

PENANG SANGAM HIGH SCHOOL

P.O BOX 44, RAKIRAKI

LESSON NOTES –WEEK 22-24

Subject: Economics

Year: 11

Strand: 5- Development Economics

Sub Strand: 5.2

Content Learning Outcome: - Investigate Fiji's government policies towards other development issues.

Lesson Notes

✓ **Development Issues**

1) **Unemployment**

Exists when there are people willing to work but they are unable to find suitable jobs.

Causes of Unemployment

- i. Reduced spending by business firm
- ii. High wage rates.
- iii. Overpopulation.
- iv. Lack of skills and education.
- v. Decrease in demand for goods and services.

✓ **Effects of Unemployment**

Economic Effects

- i. Loss of skills or a decrease in human capital.
- ii. Decrease in production levels
- iii. Reduction in income which will in turn affect demand therefore inversely affecting economic growth.
- iv. Leads to reduction in savings which can result in lower investment therefore reduction in GDP.
- v. Decrease in investment levels.
- vi. Decrease in tax revenue collected by the government
- vii. Increase in welfare spending on unemployment

Social Effects

- i. Hurts the worker and his/her family.
- ii. Loss of self-respect or self-esteem.
- iii. Disrupts families and households.
- iv. Leads to low morale, frustration and boredom.
- v. Lead to an increase in other social problems e.g. crime, illiteracy, poverty, malnutrition etc.
- vi. Can also lead to physical health issues

✓ **Types of Unemployment**

Involuntary Unemployment occurs when people are willing to work at the given wage rate but cannot find a job. Involuntary unemployment can be explained by the following economic concepts:

- i. Structural unemployment generally caused by the decreased in the final demand for goods and services perhaps the good has become unpopular or due to technological change e.g. automation in the factory.
- ii. Frictional unemployment - short term unemployment caused by movement in between jobs i.e. a few weeks of unemployment before starting a new job.
- iii. Seasonal unemployment - is unemployment caused by the regular season nature of the work e.g. cane cutting workers after the cane cutting season.
- iv. Cyclical unemployment - caused by the general downturn in economic activity which can be due to the fall in aggregate demand.

✓ **Government Actions to Curb Unemployment in Fiji**

1. Reduce retirement age
2. Educational reform
3. Micro finance scheme
4. Operation of resources centres
5. Development of rural areas
6. Operation of National Employment Centres
7. Boosting the foreign investment in Fiji
8. Seasonal workers initiative to Australia and NZ

2) Poverty

Poverty is a situation in which a person does not have enough income to support themselves and their family.

Poverty can be measured in two ways.

1. Absolute poverty – it is poverty in which people with income below a certain level are considered to be living poverty.
2. Relative poverty (comparative) – is a measurement of poverty based on people's living conditions. Even with a steady source of income that is above the poverty line (an income above absolute poverty) some families are unable to provide themselves with adequate needs and wants.

Poverty line shows the minimum adequate standards of living required by individuals. It is adjusted to account for differences in size and composition of families and is often updated in line with changes in an average household's disposable income. Poor people can be characterized as those who fall below the poverty line.

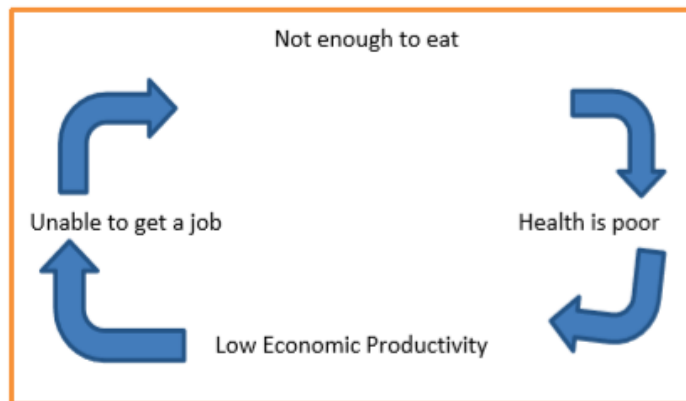
Causes of Poverty

- Insufficient income to support the family
- Social or physical disabilities e.g. the physically or mentally handicapped cannot work for a living
- Majority of population re engaged in subsistence agriculture only
- Unfair distribution wealth between rich and poor
- Uneven social and economic development
- Lack of resources to generate income
- High rate of population growth
- Rate of saving and investment is low
- High level of unemployment
- Desertion by the bread winner

Effects of Poverty

- Increase in crime
- Increase in spread of diseases
- Unable to get a job
- Health is poor
- Lower economic growth and development
- Poor standard of living
- Emotional disturbance

Vicious Cycle of Poverty



Government Action of Reducing Poverty

- ✓ Provision for low cost housing.
- ✓ Increase education standard/education assistance
- ✓ Impose price control to ensure that everyone is able to afford basic necessities
- ✓ Impose a minimum wage rate
- ✓ Reform taxation policy
- ✓ Micro finance scheme
- ✓ Operation of resource centres

3) Pollution

Pollution can be described as the present of harmful substances in the environment.

Causes

1. Population density
2. Rising income
3. Use of Technology
4. Increase in production

Types of Pollution

1. Noise
2. Water
3. Land
4. Air

Because pollution is a problem in spill over or external cost, the government has to come up with anti- pollution policies to internalise the external costs of pollution.

A spill over occurs when some of the benefits or costs associated with a particular activity “spill over” to a third party. It’s often termed as an “externality” as it affects individuals or group outside the market transaction. For example, the smoke from a person’s cigarette may affect the non-smokers around him or her. This is termed as a spill over cost or a negative externality and includes other costs like environmental pollution.

4) Urbanisation

Refers to the percentage of population living in urban areas. The change in this percentage is termed as the rate of urbanisation and this rate of urbanisation normally occurs due to rural urban drift.

Causes

The rural urban drift refers to the movement of people towards towns and cities and why people move to towns and cities depends on urban pull factors and rural push factors.

- i. Urban pull factors refers to attractiveness of urban areas in terms of:
 - Better jobs prospects and availability
 - Better education and qualification opportunities
 - A wide range of choice of different goods and services.
 - Better transport, communication and health facilities.
 - “Bright lights” attractiveness with variety of entertainment and adventures.

- ii. Rural push factors refer to the factors that create internal migration of individuals towards towns and cities. Some of these are:
 - Lack of job opportunities and a source of income
 - Fewer social services
 - Lesser range of choice of goods and services
 - Lack of adequate health, transport and communication facilities.
 - Rural violence and family conflicts.
 - Lack of educational qualification and continued poverty.

Effects

- i. Congestion/ Overcrowding
- ii. Shortage of adequate housing which can lead to growth of squatter settlements
- iii. Increase in crime
- iv. Pollution

Government Actions to Curb Urbanisation

- i. Rural based development initiatives
- ii. Development of tax free zones
- iii. Zoning policy
- iv. Workshop and training in rural areas
- v. Operation of resource centres and tele- centres in rural areas
- vi. Development of facilities in rural areas

Essay writing

“Poverty has become a very important issue lately as the gap increases between the rich and poor and while some are trying to wipe poverty, others believe that poverty is here to stay.”

Evaluate this statement in light of:

- The definition of poverty and 2 types of poverty
- Three causes of poverty
- Three measures taken by government and non-governmental organisations to minimise poverty