



WILLETTON SENIOR HIGH SCHOOL

YEAR 12 ECONOMICS 2021

ASSESSMENT TASK 4

TYPE: Short answer

Weighting: 7.5%

OUTCOMES:

Outcome 1: Economic Inquiry; Outcome 2: The operation of the economy

Outcome 3: Economic Policy and action

LEARNING CONTENT: Structural Change and Productivity

Conditions:

- This assessment is to be written in class without notes.
- Use the mark allocation for each of the questions as a guide to the extent of detail required in the answer.
- Read the questions carefully. In your answers you will be assessed on how well you use your knowledge of economic theory and, where applicable, the information provided.
- Apply economic terms, concepts, relationships and theory.

Name: **ANSWERS**

Teacher: _____

Time allowed: 50 minutes

Your mark: _____ /40

Multiple choice: _____ /10

Short answers: _____ /30

SECTION 1- MULTIPLE CHOICE

(10 marks)

1. Which of the following is an effect of structural change in the Australian economy?
 - a) Decreased rates of automation in the manufacturing sector
 - b) Decreased employment in the agricultural sector**
 - c) Decreased demand for skilled workers
 - d) Decreased employment in the service sector

2. Economic policies designed to improve productivity and efficiency usually reduce inflationary pressure by
 - a) Slowing aggregate demand because consumption levels fall
 - b) Reducing the impact of imported inflation
 - c) Easing cost pressure on domestic production**
 - d) Increasing society's inflationary expectations

3. All other things being equal, which of the following events would cause an economy's aggregate supply curve to shift to the left?
 - a) An increase in wage rates**
 - b) An increase in imports
 - c) An increase in exports
 - d) An increase in labour productivity

4. Which of the following is most likely to reflect government policy designed to improve labour productivity?
 - a) The aggregate supply curve shifts to the left
 - b) The aggregate demand curve shifts to the left
 - c) The aggregate supply curve shifts to the right**
 - d) The aggregate demand curve shifts to the right

5. Which one of the following is **not** an example of an improvement in economic efficiency?
 - a) Increasing the quantity of inputs available**
 - b) Making more cost-effective use of inputs
 - c) Increasing the adaptability of inputs
 - d) Moving inputs to their most productive use

6. Which one of the following is **most** likely to occur as a result of productivity growth in an economy?
 - a) Rising price level
 - b) Rising structural unemployment**
 - c) Falling output levels

- d) Falling economic growth
7. Which of the following is least likely to increase productivity?
- a) **Increased manufacturing protection**
 - b) Investment in physical capital
 - c) Investment in human capital
 - d) Innovative production methods
8. Which one of the following is a likely consequence of productivity growth caused by a successful economic reform?
- a) **An increase in international competitiveness**
 - b) A decrease in aggregate demand
 - c) An increase in unit wage costs
 - d) The elimination of unused economic capacity
9. Which one of the following principles of taxation emphasises the importance of productivity growth?
- a) Vertical equity
 - b) **Efficiency**
 - c) Simplicity
 - d) Sustainability
10. Which one of the following statements is correct?
- a) Investment in producer or capital goods always increases multifactor productivity
 - b) Labour productivity is the best measure of economic efficiency
 - c) Productivity growth is measured by the rate of change in GDP over time
 - d) **Increasing the amount of capital available to each member of the workforce leads to an increase in labour productivity**

