It also probably means that they are closer to retirement as they are older and **have more savings**. Therefore it means that it **could be easier for them to find a new job** as they have more experience and skills compared to someone who is younger with less skills and experience.

The short-term effects of a **lower skilled minimum wage worker** who lost their job is straight away loss of income, this means that it could be harder for them to pay for their education or accommodation and will have a financial impact. This financial impact could **cause a lot of stress** and have negative effects on their mental health. The long-term effects of this is it can create **gaps in their resume and make it harder to find a job** if they are unemployed for a long period of time because it has been a long period of time since they have last worked. A short-term effect on someone who **is highly skilled and a manager is similar to the other example as immediately they will experience loss of income** which can affect **not only them but their family and have strained relationships due to financial troubles**. The **long-term effects** of them losing their job could be entering or having **a large financial debt because they had to borrow money from the bank from their time being unemployed and have a large**

amount to pay back. It could also be harder for them to find a job afterwards if they have been unemployed for a while as their skills could have deteriorated from not working for a certain period of time which means their skills have decreased.

Grade: Excellence

For Excellence, the student will analyse unemployment comprehensively, integrating economic concepts and models.

This involves:

- Comparing and/or contrasting the causes of changes in unemployment.
- Comparing and/or contrasting the impact of changes in unemployment on various groups of New Zealand (NZ) society.
- Integrating changes shown on economic models into detailed explanations.

The student has comprehensively analysed the causes of changes in unemployment. Economic concepts have been used, and changes shown on the AS-AD model and Labour Market model have been integrated into the explanation (1).

The causes of change in unemployment have been compared and contrasted in a 'greater than/less than' sense in the analysis by providing estimated numbers for the job losses due to the two events and explaining the impacts over the short and long term (2).

The impacts of the changes in unemployment on various groups of NZ society have been explained in detail. The groups discussed were public sector skilled managers versus minimum wage workers (3).

The impact of the changes has been compared and contrasted in a 'greater than/less than' sense. The language of the Labour Market model along with economic concepts, is integrated into the explanation. (4)

Student evidence was provided for cause 1 - impacts of cuts in government spending and cause 2 – increase in minimum wage using AS-AD models with recessionary gap and labour market models.

Compare and Contrast (Cause 1 & Cause 2)

As we can see, due to both events, there will be an increase in the level of unemployment. This is shown on all four models above. In the case of the first event, when the government cut spending by \$1.5 billion on public sector workers, the jobs cut from the public sector were the people that became unemployed in the short term. These job cuts are shown on graph one which is an **ASAD model**. This is because it shows a decrease in government spending, which decreases aggregate demand. This is shown on the graph by **'AD' shifting to the left to 'AD1'**. We know this is going to cause an increase in unemployment as this will shift 'Y' to 'Y1' which therefore causes the **recessionary gap to increase from 'Recessionary Gap' to 'Recessionary Gap 1'**. According to 'Te Kawanatanga O Aotearoa', there are 65,283 people that worked in the government sectors that were getting job cuts. This data was from 2022, before these job cuts were introduced.³ As the government is asking for 6.5% to 7.5% of these sectors to cut jobs, this means that we can average that out to 7%. This means that very roughly there will be **4,570 jobs cut from these public sectors**. This means that almost 5,000 will lose their jobs in the short term. It is important to note however, that these numbers are rough calculations and the number could be roughly more or less. We can also see how immediately, there will be an increase in the unemployment shown on graph two. This is due to the **decrease in the demand for labour from DL to DL1**. Looking at the second event, we can see that due to the increase in the wage rate, there will be an increase in the level of unemployment. **Comparing this to graph three**, we can see that on this labour market model, it shows us how the minimum wage will have an **immediate effect on the level of unemployment**. This is due to the increase in the minimum wage, shown by an increase from 'Wmin' to 'Wmin1'. This shift will be immediate as there will be these job cuts due to producers not being able to pay them this new wage. This is because there is less demand for labour. This is shown by the **decrease in 'QDL' shifting from 'QDL' to the left to 'QDL1'**. This means that the level of employment will decrease immediately. There will also be an **increase in the level of involuntary unemployed** as many people who didn't want to work will now want to at this new minimum wage. This is shown on graphs by **an increase from 'QSL' to 'QSL1'**. According to the Ministry of Business, **there are currently between 80,000 and 145,000 workers in New Zealand on the minimum wage**. We are unable to know how many jobs will be cut like the other event however. With that, **there are many more workers on minimum wage, rather than in the government public sectors**. This means that in this short term, it is very hard to know which event will cause more unemployment. Contrasting this into the **long term**, we can see that in the **first event, there will be a slight increase in the employment rate as workers that were cut from the public sector roles might take lower paying jobs to stay in that profession**. In theory, it evens out to around 50% of people that were cut from their jobs in this sector will take lower paying jobs, and the other 50% will find other fields of work for a higher wage rate. This is shown on graph two which is a labour market model. **This is shown**

