



education

Department:

Education

PROVINCE OF KWAZULU-NATAL

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)

LEARNER SUPPORT DOCUMENT

GRADE 10

ECONOMICS

STEP AHEAD PROGRAMME

2021

PREFACE

This support document serves to assist Economics learners on how to deal with curriculum gaps and learning losses as a result of the impact of COVID-19 in 2020. It also captures the challenging topics in the Grade 10 work. Activities should serve as a guide on how various topics are assessed at different cognitive levels and preparing learners for informal and formal tasks in Economics. It will cover the following topics:

1.	Economic basic concepts
2.	Basic Economic problems
3.	Circular flow
4.	Business cycle
5.	Dynamic of markets
6.	PPC
7.	Public sector
8.	Economic growth
9.	Population and labour force
10.	Unemployment and employment
11.	Labour relations

TOPIC 1 BASIC ECONOMIC CONCEPTS

CONCEPTS	
Economics	Social Science that study how society behave in meeting their unlimited needs and wants faced with limited resources.
Micro-economics	The study of the behaviour and decisions of individual participants in the economy. It include how prices are determined (price theory)
Macro-economics	The study of the sum of economic activity inclusive of regional, national and international study fields
Equitability	It is being just and fair in the allocation and the use of economic resources.
Opportunity cost	It is the value of the next best alternative given up.
Ceteris paribus	It means all other things being equal (used to explain economic models)
Normative statement	This is an economic statement that is based on individual opinion.
Positive statement	This is an economic statement that is objective and can be tested against certain facts.
Scarcity	It is a condition in which we have limited economic resources faced with unlimited needs and wants.
Absolute scarcity	It exists when there is totally no economic resource to meet prevailing needs and wants.
Relative scarcity	It is when the available resource has more than one use at the same time.
Choice	It is an action of doing one activity and not the other.
Price theory	It looks on how prices can be formed by means of market forces.
Efficiency	It is the situation where economic resource is best allocated and put to their productive use.

ECONOMICS

- It is a study of how society manages its limited resources to meet their unlimited needs and wants.

Economic Elements

1. Scarcity

- Human needs and wants are more than what resources can cater for which then present scarcity.
- Scarcity exist when limited resources are faced with unlimited needs and wants.

- A situation where there is just no resources to meet the prevailing needs and wants is called **absolute scarcity**.
- A situation where the available resources are needed for more than one use at the same time is called relative scarcity.

2. Choice

- Resources are very limited as a result consumers always have to make choices in their consumption.
- Their consumption always has a trade-off or an opportunity cost.
- **Opportunity cost** is the value of the next best alternative given up.

3. Efficiency

- Efficiency is the situation where economic resource are put into their productive use at the right time to produce output.
- If we are successful and manage to use the available resources efficiently, it means that one person's satisfaction can be increased only if someone else's satisfaction is lowered.
- This situation represent what is called **Pareto efficiency**.
- Inefficiency means that resources are not allocated optimally and cannot give the expected maximum output.

4. Equitability

- Being equitable means being just and fair.
- This simply mean that we all have to access resources or benefit from resources equally.
- Businesses should not exploit clients and workers for the sake of over increasing profits.
- In the use or resources, we must ensure that we do not deprive the future generation of the same benefits we enjoying.
- Government ensure economic equity through progressive tax system, provision of free social services and paying social security grants.

Branches of Economics

Monetary economics studies money, how it is controlled and how it is used.

Public sector economics studies the role of the government in economics.

Developmental economics studies policies and strategies that help developing countries to grow.

Labour economics studies the demand and supply of labour and its effects on the economy of a country.

Environmental economics looks at issues which affect the environment.

International economics studies international trade and finance.

Approaches

Microeconomics looks at individual decisions. This includes the decisions of firms as well as consumers.

Macroeconomics studies the operation of the economy as a whole and deals with issues such as:

- Unemployment,
- Inflation
- Growth,
- Monetary and fiscal policy.

The Methods of Economics

Economic models

An economic model is an attempt to explain or predict how a set of circumstances will behave if a variable change. We use data or information to build economic models.

Positive and normative statements

Positive economic statement deals with objective explanation and the testing and rejection of theories. For example:

- A rise in consumer incomes will lead to a rise in the demand for new cars.
- A fall in the exchange rate will lead to an increase in exports overseas.
- More competition in markets can lead to lower prices for consumers.

Normative economic statement deals with opinions about what ought to be.

These are subjective statements rather than objective statements – i.e. they carry value judgments

For example:

- The level of duty on petrol is too unfair and unfairly penalises motorists.
- The government should increase the national minimum wage to R60 per hour in order to reduce relative poverty.
- The retirement age should be raised to 75 to combat the effects of our ageing population.

The scientific method

Economics is a science, and economists remain as objective as possible about the topics that they study. They use the scientific method:

- They formulate a question.
- They conduct an investigation.
- They draw a conclusion.

Difficulties faced by economists

Economics is a social science. Economists study how people behave with regard to money. It is a difficult field of study because:

- People all think and behave differently. You cannot run laboratory tests to check how people will react to a specific change in one variable, as you could with a physical science.
- It is difficult to run a controlled test to see how people will react to a change.
- It is difficult to change just one variable and keep all other variables constant.
- Economists are often biased.
- Results are less precise than in physical sciences.
- Economic laws are more like general statements than laws; they are not exact.

Setting Economics within the field

Economics and other sciences

Economics overlaps other subjects because Economics studies people and their behaviour.

Economics has most in common with the following subjects:

- Accounting
- Business studies

- Commercial law
- Mathematics of finance

Relationship with other sciences and career opportunities

Economics is useful for many career choices. The table in your textbook shows how economics overlaps with other fields of study and how this provides career opportunities.

Career opportunities using economics can be found in:

- Statistics
- Mathematics
- Information technology
- Law
- Politics
- Sociology
- Geography

Basic Economic Concepts (Activities)

ACTIVITY 1 (CONCEPTS)

1.1 Give the economic term/concept for each of the following description. Write only the term/concept next to the question number in the answer book.

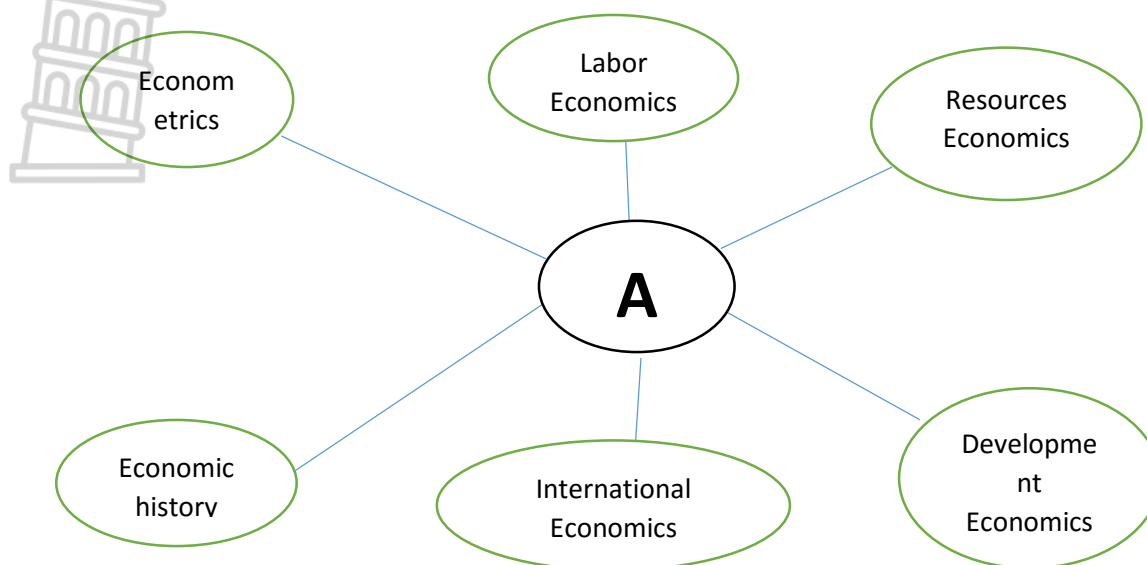
- 1.1.1 The study of how people behave in meeting their unlimited needs and wants faced with limited resources.
- 1.1.2 The value of the next best alternative given up.
- 1.1.3 A condition where the where we cannot use the resources for one purpose while we use it for another.
- 1.1.4 Using resources in a way that does not maximize satisfaction.
- 1.1.5 Allocation of resources fairly across all citizens.



(1X5) (5)

ACTIVITY 2

2.1 Study the information below and respond to questions that follow



- 2.1.1 Identify what is shown from the above given data. (1)
- 2.1.2 What relates to the study of the application of statistical methods in economics? (1)
- 2.1.3 Briefly describe the concept environmental economics. (2)
- 2.1.4 Why individuals always have to make a choice in their consumption? (2)
- 2.1.5 Distinguish between absolute scarcity and relative scarcity. (4)

ACTIVITY 3

3.1 Study the cartoon below and answer the questions that follow



Crisis of Mr Jones

Mr Jones is an old man staying in Dundee. He is faced with a problem that he can't meet his needs any more. He just retired from work four months ago. In the month of December, he has to buy grocery, pay for municipality and also pay his for his insurance policy by he does not have money to meet these necessities.

- 3.1.1 Identify the economic problem faced by Mr Jones. (1)

- 3.1.2 Give one need that Mr Jones can't meet for the month of December. (1)
- 3.1.3 Briefly describe the concept opportunity cost. (2)
- 3.1.4 Briefly explain how efficiency is achieved. (2)
- 3.1.5 Why is it necessary to use models in economics? (4)

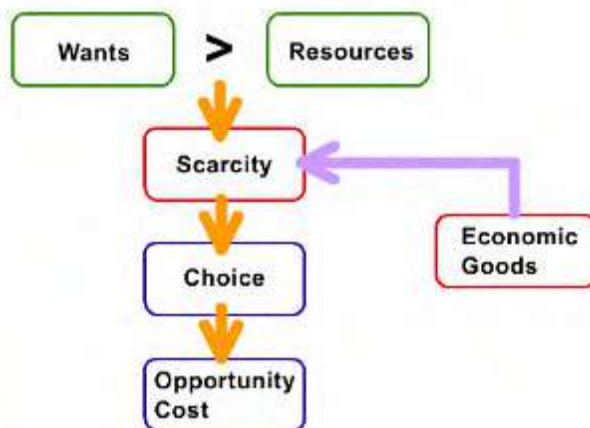
ACTIVITY 4

Identify whether the following statements are positive or normative.

- 4.1 The Springboks are the best rugby team in Africa.
 - 4.2 Social media is running the current generation.
 - 4.3 More women are in the workforce today than in 1980s.
 - 4.4 China should stop manipulating its currency.
 - 4.5 Economic lockdown resulted from COVID 19 caused a lot of job losses.
- (5)

ACTIVITY 5

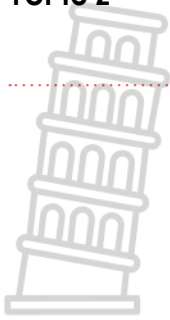
5.1 Study the diagram below and the questions that follow:



(Source: www.sy-eco.org)

- 5.1.1 Identify the name that describes goods and services that individuals can live without. (1)
- 5.1.2 Mention ONE question that economists ask to solve economic problem. (1)
- 5.1.3 Briefly describe term economic goods. (2)
- 5.1.4 Explain why economics is referred to as social science. (2)
- 5.1.5 Why do people have to make choices? (4)

TOPIC 2 BASIC PROBLEMS



TOPIC 2 Page 9
The basic economic problem of scarcity

UNIT 1 Page 10
Absolute and relative scarcity

UNIT 2 Page 12
Production factors
land, labour, capital and entrepreneurship

UNIT 3 Page 15
Human rights and economic development sustainable development and government actions

Opportunity costs – of one good over another

Sectors of production primary, secondary and tertiary

Public and private sectors of the economy
Formal and informal sectors of the economy