SECTION TWO- SHORT ANSWERS

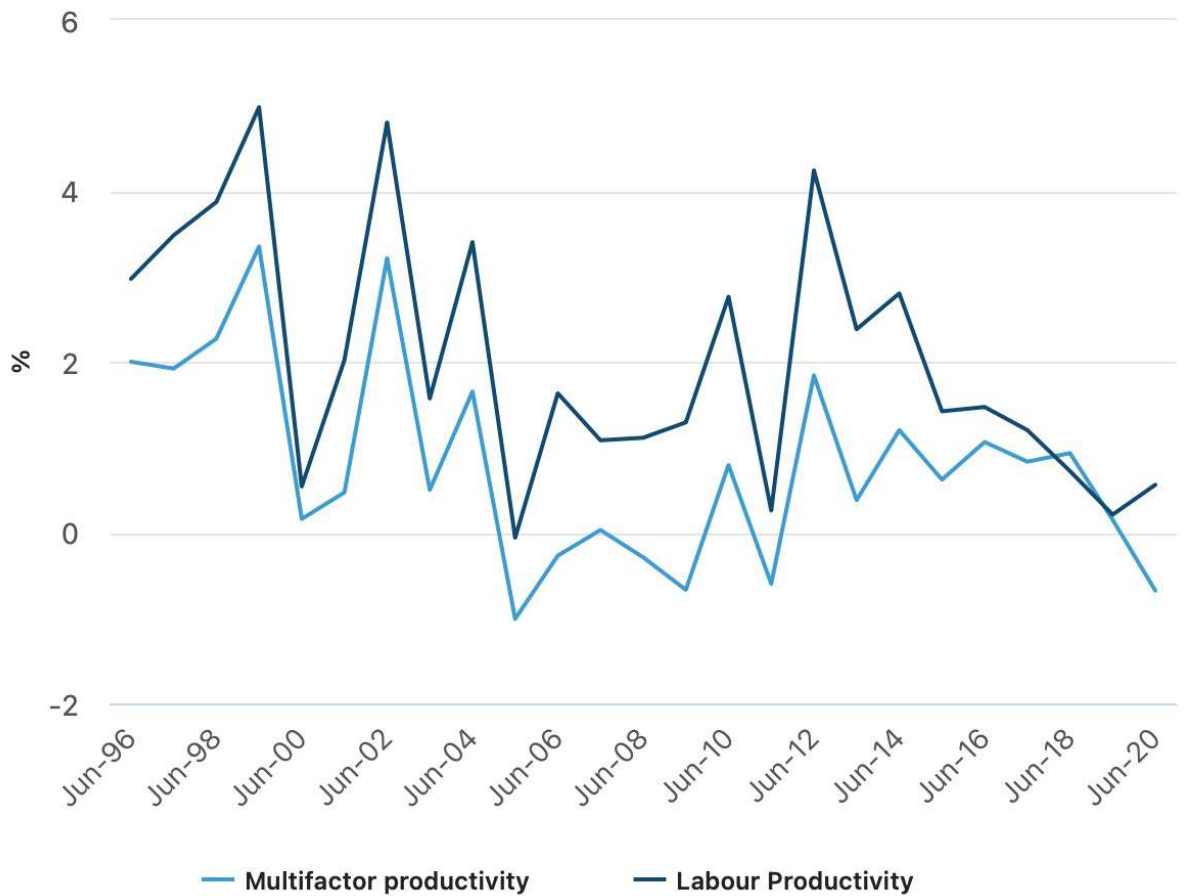
(30 marks)

Question 1 Using the extract and graph below, answer the following questions.
(12 marks)

On an hour's worked basis, market sector multifactor productivity (MFP) fell 0.7% in 2019-20. Market sector gross value added (GVA) declined 1.2%, the first decline recorded for the market sector since the series commenced in 1994-95. By comparison, combined labour and capital inputs declined 0.5%, reflecting capital services growth of 1.0% and hours worked fall of 1.7%. Labour productivity grew 0.6% in 2019-20, resulting from a greater fall in hours worked than GVA.

On a quality adjusted labour input (QALI) basis, MFP fell 1.0% and labour productivity fell 0.1%. The weaker growth on this basis reflects a positive contribution from changes to labour composition, due to educational attainment and work experience.

Market sector, productivity growth - hours worked basis



Source: Australian Bureau of Statistics, Estimates of Industry Multifactor Productivity 2019-20 financial

(a) Identify the two-year time-period in which Australia experienced the highest labour productivity. (1 mark)

June 98 – June 00

(b) What was the contribution of multifactor productivity to the productivity growth in the last time period on the above graph? (1 mark)

-0.5 to -0.9%

(c) According to the extract given, what does the weaker productivity growth show about the Australian economy? (1 mark)

It shows a positive contribution from changes to labour composition, due to educational attainment and work experience.

(d) Define the following terms, capital deepening, labour productivity and multifactor productivity. (3 marks)

Capital Deepening: It refers to the accumulation of more capital equipment per worker- growth in the ratio of capital to labour (K/L).

Labour Productivity: It refers to the output produced per unit of labour input (usually hours worked). (LP = Q/L)

Multifactor Productivity: It refers to all the other improvements in the quality of productive inputs, or the efficiency with which they are combined.

(e) Explain in detail two government policies that may have contributed to the improvement in labour productivity in the recent years. (6 marks)

Any two policies fully explained for 3 marks each.

- Explain what the policy is. (1)
- Discuss the key features of the policy. (1)
- Explain how the policy increases labour productivity. (1)

e.g.,

Education and Training

There is a positive correlation between the investment in human capital and productivity. Human capital refers to knowledge, skills, competencies and attributes embodied in people.

Investment in human capital can be formal (certification/degree etc) or informal (on the job training/ work experience etc). Formal training/education and productivity improvements result in higher income and greater economic output.

Government investment in human capital includes:

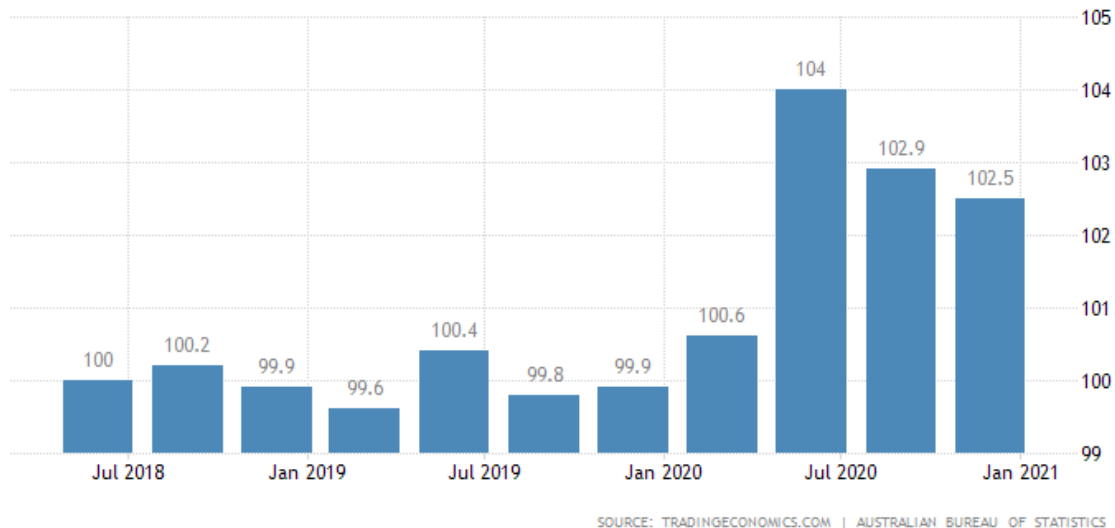
The Government provides public schools and the subsidises to private schools. It also has created a national curriculum to ensure consistency across the states, NAPLAN testing, promotion of STEM and vocational training – all have improved retention rates and attainment of Certificates/qualifications needed to increase labour productivity.

Government subsidies universities and TAFEs. It also makes student loans available to those wishing to pursue further education. The provision of these institution and implementation of the Australian Qualification Framework has resulted in 2/3rds of 15–24-year-olds attaining a post-school qualification. Recent subsidies given to employers for taking apprentices are also helping increase skills and competencies required to increase labour productivity.

Question 2

(18 marks)

Productivity in Australia decreased to 102.50 points in the fourth quarter of 2020 from 102.90 points in the third quarter of 2020. source: [Australian Bureau of Statistics](#)



(a) Identify and explain two factors responsible for a decline in productivity in Australia due to the coronavirus pandemic. (4 marks)

This question is about productivity not actual output

Any two of the following factors:

- 1. Low population growth: Due to travel restrictions/ border closures/ pending visas – less skilled and productive workers available**
- 2. Supply chain disruptions causing bottlenecks or disruptions to production as capital and labour may be idle while waiting on components needed for production**
- 3. Sluggish levels of capital investment and innovation growth due to low confidence in the economy result in less R & D and capital deepening**
- 4. Lower demand for goods and services leaves machinery and equipment underutilised.**

(b) Using the aggregate demand and aggregate supply (AD/AS) model, demonstrate and explain how an improvement in productivity can result into a higher economic growth and how such an improvement is going to impact on the growth of income/wages. (6 marks)

- **AD/AS Model: Correctly labelled diagram showing rightward shift in both the SRAS/LRAS curve and increase in real GDP and fall in price levels (2)**

Explain the relationship between productivity improvement and economic growth (3)

- Refer to diagram to explain SRAS/LRAS reflects decrease in cost of production or higher productivity of resources resulting in a fall in prices and rise in output/income (real GDP).
- More productive use of resources increases the potential real output of the economy and increase in employment levels (although there may be some structural unemployment)
- Lower prices will result in higher real incomes and international competitiveness of domestic production.

Impact of productivity improvement on income/wage growth (1)

- Increased productivity and increased competitiveness or production may result in an increase in employment.
- Rising real incomes may also increase AD as it will tend to increase consumption and investment.

Question 3

(8 marks)

(a) Define structural change and describe three ways technological change has affected the structure of output and employment in the economy. (4 marks)

Structural change involves changes in the composition and location of production and employment in an economy over a period of time. It, therefore, involves the shift of resources from slower growing areas of the economy to the faster growing areas e.g., Over the past 100 years, Australian agriculture, manufacturing sectors have decreased in relative size, the service sector has grown. (1)

Three ways in which the technological change has affected the structure of output and employment in the economy: (3)

- Lower transport costs have led to the growth of tourism and export sectors and employment of more efficient and cheaper labour
- Easier communication has led to
 - growth of e-Trade and export sector
 - growth of online shopping and reduction of employment in retail
 - working from anywhere in the world
 - outsourcing of work domestically and overseas
- Replacement of labour-intensive production by capital-intensive production resulting in reduction of agriculture, mining manufacturing sectors
- Growth in manufacturing of new technologies – computers, phones
- New types of employment in the development, service and application of technologies e.g., data storage and analysis, app design, gaming, mass marketing etc.

(b) Using examples outline each of the positive and negative impact of structural change on Australia's economic growth. (4 marks)

Positive impact on Australia's economic growth:

- **Growth of knowledge-based manufacturing**
- **Development of green energy products**
- **Precision medical instruments and bionics**
- **More adaptable and market-driven companies**
- **Many new and better paid jobs available**
- **Cheaper goods and services available**

Negative impacts on Australia's economic growth

- **Decline of business profits which might not be able to compete overseas or are no longer needed**
- **Loss of jobs in the declining industries/sectors meaning that the economy can not reach its full economic potential**
- **Increased reliance on overseas supply chains**
- **Two-speed economy when one sector performs better than another.**

Students must explain how each impact affects economic growth and give specific example if they are to achieve full marks.

END OF TEST