³ <https://www.publicservice.govt.nz/research-and-data/workforce> - accessed on 17/06/2024

in the long term when the new 'QDL' and the new 'QSL' both shift back to a new equilibrium with a lower wage rate. In the short run, this level of involuntary unemployment will be caused due to the sticky wage theory. The sticky wage theory means that many workers are bound to contracts and salaries. This means that the wage rate will not fall in the short term, as it takes a longer period of time for these sticky wages to end. However, in the long run, this wage rate will decrease, shown by 'W' to 'W1'. This is shown on the graph as 'QL1'. Applying this to our previous number, according to the theory, out of the 4,570 job cuts, many of them would return and become employed again by the public sectors. This was shown in the public sector of the Ministry of Transport with 120 jobs that are expected to be cut by the end of 2024. This shows how in the long run, the first event will not be as significant for the unemployment level as it was in the short term. Compared back to the second event, we can see that in the long run, there may be a small increase in the employment rate due to a potential shift in aggregate demand. Looking back at graph four, the ASAD model shows us how there is only a decrease in the aggregate supply, shown by a decrease from 'AS' to 'AS1'. This is due to an increase in the cost of production for producers. This is shown to have a decrease in the level of unemployment by an increase in the recessionary gap between, 'Recessionary Gap' to 'Recessionary Gap 1'. However, in the long run, there is potential for an increase in consumption spending. This is due to minimum wage workers having more disposable income. This would cause a slight increase in 'Y'. However, this shift would not be as significant as the shift from the aggregate supply. Therefore, we can confidently say that in the long term, the government spending cuts will not have as great of an effect on the level of unemployment. Hence, the increase in the minimum wage will have a more significant effect on the level of unemployment.

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Compare and Contrast (Groups in Society)

Both public sector workers and minimum wage workers will be negatively affected by this increase in the level of unemployment. We can firstly look at a highly skilled manager that worked for a public sector who will become unemployed. This is shown on graph two where on the labour market model it shows 'QL' decreasing to 'QDL'. This shows that they will be cut due to the decrease in derived demand. Looking at this person, we can see that as they are highly skilled, they are more likely to be at an older age than the minimum wage worker. According to the New Zealand Public Service Commission, the average age of a public sector worker is 44.8 years old, with the average age of a public sector manager being over 50 years old.⁴ Compared to the minimum wage workers, as per the website Employment New Zealand, the average age is around 27, with 88% of the minimum wage workers between 20 and 35 years old.⁵ This shows that for our highly skilled manager, they will have had access to tertiary schooling of higher levels. This means that they might have gone to university. This prove that this person is a highly skilled worker. Contrasting to the minimum wage worker, we know that they are going to be unemployed due to graph three. This graph shows us that due to the minimum wage increase from 'Wmin' to 'Wmin1', the 'QDL' shifts to 'QDL1' and the 'QSL' shifts to 'QSL1'. This means that the level of involuntary unemployment increases by a large

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⁴ <https://www.publicservice.govt.nz/research-and-data/workforce-data-diversity> - accessed on 19/06/2024

⁵ <https://www.workrisenetwork.org/features/who-low-wage-workforce> - accessed on 19/06/2023

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amount. With our minimum wage worker being cut, as they are younger, they may not have had the opportunities to attend a university for tertiary education. Therefore they may be less skilled than the public sector manager. In comparison to the public sector manager, due to them most likely being older, this means that there is a higher chance of them having a family. This is important as they have been cut from their jobs, therefore they may be able to rely on a family member (eg, partner) for monetary aid. As for the minimum wage worker, due to them most likely being younger, they are more likely to be a single earning household. This means they are less likely to have a family member (eg, partner) to help provide an income. This means that in the short term, the highly skilled manager will be more likely to be able to not be in financial hardship due to having another income to rely on immediately. However, for the minimum wage worker, they may find it harder in the short term as their stream of income is cut and they may not have another source of income to rely on. This is shown for the highly skilled manager on graph two, where they are not on a minimum wage. We know this due to the graph being able to shift from 'Wmin' to 'Wmin1'. Looking forward into the long term, the highly skilled manager is more likely to have more options in finding work for their future. This is firstly because they are highly skilled with a higher level of education. This means that they are going to have a wider range of options to choose from. Contrasting this to graph two, we can see that due to their not having a minimum wage for the highly skilled manager, they may be able to take a lower paying job in the same sector. We know this as graph two shows up in the long term, the 'QDL' will increase and form the new 'QL1'. With this, it means that our highly skilled manager can take a lower paying job to still work in their public sector. However, with their higher skilled training in politics, they may be able to find other jobs involving government positions. As for the minimum wage worker, in the long term, as they are younger, they may have the ability to attend a university to gain higher education and become highly skilled. However, this would be a harder process as they may struggle to find employment with the increase in the minimum wage. This is shown on graph three, when we see that the level of involuntary unemployment has increased by a significant percentage. This is due to 'QDL' shifts to 'QDL1' increasing the involuntary unemployment gap. Along with this, the 'QSL' shifts to 'QSL1' also increasing the involuntary unemployment gap to a more significant scale. This means that in both the short and long term, the involuntary unemployment gap has increased from between 'QDL' and 'QSL' to 'QDL1' and 'QSL1'. This means that not only producers are cutting minimum wage workers, there are also people that were previously voluntarily unemployed due to the lower minimum wage, now wanting to work at this higher wage rate. Therefore, as a result of both events, it will be easier for the highly skilled manager to be re-employed, rather than the minimum wage worker. This will be more stressful for the minimum wage worker because they will be longer unemployed than the skilled manager who will find it easier to find another job even though it might be at a lower wage. Also, the skilled manager who are married will have family to rely on for an income while the younger worker may not and this will also add more stress on the younger worker on minimum wage.

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