Consumer groups households, businesses, government

Consumption
capital and consumer

Exchange and bartering disposable income, exchange rates

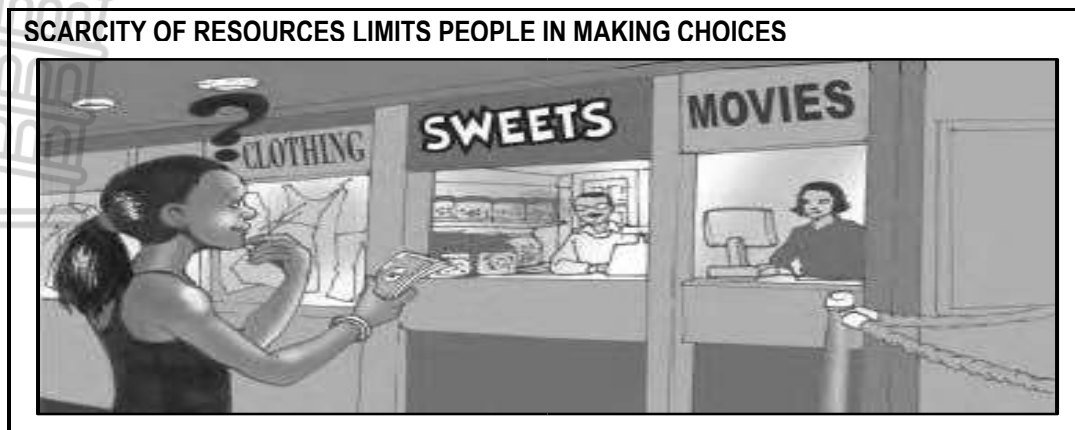
Types of Goods
durable, semi durable, non durable and services

Economic and free goods



Activity 1

1.1 Study the picture below and answer the questions that follow.



- 1.1.1 Identify the non-durable good above? (1)
- 1.1.2 Name any basic need of households. (1)
- 1.1.3 Briefly describe the term *absolute scarcity*. (2)
- 1.1.4 Why do consumers have to make choices? (2)
- 1.1.5 How successful is the government in ensuring equitable allocation of resources? (4)

Activity 2

2.1. Study the picture below and answer questions that follow.



- 2.1.1 Which form of scarcity is depicted in Victoria in the picture above? (1)
- 2.1.2 What makes consumers to make choices (1)
- 2.1.3 Describe the term *opportunity costs*. (2)
- 2.1.4 How does scarcity relates to price? (2)
- 2.1.5 How will the scarcity of water affect the economy? (2x2)(4)

Activity 3

3.1. Study the photo and answer the questions below.



- 3.1.1 Which economic sector is depicted in the above picture (1)
- 3.1.2 Name the economic industry that contributes more to South African economy. (1)
- 3.1.3 Describe the term secondary sector (2)
- 3.1.4 Briefly explain the interdependency between the 3 economic industries (2)
- 3.1.5 Outline the economic importance of tertiary industry (4)

Activity 4

4.1. Study the picture and answer the questions below.



- 4.1.1 What type of pollution is shown above? (1)
- 4.1.2 Name the greatest polluters of our atmosphere. (1)
- 4.1.3 Describe the term pollution (2)
- 4.1.4 Briefly explain the importance of environment (2)
- 4.1.5 Discuss Two possible solutions for environmental problems. (4)

Activity 5

5.1 Study the cartoon below and answer the questions that follow.



- 5.1.1 Which court deals with the right violated above? (1)
- 5.1.2 Name the human right violated in the above cartoon (1)
- 5.1.3 Describe the term human rights. (2)
- 5.1.4 Briefly explain the effect child labour. (2)
- 5.1.5 How could government protect the human rights? (4)

SHORT QUESTIONS

1. Distinguish between absolute and relative scarcity (8)
2. Tabulate the differences between economic and free goods. (8)
3. Briefly explain the concepts alternatives and choices. (8)

TOPIC 3 CIRCULAR FLOW

HOUSEHOLDS

- They are the primary participants.
- They own factors of production.
- They sell their factors of production to firms, government and the foreign sector in return for remuneration in a form rent, wages and salaries, interest and profit
- They buy goods and services with their income.
- They save and borrow money from the financial institutions.
- They pay taxes to the government and the government provide transfer payments and subsidies.
- They import and export goods and services.

FIRMS

- They buy / demand factors of production from households.
- They produce and sell goods and services through the goods market and receive income for goods and services.
- They save and borrow money from the financial institutions.
- They pay taxes to the government and receive subsidies and public goods.
- They export and import
- They collect and receive taxes from other participants.
- They provide transfer payments and infrastructure to households.
- They provide public goods to firms and businesses.
- They save and borrow money from the financial institutions

Foreign Sector

- They buy factors of production from households
- They make payments for factors of production
- They buy & sell goods and services
- They earn income and make payments for goods and services

Markets

FACTOR MARKET /RESOURCE MARKET /INPUT MARKET

- It is the market where the factors of production (natural resources, land, labour and capital) are traded.
- The factor market includes the labour, property and financial market.
- The market where services of factors of production are traded e.g. Labour is hired and capital is borrowed – these services earn wages, interest and profits.

PRODUCT MARKET/GOODS MARKET

- These are the markets for consumer goods and services.
- Goods are defined as tangible items, like food, clothes, cars etc. that satisfies some human wants or needs.

- It comprises of consumer goods market for trading of durable consumer goods, semi durable consumer goods and non-durable consumer goods.
- It comprises of capital goods market for trading of building and machinery.
- Services are defined as non-tangible actions and include wholesale, retail, transport and financial market.

FINANCIAL MARKETS

- They are not directly involved in the production of goods and services but act as a link between households, the business sector and other participants. E.g. banks, insurance companies and pension funds.
- The funds from the surplus units are channeled to deficit units in the economy.
- Surplus units are those firms and households in the economy that do not spend all their income
- Savers deposit their surplus funds into financial. Institutions.

MONEY MARKET

- This is used by participants as means of borrowing and lending in short term.
- It is a market for short term savings and loans.
- The SARB is a key institution in the money market.

CAPTIAL MARKET

- It is a financial market in which the individuals and institutions trade financial securities in the long term.
- It is a long term deposits and borrowing (e.g, Mortgage bonds).
- The Johannesburg Securities (Stock) Exchange (JSE) is a key institution in the capital market.

FOREIGN EXCHANGE MARKET

- The businesses buy and sell foreign currency to pay for imported goods and services.
- In an open economy, foreign currency is needed to facilitate transactions between countries.
- The currencies can be exchanged into one another (e.g. Rand for pound)
- The exchange rate is usually determined by the interaction of demand and supply.
- At times the Central bank influences exchange rates directly and indirectly.

REAL FLOW/ PHYSICAL FLOW

- It is a flow of goods and services and factors of production.
- Real flow depicts the way that commodities, products and services are produced and consumed in the economy.



MONEY FLOW

- It is a continuous flow of money income and spending in the economy. Households earn an income for their factors of production in the factor market and spend their income by buying goods and services that they need in the goods market.
- The government pays businesses for goods and services in order to provide public goods and services to the community, and in exchange for public goods and services the government levies tax on firms and households.

INJECTIONS

An injection happens when money enters the circular flow between the participants in an economy.

It is also known as additions,

There are three types of injections

- Exports: When businesses export goods and services to another country, they receive payment for them.
- Investment income: When businesses buy machinery, property or vehicles to increase its production.
- Government spending: The government spend taxpayer's money to improve infrastructure and provide public services.

In other words: $J = I$ (Investment) + G (government expenditure) + X (Export income)

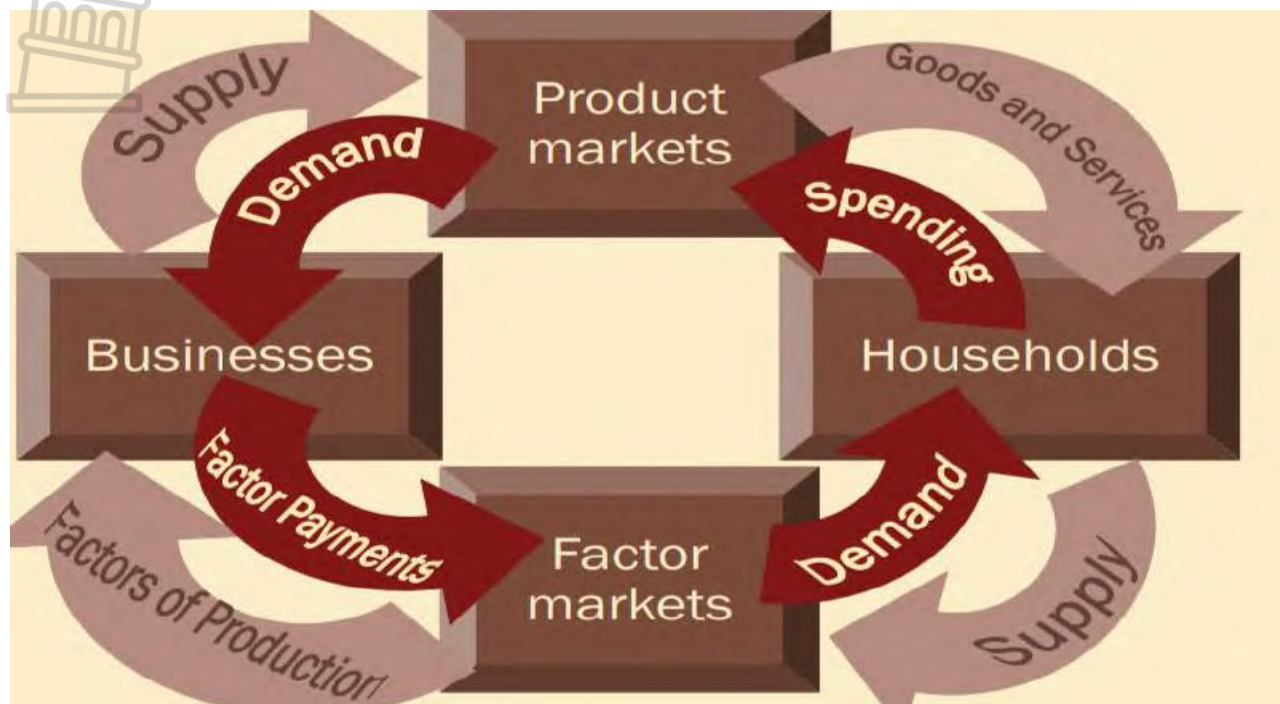
LEAKAGES

- They refer to the outflow of money from the economy.
- It is also referred to as withdrawals.
- There are three types of leakages.
- Savings: It is the income that the consumers choose not to spend but to put aside for the future.
- Taxes: Individuals and businesses have to pay taxes to the government
- Imports Expenditure: The value of foreign goods and services bought by a country' households, firms and government.
- In other words: $L = S$ (Savings) + T (Taxes) + M (Import expenditure)



ACTIVITY 1

- 1.1.1 Name any TWO factors of production. (2)
- 1.1.2 What role is played by the government in a circular flow? (2)
- 1.2 Study the diagram below and answer the questions that follow.**



- 1.2.1 What is represented by the diagram above? (1)
- 1.2.2 Mention any OTHER participant in a closed economy? (2)
- 1.2.3 Describe the term Market? (2)
(accept any other relevant answer)
- 1.2.4 Briefly explain the importance of firms in a circular flow? (2)
- 1.2.5 What effect does the flow of money have in the economy? (8)
- 1.3 Distinguish between factor market and product market? (8)
- 1.4** How do households contribute in the economy? (8)



ACTIVITY 2

Study the table below and answer the questions that follow.

NATIONAL INCOME ACCOUNTS OF SOUTH AFRICA		
	R MILLION	
	2017	2018
Compensation of employees	1451	1576
Net operating surplus	922	961
Consumption of fixed capital	406	443
Gross value added at factor cost	2779	2980
Other taxes on production	56	64
LESS: Subsidies on production	15	14
..... (A).....	2820	3030
Taxes on products	338	374
LESS: Subsidies on products	20	19
Gross domestic product at market prices	3138

- 2.1 What method was used in the table above to calculate GDP? (1)
- 2.2 Which component contributed the most to the GDP? (1)
- 2.3 Describe the concept GDE? (2)
- 2.4 Why is the Gross National Product of South Africa generally lower than the Gross Domestic Product? (2)
- 2.5 Calculate the Gross Domestic Product at Market price for 2018. **Show all your calculations.** (4)
- 2.6 Distinguish between economic growth and economic development. (4)

Activity 3

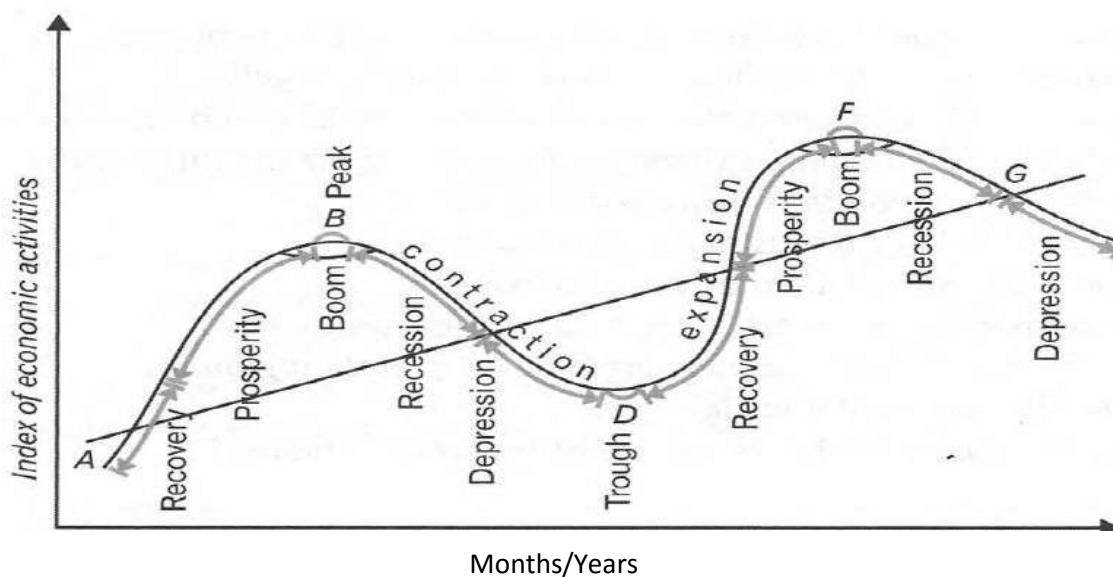
Study the diagram below and answer the questions that follow.



- 3.1 What is depicted by the diagram above? (1)
- 3.2 What is represented by $J = L$? (1)
- 3.3 Describe the concept Injections? (2)
- 3.4 What effect do leakages have in the economy. (4)

TOPIC 4 BUSINESS CYCLE

Description: The business cycle is a series of upward and downward movements in the level of economic activity of a country over a period of months or years. OR Business cycles are successive periods of increasing or decreasing of the economic activities over a period of time.



Composition of the Business Cycles

Two periods: namely contraction (downswing) and expansion (upswing)

- **Expansion** (also known as upswing) is a period when economic activity increases. It is made up of two phases called recovery and prosperity (also known as boom).
- **Contraction** (also known as downswing) is a period when the economy is falling. It is made up of two phases called recession and depression.

Two turning points:

Trough: A trough marks the end of a recession or depression. A trough is the lower turning point of the cycle.

Peak: Prosperity does not go on forever. Economic activity increases up to a certain point and then stops. After the peak, economic activity decreases. The peak is the upper turning point of the cycle.

Four phases: recovery, prosperity, recession and depression.

Measuring business cycles: Business cycles are measured from peak to peak and trough to trough.

PHASES OF THE BUSINESS CYCLES

1. Recession

- There is a negative economic growth rate for a period of two consecutive quarters.
- Businesses reduce output.
- An increase in the unemployment rate as some workers are laid off.
- A reduction in income.
- A recession ends with the trough.

2. Depression

- If a recession continues for a long time, it becomes a depression.
- Depression is a severe form of recession.
- During a depression there is large-scale unemployment and severe shortage of goods and services.
- Depressions are rare because governments take steps to prevent recessions from becoming depressions.
- The most famous depression was the Great Depression of 1933 in the Western world.

3. Recovery

- The economy starts to grow again.
- Recovery usually starts slowly and speeds up over time.
- There is a gradual increase in demand and an increase in output which will eventually change to prosperity.

4. Prosperity

- There is an increase in the economic activity in a country.
- There is an increase in output, the employment rate and wages.
- People's standards of living are improving.
- Prosperity is official when the economy has grown for a period of six consecutive months.
- Prosperity ends when the cycle reaches its peak.

Measuring business cycles

- **The dating system**

Statistics are recorded on a daily, weekly and monthly basis and then compiled quarterly.

➤ **The Gross Domestic Product**

GDP is important as a measure of the state of the economy.

➤ **The employment growth rate**

Figures are compiled to show how many people are employed in the country and if there are any changes in the number employed.

➤ **The inflation rate**

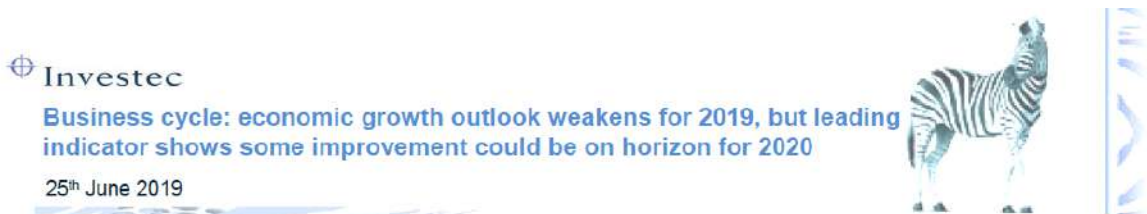
The figures for the inflation rate are compiled by the South African Reserve bank and show changes in prices. This gives a good indication of where we are on the business cycle.

➤ **The production of certain goods and services**

Certain figures such as numbers of new building and amount of gold mined, give an indication of where we are on the business cycle.

South African business cycles

The South African Reserve Bank monitors and keeps records of business cycles.



Investec
Business cycle: economic growth outlook weakens for 2019, but leading indicator shows some improvement could be on horizon for 2020
 25th June 2019

Figure 1: Summary of the composite business cycle indicators*

Indices 2015 = 100	2018					2019			
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Leading indicator	105.1	104.8	105.3	105.3	104.7	103.1	105.5	104.8	105.5
12-month % ch	1.8	0.1	-0.2	-0.3	-1.1	-3.2	-2.2	-1.6	-0.3
Coincident indicator	104.19	104.33	104.8	105.1	104.47	104.23	104	104.36	-
12-month % ch	0.7	1.0	1.2	0.8	1.1	1.4	1.4	1.5	-
Lagging indicator	94.2	94.4	93.4	92.4	95.0	93.8	95.2	94.1	-
12-month % ch	-2.0	-2.5	-2.5	-3.1	0.4	-0.8	-0.1	-0.6	-

Source: SARB. The historical data is subject to revision

BUSINESS CYCLE INDICATORS

➤ **Leading indicators**

These change directions before the economy itself changes. Economists use leading indicators to predict what is going to happen in the economy in the following months. An example is the Johannesburg Securities Exchange (JSE).

➤ **Lagging indicators**

Lagging indicators change a few months after the economy has changed. They confirm that the economy has changed. An example of a lagging indicator is the unemployment rate.

➤ **Coincident indicators**

These are economic indicators that change at the same time as the economy changes. They give us information about the state of the economy. An example of a coincident indicator is company payrolls. Wages and salaries increase when the economy is strong and decrease when economy is weak.

REASONS FOR THE BUSINESS CYCLES

Exogenous reasons (Monetarists view)

These causes originate from outside the economy of the country.

Natural disasters: Natural disasters such as earthquakes, floods or tsunamis cause a disturbance in the production of goods and services.

Political reasons: The decisions and actions of politicians, such as declaring a war, can cause the economy to go into a particular phase of the business cycle.

Foreign trade: A country that trades a lot with other countries is likely to be affected by the business cycles of its trading partners.

Weather: Changes in the weather patterns, floods or droughts, can either cause an expansion or a contraction in the economy.

Monetary reasons: An increase in the supply of money from the Reserve Bank encourages consumers to increase consumption, because they can borrow money at lower interest rates.

Endogenous Reasons

These causes originate from inside the economy itself.

Investment

An increase in investment causes an increase in economic activity.

Technological change and innovation

New technology and innovation increases economic activity and causes the economy to expand.

Savings

More savings makes more funds available for investment.



Effects of business cycles

Changes in aggregate supply and aggregate demand

- When the economy expands there is an increase in aggregate demand which in turn causes aggregate supply to increase.
- A contraction in the economy causes aggregate demand to decrease which in turn causes a decrease in supply.

Changes in economic growth

- Economic growth rates follow the phases of the business cycle.
- Economic growth rate is positive during the expansion phase.
- Economic growth rate is negative during the contraction period.

Changes in the employment rate

- Employment levels change with changes in the business cycle.
- Employment increases in the expansion phase of the business cycle.
- Employment rates decrease during contraction.

Changes in price levels/inflation rate

- Prices of most goods and services increase during expansion and the first part of the prosperity phase. This is inflation.
- When a recession starts, prices are still high. This phase is accompanied by stagflation (economic stagnation). Then most prices begin to fall.

Changes in the level of the rate of exchange

- The expansion and boom phases increase demand in other countries for goods imported from South Africa. Exports from South Africa increase.
- The demand for the rand increases, the rand appreciates.
- In a global recession the demand from other countries for South African products decreases.
- The demand for the rand decreases, the rand exchange rate depreciates.
- When a currency appreciates it grows stronger and when it depreciates it grows weaker.

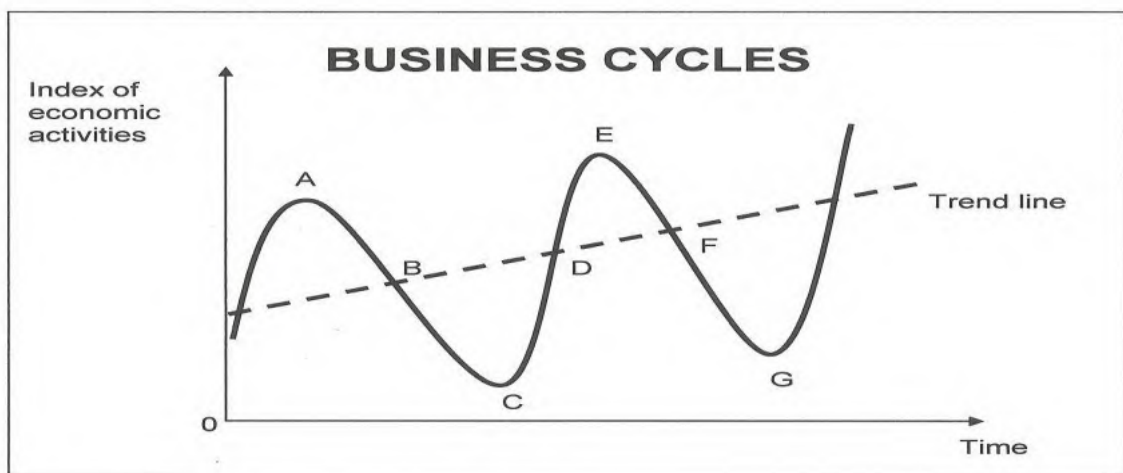
Effects on people who are economically vulnerable

- Illiterate and unskilled people are often the first to lose their jobs during a recession. 2020 COVID 19 has led to a high rate of unemployment of the unskilled people.
- They lack knowledge of schemes and relief programmes to assist them.
- They have poor levels of literacy to access and interpret information.
- Their isolation results in them finding it difficult to access facilities and services.

- The recent and on-going COVID 19 relief schemes mostly benefited those in township and urban areas.
- The unavailability and inability to usage of technology deprives the vulnerable members of the society.
- The elderly people's income is reduced as inflation increases as it reduces the buying power of their pension funds.

Activity 1

1.1 study the following diagram and answer the questions that follows.



- 1.1.1 What is shown by the above diagram? (1)
- 1.1.2 Identify the upper turning point (1)
- 1.1.3 Describe the term trough. (2)
- 1.1.4 Briefly explain the purpose of trend line. (2)
- 1.1.5 Differentiate leading and lagging economic indicators. (4)



CLASS ACTIVITY 2

Read the following case study and answer the questions that follow

South Africa's economy is in a severe recession



South Africa's gross domestic product (GDP) has fallen for the fourth consecutive quarter, putting the country in a severe recession, Statistics SA announced on Tuesday.

The GDP fell by just over 16.4% between the first quarter and second quarter of 2020, resulting in an annualised growth rate of -51%.

The plummet has been attributed to the Covid-19 lockdown, which hit the economy the hardest during April, May and June. StatsSA said the second quarter would become known as the "pandemic" quarter.

(Adapted from Mail & Guardian) 8 September 2020

- 2.1 Which institution is responsible for publishing the above statistics? (1)
- 2.2 What was the annual growth rate of 2020? (1)
- 2.3 Describe the term amplitude? (2)
- 2.4 Briefly explain how the recent COVID-19 pandemic affected the economy? (4)
- 2.5 Briefly discuss upswing and downswing of the business cycle. - (8)

ACTIVITY 3

3.1.1 A period of increased production, trade, investment and employment.

- A. Prosperity
- B. Expansion
- C. Peak
- D. Recovery

3.1.2 During this phase consumer confidence is high.

- A. Upswing
- B. Recovery
- C. Downswing
- D. Prosperity



3.1.2 It gives the general direction of the economy.

- A. Trend line
- B. Peak
- C. Exchange rates
- D. Production levels

3.1.4 It changes at the same time as the economy changes.

- A. Coincident indicator
- B. Composite indicator
- C. Leading indicator
- D. Lagging indicator

3.1.5 When aggregate supply increases without an increase in aggregate demand.

- A. Price levels will automatically rise
- B. Price levels will fall
- C. The demand for labour will decrease
- D. A and C

3.2 Study the following cartoon and answer the questions that follow.



- 3.2.1 What is depicted by the above cartoon? (2)
- 3.2.2 Describe the term recession. (2)
- 3.2.3 What happens to the buying power during the recession phase of the business cycle? (2)
- 3.2.4 Identify two groups of people who are classified as economically vulnerable. (2)

3.2.4 Briefly explain any two reasons why the economically vulnerable are especially affected negatively by recession. (4)

3.3 Differentiate between leading and lagging social indicator. (8)

3.4 Discuss the causes of the business cycles. (26)

TOPIC 5: DYNAMICS OF MARKETS



Concepts

Perfectly competitive market is where there are many buyers and sellers of the same product and nobody dominates market.

Imperfect market is where a few buyers or sellers dominate the market.

Utility is the satisfaction we get from consuming a good or service.

Demand is the quantity of a good or service people are willing and able to buy.

Law of demand tells us that as the price of a good or service increases, the quantity demanded decreases and as the price decreases, the quantity demanded increases.

Demand curve shows the relationship between the price of a good or service and the quantity demanded.

Substitutes are goods that can be used in the place of another good.

Complements are goods that are used together.

Supply is the quantity of a good or service that suppliers are willing and able to supply.

Law of supply tells us that as the price of a good or service increases, the quantity supplied will increase and as the price decreases, the quantity supplied decreases.

Equilibrium occurs when the quantity of a good or service demanded is equal to the quantity supplied.

Non-price factors are factors other than the price of a good or service that effect supply or demand.

Supply curve shows the relationship between the price of a good or service and the quantity supplied.

1) Description and Composition of a Market

In a market, potential buyers of goods and services are brought into contact with potential sellers of goods and services. So, in order for a market to exist, there must be at least one buyer and one seller. This meeting exists in order to make a transaction in which an agreement is made in terms of the price and quantity to be exchanged. This contact between buyers and sellers need not be a physical place as contact can be made through writing, email, phone, fax or the internet.



Kinds of markets, world markets and effects of electronics

Markets can be local, national or international:

- A local market would be a corner shop or cafe.
- In a national market buyers are spread over a large geographical area, for example the cellular market in South Africa.
- In an international market, buyers are spread throughout the world. An example of an international market would be the gold market in London.

Today many markets are electronic so they do not require the physical presence of buyers and sellers. These markets are able to reach customers over a large geographical area; the market is very price competitive and the start-up costs are lower.

Market structures

There are different kinds of market structures that can broadly be divided into perfect and imperfect markets.

A **perfectly competitive market** is a market where you will find the following:

- There are many buyers and sellers of the same product and it is therefore not possible for a buyer or a seller to determine or fix the price of a good or service. They are all **price takers**.
- The product that is sold is similar (**homogenous**) and businesses compete to sell the product. These markets are therefore highly competitive.
- Entry into the market is easy for suppliers as there are no **barriers to entry**.
- Buyers and sellers have complete information about the product, i.e. its price and availability.
- There is no government intervention on the market in the market and the factors of production are mobile.

An **imperfect market** exists when one or more of the conditions of a perfect market are not met. A distinction can be made between a monopoly, monopolistic competition and an oligopoly.

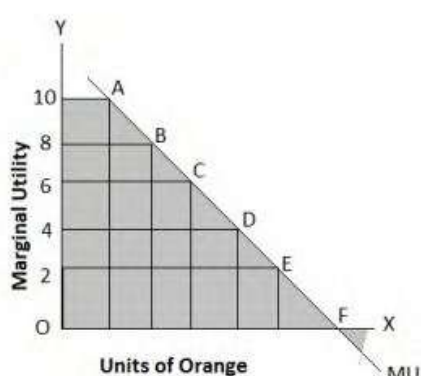
A **monopoly** exists if there is only one seller of a good or service. In this case the supplier has the ability to fix the price and is therefore a price maker. Entry into this market is usually blocked.

Monopolistic competition exists when we have many sellers selling differentiated products such as different brands of toothpaste, soap and hamburgers. Sellers have some control over the price of their products since they use advertising for instance to differentiate their product from their competitors. Entry into the market is fairly easy.

An **oligopoly** exists when there are a few sellers who are able to collude with one another to fix the price or to divide the market. Usually entry into this market is also very difficult.

Value, price and utility

As consumers we are prepared to pay for goods and services because they satisfy our needs and wants. In economics we say that it gives us **utility**. Utility is the satisfaction we derive from a good or service. Utility is very subjective and not the same for all people. The more we have a good or service, the less utility we get from consuming extra units. In economics we call this **the law of diminishing marginal utility** and is represented in the graph below.



The value of a good or service is therefore the satisfaction or utility we derive from it. In deciding which need and want to satisfy, prices play an important role. When we compare prices and decide to buy one thing instead of another thing, we base our decision on the satisfaction we receive in return for the price we pay for it.

What consumers are continuously trying to do is to maximise their utility (to get the most satisfaction) given their limited income. They achieve that by comparing the price with the value they will get from

purchasing the product.

2) Demand

The meaning of demand

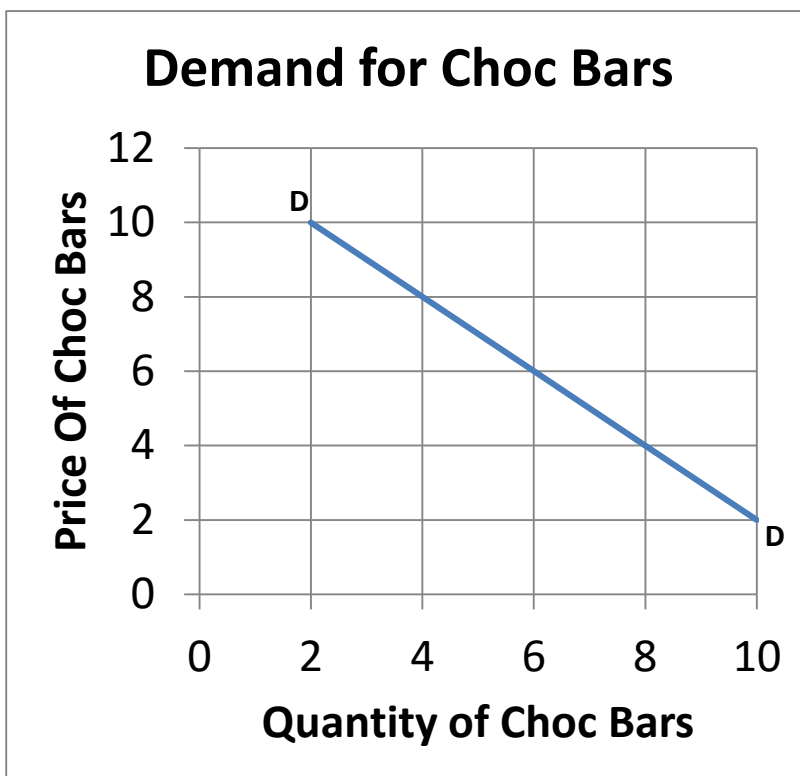
Demand differs from wants and needs. We want and need many things. In economics a **demand** for a good or service only exists if people need or want the good or service and are able and willing to pay for it. Therefore, to be part of the demand for a good or service three conditions must therefore be met:

- People must want and need it.
- They must have the necessary purchasing power.
- They must be willing to pay for it.

The determinants of demand

The factors that influence the demand for a product are called the determinants of demand. There are many factors that influence the individual demand for goods and services the following are the most important:

- The price of the product
- The income of the households
- Tastes and preferences of households
- The number of households
- The price of related goods
- Weather
- Expected prices



Law of demand

One of the most important determinants of demand is the price of the product. The relationship between the price of a product and the quantity demanded is called the **law of demand**. The law of demand states that as the price of a product increases the quantity demanded of that product decreases and vice versa. The table below showing the demand schedule of an individual’s demand for chocolate illustrates the law of demand.

Individual consumers demand schedule for chocolate	
Price (per Choc Bar)	Quantity Demanded (no. of chocolate bars demanded at each price)
2	10
4	8
6	6
8	4
10	2

We can also illustrate the law of demand by using a graph which we call a demand curve. This is done in the graph alongside using the information from the demand schedule above.

As you can see the demand curve slopes downwards from left to right which illustrates the law of demand. We say the graph has a negative slope caused by the indirect relationship between price and quantity demanded.

Non-price determinants of demand

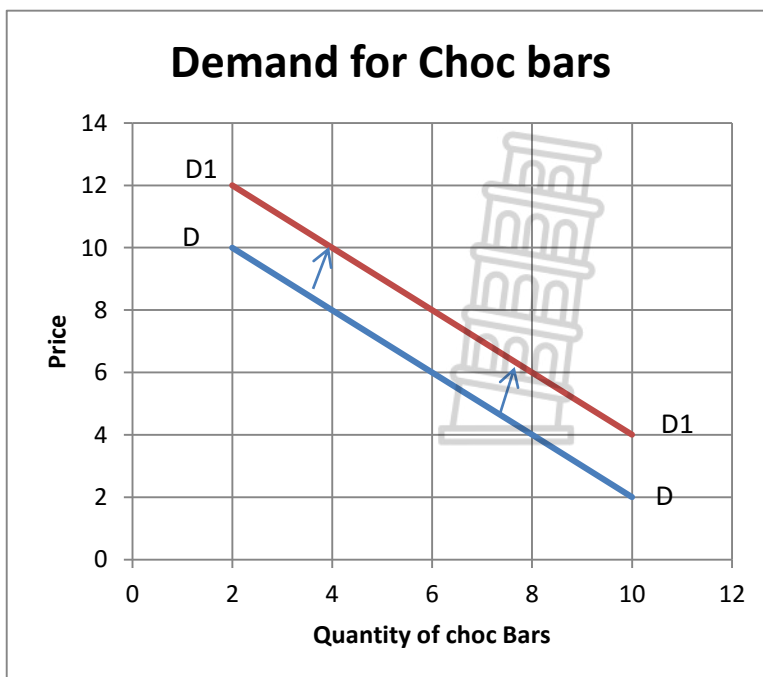
It is not only the price of a product that influences the demand for it. There are also other factors called the non-price determinants. These are things such as the income of households, their tastes and preferences, number of households and the price of related goods.

The income of a household

The following demand schedule shows the impact of an increase in the income of a consumer on their demand for chocolate bars.

Individual consumers demand schedule for chocolate		
Price (per choc bar)	Quantity Demanded (number of chocolate bars demanded at each price)	Quantity Demanded after an increase in consumers income
2	10	12
4	8	10
6	6	8
8	4	6
10	2	4

From the above we can conclude that if the income of a household increases, they will increase their demand for goods and services. The opposite is also true. If there is an increase in income, the demand curve for chocolate bars will shift to the right because at each price the quantity demanded is higher. This is demonstrated in the graph alongside where the demand curve shifts from demand curve DD to the new demand curve D1D1.

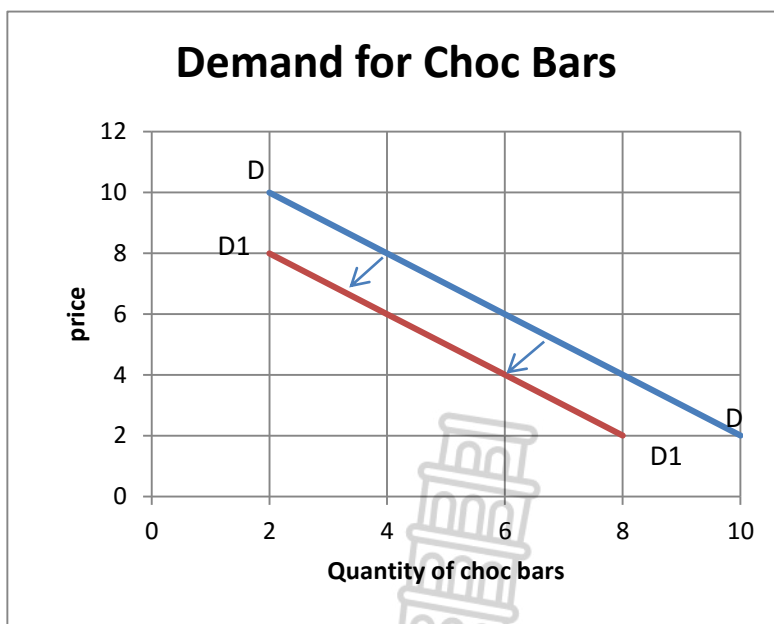


Tastes and preferences

What happens when the tastes and preferences of households change? For example, what would happen to the demand for chocolate in the above example if the consumer decided to go on a diet? The following demand schedule shows how an individual consumer's demand for chocolate would be affected if they decided to go on a diet.

Individual consumers demand schedule for chocolate		
Price (Per choc bar)	Quantity demanded (number of chocolate bars demanded at each price)	Quantity demanded after a negative change in tastes and preferences
2	10	8
4	8	6
6	6	4
8	4	2
10	2	-

As can be seen above at each price the consumer now demands less chocolate due to the change in tastes and preferences. Let's now see how the individual's demand curve for chocolate bars is affected by this negative change in tastes and preferences. The change in tastes and preferences causes the demand curve for chocolate bars to shift to the left.



Substitutes

A **substitute** is a good that can be used in the place of another good without lessening a consumer's level of satisfaction. For example, butter and margarine or tea and coffee are substitutes.

What would happen to a consumers' demand for margarine if the price of butter went up? The consumer will reduce the amount of butter they are buying due to the law of demand and their demand for margarine would increase thereby shifting the margarine demand curve to the right.

We can therefore see that if the price of a substitute increases, the demand of the other good will increase. The opposite is also true, if the price of a substitute decreases, the demand of the other good will also decrease.

Complements

Complements are goods that are often used together, such as coffee and milk or bread and peanut butter.

What would happen to a consumers demand for milk if the price of coffee went up? According to the law of demand as price increases, quantity demanded decreases, therefore the quantity demanded of coffee would decrease. Because coffee and milk are complements and the quantity demanded of coffee has decreased this would cause the amount of milk demanded to also decrease. The demand curve for milk would shift to the left.

We can therefore see that as the price of a complement good increases, the demand for the other good will decrease. The opposite is also true that as the price of a complement good decreases, the demand for the other good will increase.

Number of households

If the number of households increases this will cause the demand curve for a product to shift to the right as there will be a higher demand for the product.

Expected prices

If consumers expect the price of a good to go up in the future they will purchase that good now rather than in the future therefore causing the demand for that product to increase and shifting the demand curve to the right.

Weather

The change in the weather can also influence the demand for goods and services. During summer time there is a higher demand for ice-cream and cold drinks than during winter.

3) Supply

Supply is broadly defined as the quantities of a good or service that suppliers plan to sell at each possible price during a certain period. In a market system, businesses only supply products that can make a profit.

The determinants of supply

Economists agree that the following main factors are the determinants of the supply of a good or service:

- The price of the good or service
- The prices of inputs (cost of production)
- The price of alternative goods
- The technology needed to make the good
- The number of suppliers
- Weather



The law of supply

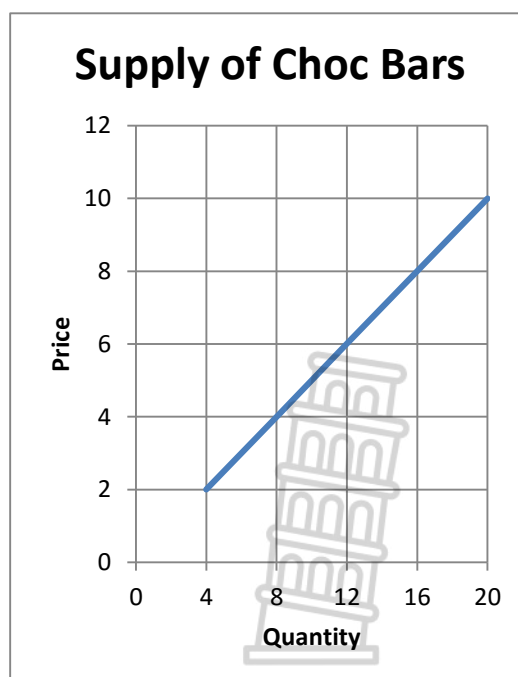
A very important factor that influences how much of a good or service will be supplied to the market is the price of the good or service. The following supply schedule shows how a supplier of chocolate bars reacts to a change in price.

Supply schedule for chocolate	
Price (per choc bar)	Quantity Supplied (No. Of choc bars supplied at each price per day)
2	4
4	8
6	12
8	16
10	20

As can be seen above as the price of the product increases the supplier is willing to supply a larger quantity of chocolate bars. This demonstrates the **law of supply** which states that as the price of a product increases the quantity supplied increases, and as the price decreases the quantity supplied decreases.

The law of supply can also be demonstrated using a graph which we call a supply curve. This is done in the graph alongside using the information from the supply schedule on the previous page.

As you can see the supply curve slopes upwards from left to right which demonstrates the law of supply. We say the graph has a positive slope due to the direct relationship between price and quantity.



The non-price determinants of supply

The non-price factors are all those factors, apart from price, that influence the supply of a good. These are factors such as the price of inputs (cost of production), the prices of alternative goods, the technology needed to make the good and the number of suppliers.

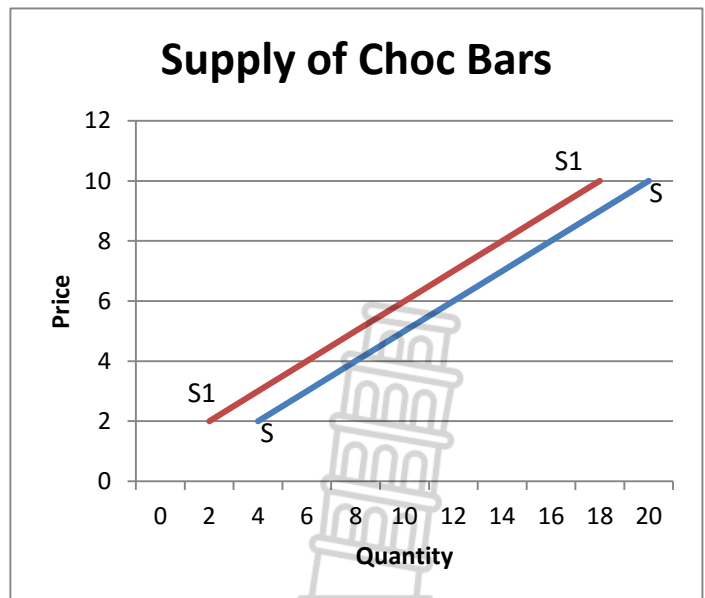
The price of inputs (cost of production)

There are many inputs that go into producing a product. Any increase in the price of inputs will affect a business's cost of production. The relationship between the price of inputs and supply can be illustrated using a supply schedule.

Supply schedule for chocolate		
Price (per choc bar)	Quantity Supplied (No. Of choc bars supplied at each price per day)	Quantity supplied after increase in costs of production (per day)
2	4	2
4	8	6
6	12	10
8	16	14
10	20	18

As you can see above when the costs of production go up the supplier is no longer willing to supply as many chocolate bars as before at each price. We say that supply has decreased.

This can also be demonstrated using a graph. The increase in costs of production causes the supply curve to shift the left as can be seen in the graph alongside. The supply curve shifts from supply curve SS to supply curve S1S1.



Technology

A technological advance that decreases the cost of production is an important factor that can influence the supply of a good. Such a technological advance would allow the supplier of a product to supply more of that product at each price thereby causing an increase in supply. The supply curve would shift to the right.

The prices of alternative products

Using many of the same resources, a supplier can make and supply a range of products. They base their decision on costs and benefits. If a farmer can choose to plant apple trees or olive trees, and the price of olives rises, the farmer will rather plant olive trees. If the price of olives continues to rise, the farmer will allocate more resources to the planting of olive trees.

The number of suppliers

High profits can result in more suppliers entering the market. As a result, supply will increase shifting the supply curve to the right. In the same way, a lack of profits can result in suppliers leaving the market and supply therefore decreasing, causing the supply curve to shift to the left.

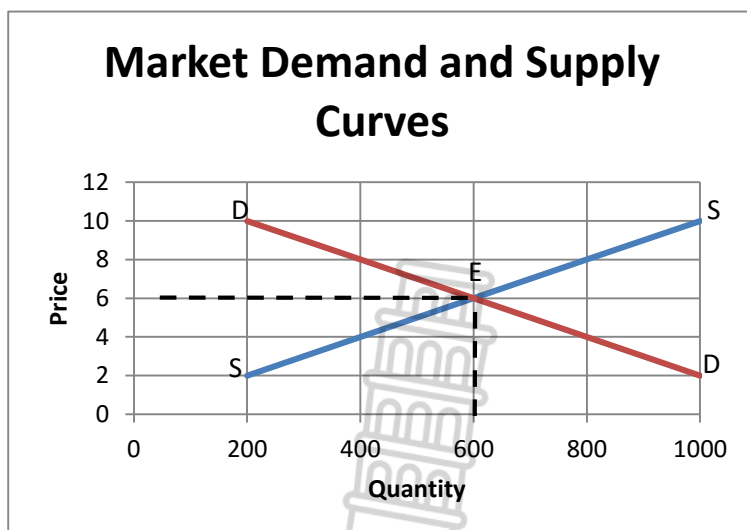
The weather

Weather can also play an important role in the supply of certain goods, such as maize, and fresh produce. Whereas a drought will cause a decrease in the supply of these goods (the supply curve for the goods will shift to the left), good strong rains will lead to an increase of these goods (the supply curve will shift to the right).

4) Price Formation

In a competitive market, **equilibrium** occurs when the price of a good or service is set at the level where the quantity demanded is equal to the quantity supplied. At market equilibrium, the plans of the buyers match the plans of the sellers.

Price formation and market equilibrium can be explained through market demand and supply curves. The figure alongside shows the market demand curve (DD) and the market supply curve (SS) for chocolate bars. Market equilibrium for chocolate bars is represented by the intersection of the demand and supply curves at point E. At this point the market price is R6 and the quantity demanded is equal to the quantity supplied, which is 600 chocolate bars.



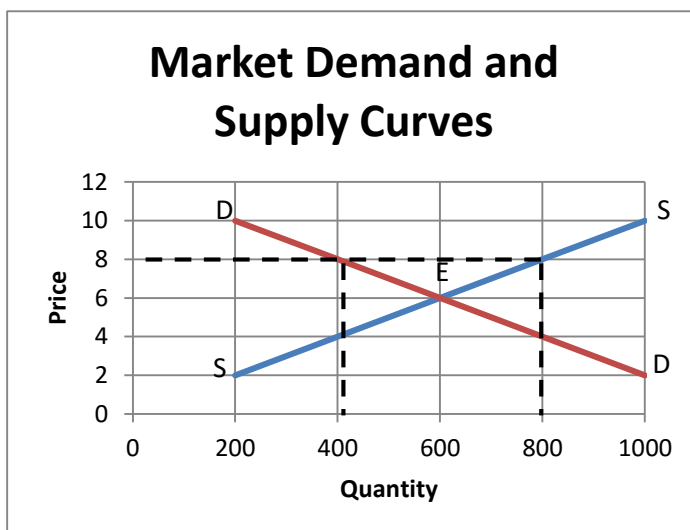
Excess Supply

At any price above the equilibrium price of R6 an excess supply (surplus) will exist. This can be demonstrated using the graph.

At a price of R8, 800 chocolate bars are supplied and 400 chocolate bars are demanded. There is therefore an excess demand of 400 chocolate bars (800-400).

Because there is a surplus, suppliers will start lowering their prices to get rid of their unsold stock. As the price is lowered the quantity

supplied will decrease and the quantity demanded will increase. The excess supply becomes less and less as the price falls. As long as a surplus exists, the price of a good will go down.

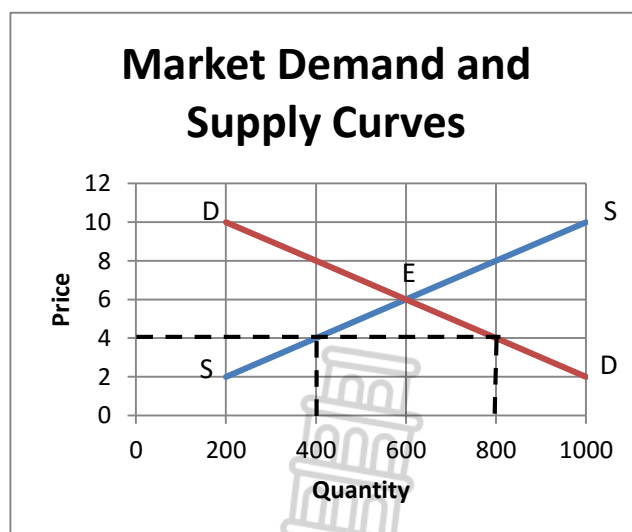


Excess demand

There will be an excess demand or shortage at any price that is lower than the equilibrium price. This can be demonstrated on the graph alongside. At a

price of R4, the quantity demanded is 800 chocolate bars and the quantity supplied is 400 chocolate bars. There is therefore an excess demand of 400 chocolate bars (800-400).

An excess demand will force buyers to offer suppliers a higher price so that they can get some of the good. As long as there is a shortage, the price of the good will rise.

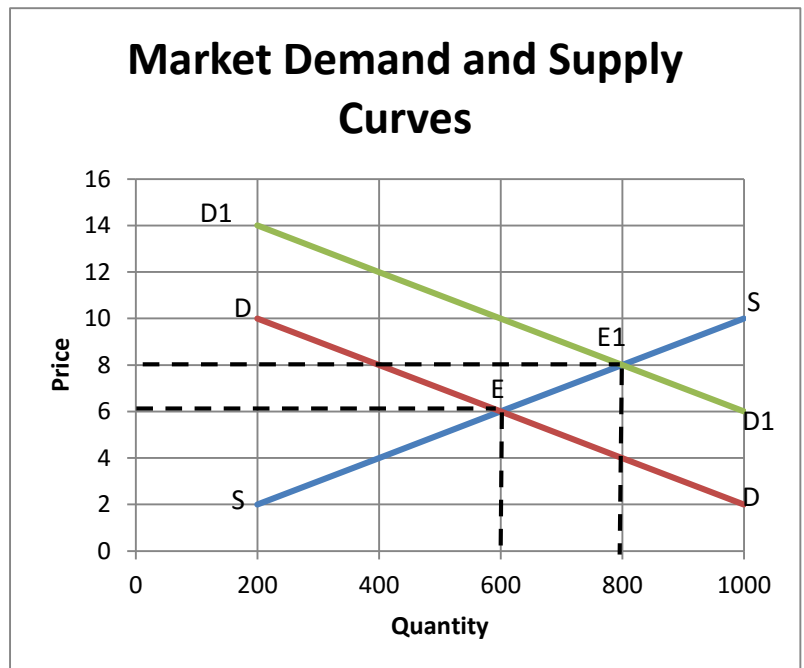


5) Changes in demand and supply

Change continuously takes place in the world. For instance, the incomes of households change, people's tastes and preferences for products change, the cost of production increase, new technologies are developed and implemented or new resources are discovered.

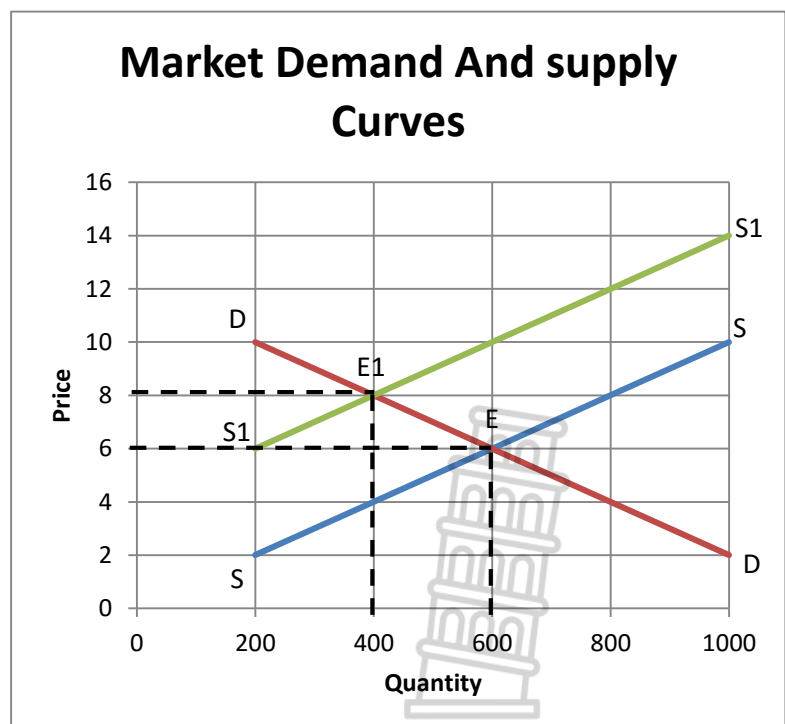
Changes in demand

A change in demand occurs when there is a change in any of the non-price determinants of demand. Any change in any of these non-price factors of demand will cause a shift in the demand curve. This can be seen in the graph alongside. The demand curve has shifted from curve DD to curve D1D1. This has resulted in a new equilibrium position where there is a higher price and a higher quantity demanded and supplied.



Changes in Supply

A change in supply occurs when there is a change in any of the non-price determinants of supply. Any change in any of these non-price factors of supply will cause a shift in the supply curve. This can be seen in the graph alongside. The supply curve has shifted from curve SS to curve S1S1. This has resulted in a new equilibrium position where there is a higher price and a lower quantity demanded.



6) Functions of Markets

Markets have economic significance because they serve a number of useful functions:

Bringing supply and demand together

Markets are the interaction of consumers and producers to negotiate prices and exchange goods and services. Because markets create contact between consumers and producers, it is in markets that supply and demand come together. Through the interaction of demand and supply, prices are determined.

Allocating resources

Market prices direct the economic decisions of both consumers and producers. Consumers make decisions on production in order to maximise profit. Consumers make decisions in order to maximise their utility. Profit maximisation and utility maximisation lead to efficient allocation of resources.

Self-regulation

Prices are determined by the forces of supply and demand. Markets do not require any direct intervention or control from outside forces. They are said to be guided by 'an invisible hand', which ensures that prices are set in such a way that resources are allocated efficiently.

ACTIVITIES: Demand and supply

Activity 1

1.1 Study the table below and answer questions that follow

Demand Schedule

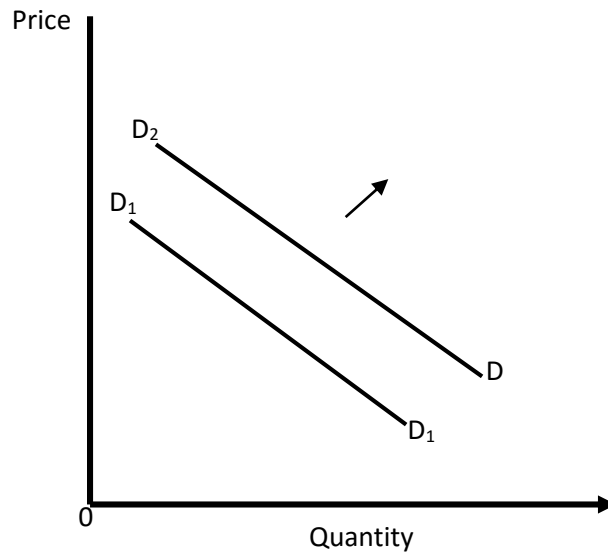
Price (R)	Quantity demanded	Quantity supplied
1	500	100
2	400	200
3	300	300
4	200	400
5	100	500

- 1.1.1 What is the relationship between the price and the quantity demanded? (1)
- 1.1.2 What is the market surplus at the price of R4? (1)
- 1.1.3 Define the term demand. (2)
- 1.1.4 Describe the law of supply. (2)
- 1.1.5 Draw fully labelled graphs to establish a market price. (4)



Activity 2

1.1 Study the graph below and answer questions that follow:

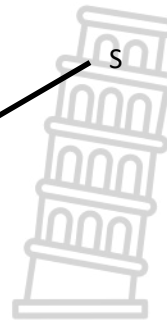
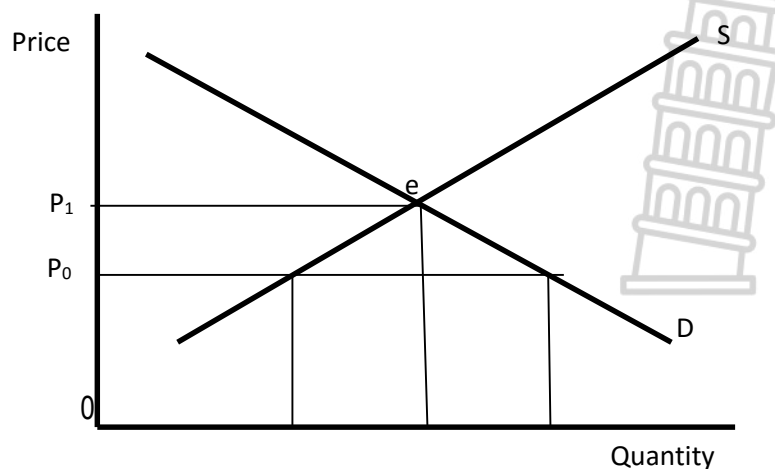


- 2.1.1 What is depicted by $D_1 \rightarrow D_2$ on the above graphs? (1)
- 2.1.2. What is the effect of increase in Demand on price and Quantity? (1)
- 2.1.3. Describe the term Ceteris Paribus (2)
- 2.1.4. How do increase in consumers' income lead to shift to the right of the demand curve? (2)
- 2.1.5. Explain how a change in the prices of substitute goods and complementary goods could result in the above situation. (4)

Class activity 3

Dynamics of markets

3.1 Study the graph below and answer questions that follow:



- 3.1.1. Identify the market equilibrium price on the graph. (1)
- 3.1.2. Name the factor that could cause a movement along the supply curve. (1)

- 3.1.3. Describe the term World market? (2)
- 3.1.4. Why shortages exist in this market? (2)
- 3.1.5. Explain why producers sometimes they cannot determine their price? (4)
- 3.2. Formula your own table and draw a graph to show how price is determined. (8)
- 3.3. Why demand curve slop downwards? (8)

Class activity 4

- 4.1. Study the picture below and answer questions that follow



Source: google jse photos

- 4.1.1. Identify the market structure represented by the above picture (1)
- 4.1.2. Name one other example of the above market structure. (1)
- 4.1.3. Describe the term “price taker”. (2)
- 4.1.4. What is the nature of the product that is sold in this market structure? (2)
- 4.1.5. How can advertising be used to increase profit of the business? (4)
- 4.2. Differentiate between perfect and imperfect market. (8)
- 4.3. Briefly explain the impact of availability of competition in the market (8)

TOPIC 6: PRODUCTION POSSIBILITY CURVES

Here is an example of how questions can be asked. Study it carefully and attempt the activities that follows



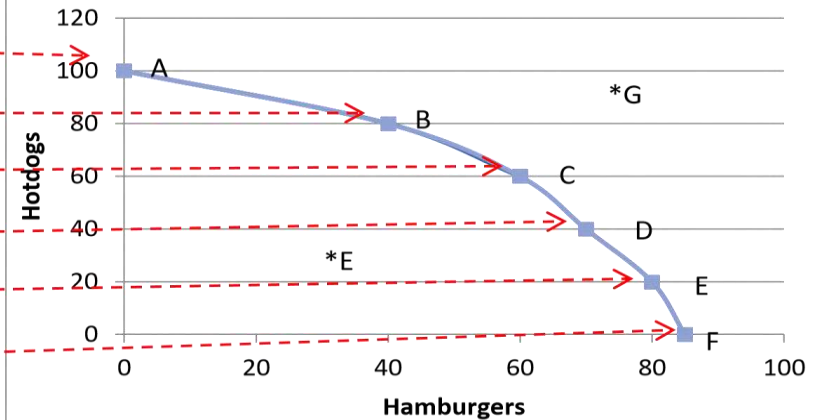
EXAMPLE

Possibility	Hotdogs	Ham burgers
A	100	0
B	80	40
C	60	60
D	40	70
E	20	80
F	0	85

Possible Questions

- How many hamburgers are produced at point A
→ 0
- How many hotdogs are produced at point B?
→ 80
- What is produced at point C?
→ 60 Hotdogs and 60 Hamburgers
- Explain why it is not a good idea to produce at point E?
→ It would be an inefficient use of resources / Some resources are being wasted.
- Why is production at point G not possible?
→ There are not enough resources to produce outside the PPC.
- Calculate the opportunity cost, in terms of hotdogs, of producing at point B.
→ $(100-80) = 20$ hotdogs

Production Possibility Curve



- Why is production at point E regarded as inefficient?
→ Resources are being wasted.
- How can production at point G be achieved?
→ More resources and technology need to be used in the production process.
- Calculate the opportunity costs to produce 20 hotdogs?
→ $85 - 80 = 5$ hamburgers
(Explanation: If we want to produce more hotdogs, we need to produce less hamburgers – We move from point F to point E)

1. Choose only the correct letter (A – D):

1.1 The curve that shows all the different combinations of two products, which will provide consumers with equal levels of satisfaction. A. Budget.

A. Indifference.

B. Supply.

C. Production possibility. (2)

1.2 When the economy is producing at levels under the maximum production levels, there is/are

A. unemployed resources.

B. high economic growth.

C. optimum production combinations.

D. production possibility curve

2. Choose a description from COLUMN B that matches an item in COLUMN A:

COLUMN A	COLUMN B
2.1 Opportunity Cost	A. A graph that shows the combination of two products that can be produced using all the available resources efficiently.
2.2 PPC	B. The value of the alternative that you did not choose and gave up or Sacrificed when you had to make a choice
2.3 Efficiency	C. When resources are being wasted.
2.4 Inefficiency	D. When resources are being utilized to its maximum potential



Activity 3

3.1 Study the information below and answer the questions that follow:

PRODUCTION POSSIBILITIES

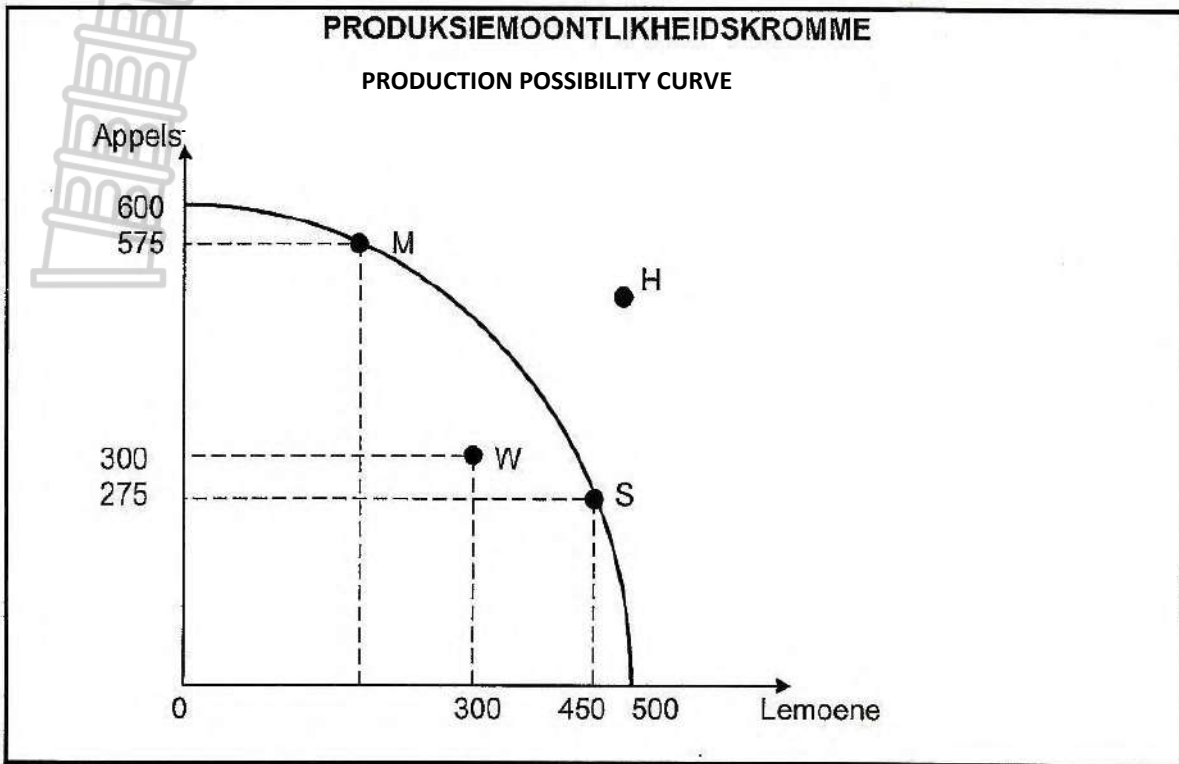
The production possibilities in the table below indicate the potential production of a hypothetical farmer if all his resources are used efficiently. The farmer produces apples and pears. When he uses all his resources to produce apples, he cannot produce pears. When he uses all his resources to produce pears, he cannot produce apples. He does not have enough resources to produce the maximum number of apples and pears. Therefore, the farmer must choose a combination of apples and the maximum number of pears to produce. The most efficient combination with the given resources will be indicated by a production possibility curve (PPC). A production possibility curve is a diagram that shows what combination of two different goods could be produced efficiently given the available limited supply of the factors of production.

The maximum combinations of apples and pears that the farmer can produce in a year:

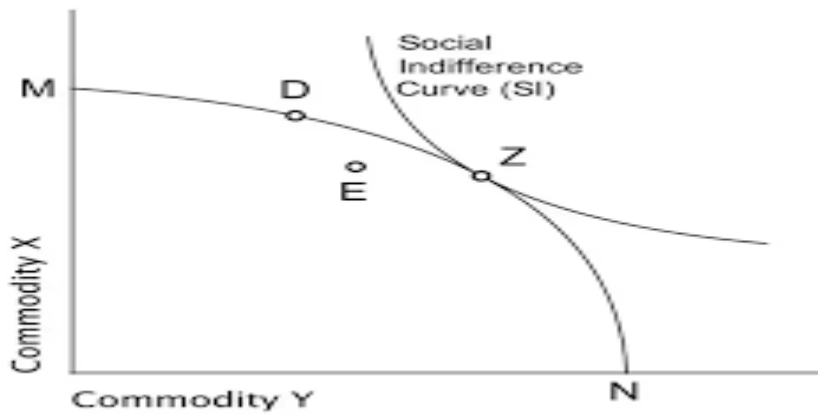
Different combinations	Apples	Pears
A	100	0
B	80	20
C	60	25
D	40	30
E	20	35
F	0	40

- 3.1 What is shown by the table above? (1)
- 3.2 How many apples will be produced if the farmer uses all his resources for the production of apples? (1)
- 3.3 Name any TWO of the resources referred to in the extract. (2)
- 3.4 What is meant by efficient use of resources? (4)
- 3.5 Use the information from the table to construct a PPC. (4)

4. Study the graph below and answer the questions that follow:



- 4.1 How many lemons will be produced if all resources are allocated to the production of lemons? (1)
- 4.2 How many apples will be produced if all the resources are allocated to the production of apples? (1)
- 4.3 What is the purpose of the production possibility curve? (2)
- 4.4 Is production obtainable at Point H? Give a reason for your answer. (2)
- 4.5 Which point shows inefficiency? Substantiate your answer. (4)



What is an Indifference Curve?

An indifference curve is a curve that represents all the **combinations** of goods that give the same satisfaction to the consumer. Since all the combinations give the same amount of satisfaction, the consumer prefers them equally. Hence the name indifference curve.

Combination	Food	Clothing
A	1	12
B	2	6
C	3	4
D	4	3

Graphical Representation:

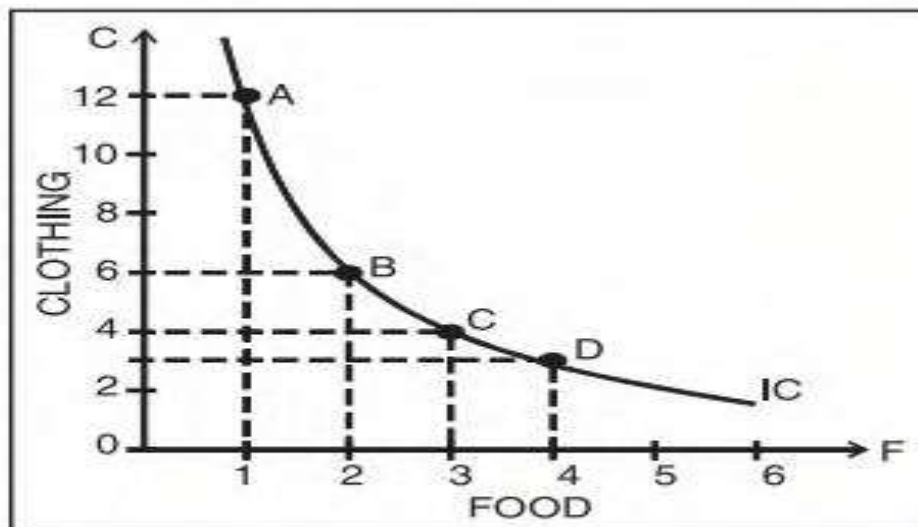


Fig. 1 : A Consumer's Indifference Curve

The diagram shows an Indifference curve (IC). Any combination lying on this curve gives the same level of consumer satisfaction. Another name for it is Iso-Utility Curve.

Indifference Map

An Indifference Map is a set of Indifference Curves. It depicts the complete picture of a consumer's preferences. The following diagram showing an indifference map consisting of three curves:

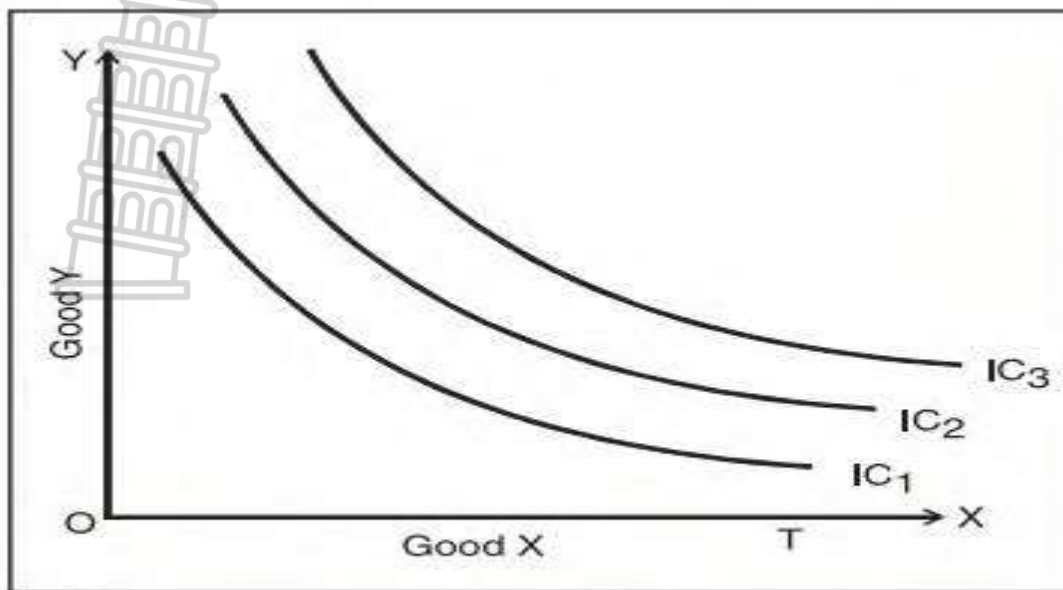
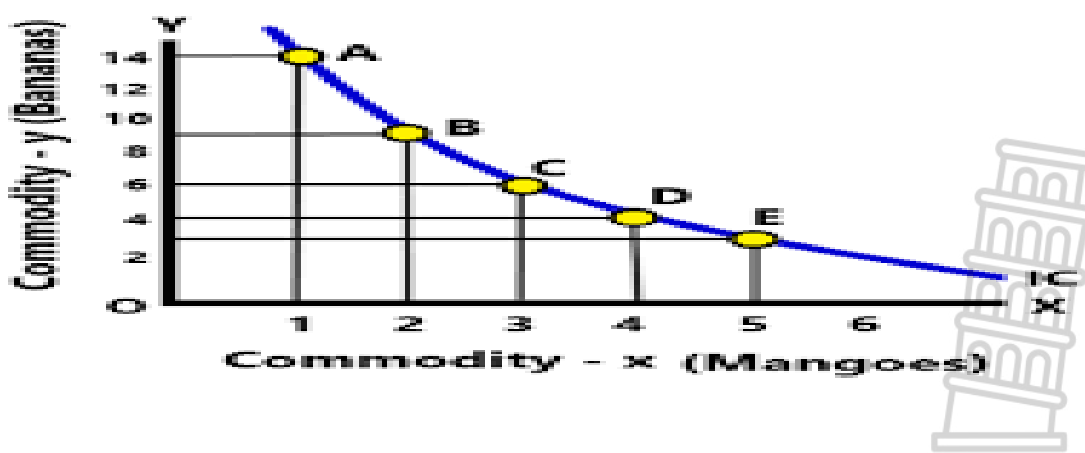


Fig. 2 : Indifference Map

We know that a consumer is indifferent among the combinations lying on the same indifference curve. However, it is important to note that he prefers the combinations on the higher indifference curves to those on the lower ones.

This is because a higher indifference curve implies a higher level of satisfaction. Therefore, all combinations on IC1 offer the same satisfaction, but all combinations on IC2 give greater satisfaction than those on IC1.

INDIFFERENCE CURVE



ACTIVITY 1

1.1 Various options are provided answers to the following questions.

Choose the answer and write only the letter (A-D) Next to the question number.

1.1.1 In economics, the situation that exists because we have insufficient resources to satisfy our need and want is known as

- A. Opportunity cost
- B. Making choice
- C. scarcity problem
- D. insufficiency

1.1.2 The line that shows different combination of goods that can be bought by a consumer in known as the..... line

- A. budget
- B. production
- C. sales
- D. supply curve

1.1.3 A situation in which the current combination of goods and service does not give the maximum satisfaction.

- A. utility
- B. allocative inefficiency
- C. productive efficiency
- D. budget line

1.1.4 When it is not possible to make someone better off without making someone worse off

- A. inefficiency
- B. market failure
- C. scarcity
- D. Pareto efficiency



ACTIVITY 2

1.2 Choose a description from COLUMN B that matches the item in COLUMN A

COLUMN A	COLUMN B	
1.2.1 Inefficiency	A. When producers produce fewer goods than are desired at a higher price, or more goods at a lower price.	
1.2.2 Poverty	B. A straight line that touches the outside of a curve but does not cross it	
1.2.3 Market Failure	C. Position to the left of the curve indicates inefficiency because the resources are not used to their optimum.	
1.2.4 Tangent	D. Is the point where maximum utilization takes place at a price that the consumer can afford	
1.2.5 Indifference curve	E. When inefficiency results in less output being produced and there is less output available for the people of the country.	
1.2.6 optimum consumption	F. Shows all the combination of goods that give a consumer the same level of satisfaction	

ACTIVITY 3

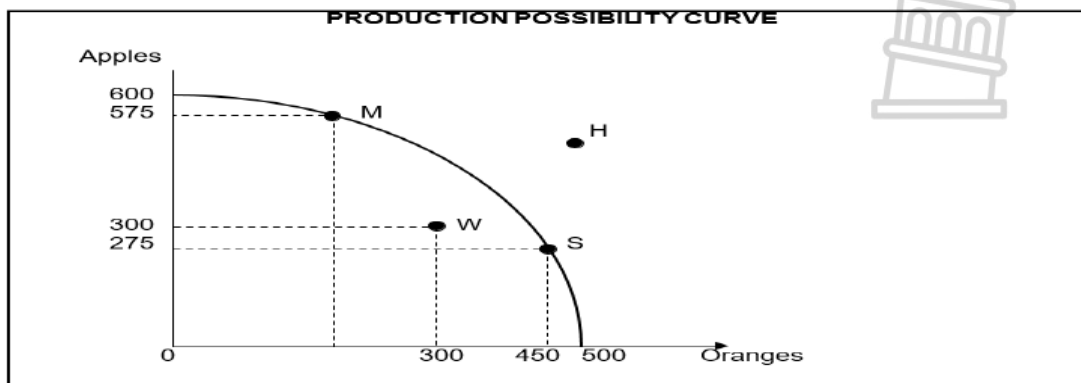
- 3.1. Give TWO types of scarcity (2)
- 3.2. Give any TWO effects of inefficiencies (2)
- 3.3. List TWO types of inefficiencies (2)

ACTIVITY 4

- 4.1. Why is meant by opportunity cost (2)
- 4.2. Why is it not possible for the producer to produce above the PPC curve (2)
- 4.3. What does a steep slope of an indifference curve indicate? (2)

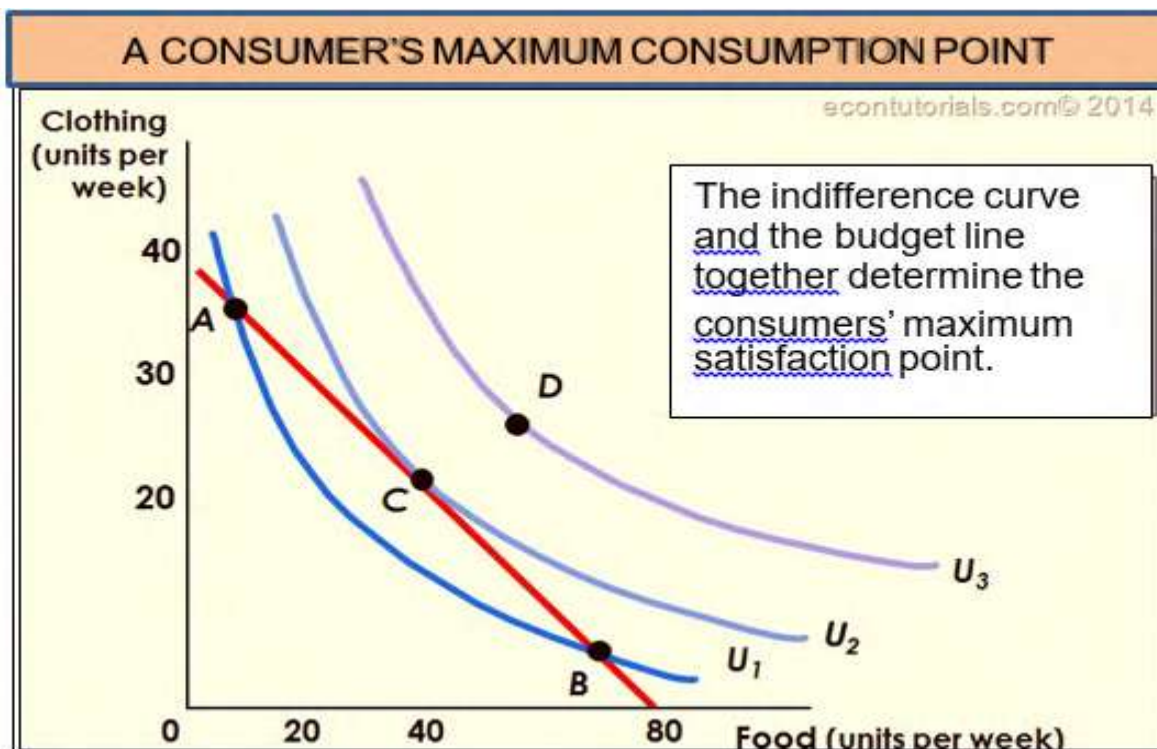
ACTIVITY 5

5.1 study the graph that follow and answer the questions



- 5.1.1 What depicted in above graph (1)
- 5.1.2 How many oranges will be produced if all resources are allocated to the production of oranges (1)
- 5.1.3 What is the purpose of the production possibility curve? (2)
- 5.1.4 Is production obtainable at point H? Give a reason for your answer. (2)
- 5.1.5 Which point shows inefficiency? Substantiate your answer. (4)

Activity 6



- 6.1.1 What is shown by the graph above? (1)
- 6.1.2 What is presented by letter C (1)
- 6.1.3 Describe the term budget line (2)
- 6.1.4 Which combination of the two goods should the consumer choose in order to maximise satisfaction? (2)
- 6.1.5 How can indifference curves and budget line be used to determine consumers maximum satisfaction point (4)

ACTIVITY 7

- 7.1 Discuss **productive inefficiency** and **allocative inefficiency**. (8)
- 7.2 What are the characteristics of indifference curve (8)
- 7.3 Discuss the production possibility curve with the aid of well labelled graph (8)
- 7.4 Discuss any internal reasons why PPC will move outward. (8)

ACTIVITY 8

SECTION C

- 8.1 “Productive efficiency is achieved when it is not possible for an economy (or individual producer) to allocate its scarce resources to produce more of the one good without producing less of another good “In line with the above statement, discuss the reasons for productive inefficiencies (26)
- 8.2 Briefly describe the effects of inefficiencies (10)
- [40]

TOPIC 7 PUBLIC SECTOR INTERVENTION

TOPIC : PUBLIC SECTOR INTERVENTION	
Key Concepts	
Allocative inefficiency	When resources are not allocated in the right proportions and the product mix does not match consumers’ tastes.
Ad-valorem tariffs	taxes levied as a percentage of value of the imported goods.
Black market	an illegal market in which illegal goods are traded and illegal prices are charged.
Consumer subsidies	the financial incentives provided by the government to the consumer in order to reduce the price of the product.
Custom duties	taxes levied on imported goods.
Demerit goods	are goods that are harmful to the society, but they are oversupplied by the markets.
Direct taxes	taxes levied on income of individuals or firms.
Excise duty/Sin tax	taxes levied on selected products such as tobacco and alcohol.
Indirect taxes	taxes levied on sale of goods and services, e.g. VAT.
Market failure	occurs when market fails to produce the quantity of goods and services that people need at prices that also reflect marginal utility and relative scarcity. Or occurs when market forces fail to allocate resources efficiently.
Maximum price/Price ceiling	the highest price set by the government which the businesses are allowed to charge to their customers. It is usually set below the market price to make goods affordable to consumers.
Merit goods	the goods that are beneficial to the society, but they are undersupplied by the markets.

Minimum price/Price floor	the lowest price set by the government which the businesses are allowed to charge their customers. It is usually set above the market price to ensure that businesses earn reasonable profits.
Minimum wage	a wage rate set by the government, below which no employer can pay their workers. It is usually set above the market wage rate.
Private benefit	the gain a consumer gets from the use of a product or the gain a producer gets from the sale of a product.
Private cost	the actual cost paid by a consumer when a product is purchased.
Productive/Technical inefficiency	when resources are not used appropriately to produce the maximum number of goods at lowest cost and best quality.
Public goods	the goods that are provided by the government to benefit everyone and should be available to everybody.
Externalities	the costs and benefits to third parties which are not included in the market price.
Producer subsidies	the cash allowances given to producers to lower the cost of production and allow more goods to be supplied at lower prices.
Social benefit	the benefit gained by the society from the use of a product. It is calculated by adding the private benefit and the external benefit.
Social cost	the cost of a product which is paid by the society as a whole. It is calculated by adding the private cost and external cost.

REASONS OF MARKET FAILURES

a) Externalities

Externalities are also known as spill-over effects or third party-effects.

Externalities are the costs and benefits that convert private costs and benefits into social costs and benefits.

These are costs and benefits which are not included in the market price of the products.

Negative externalities are things like pollution, tobacco smoking and alcohol abuse.

The costs of negative externalities are paid by the society rather than the producers.

Positive externalities are positive effects of products to third parties which are not paid for.

Goods with negative externalities are often over-produced but products with positive externalities are under-produced. This leads to market failure.

b) Missing markets (Public goods)

Markets are incomplete because they cannot meet the demand for certain goods.

Public goods (community and collective goods) are in high demand but are not supplied by the market because of the low profit gained from them and the high cost of capital needed to supply them.

Since private producers cannot withhold these goods for non-payment, they are reluctant to provide these goods. The government thus provides these goods and services.

Merit goods: These are highly desirable for general welfare, but not highly rated by the market. They are under-supplied by the market, e.g. health care, education and safety.

Demerit goods: These are harmful to the society, but highly rated by the market. They are over-supplied by the market, e.g. alcohol, cigarettes and drugs.

c) Imperfect competition

Competition is limited by the power of certain producers to prevent new businesses from entering the market. Barriers to entry are created because of advertising, a lack of capital and the controlling of resources. The imperfect market does not allow for price negotiations.

Businesses in imperfect market charge high price and supply low quantities and this indicates market failure.

d) Lack of information

Consumers, workers and entrepreneurs do not have the necessary information to make rational decisions.

Consumers: They need detailed information about products in order to maximize their benefits.

Workers: They are often unaware of available job opportunities

Entrepreneurs: Lack of information on costs, availability and productivity of factors of production impacts their effectiveness.

These result in resources not being allocated efficiently, leading to market failure.

e) Immobility of factors of production

Most markets do not adapt quickly enough to benefit from changing circumstances because factors of production are often not very mobile.

Labour takes time to move geographically and occupationally to meet the changes in consumer demand.

Physical capital like factory buildings or infrastructure such as telephone lines cannot be relocated easily.

Structural changes require changes in workers' skills, employment and work patterns. This takes time to change.

These result in resources not being allocated efficiently, leading to market failure.

f) Imperfect distribution of income and wealth

People who have access to capital and have more skills earn more than those who do not have access to capital and unskilled, this leads to further unequal distribution of income.

Discrimination had negative effects in the income of women, minority groups and people with disability.

Market produces goods and services only for those who can afford them.

This leads to some people having many goods while other have too few goods.

These result in resources not being allocated efficiently, leading to market failure.

EFFECTS (CONSEQUENCES) OF MARKET FAILURE

1. INEFFICIENCIES

Two kinds of inefficiencies are possible:

a) Productive/Technical inefficiency

It occurs when resources are not used appropriately to produce the maximum number of goods at the lowest cost and best quality. Some resources may not be used or there may be wastage in the production process.

b) Allocative inefficiency

It occurs when resources are not allocated in right proportions and the product mix does not match consumers' tastes. It means the types/quantities of products are not what is best for consumers.

2. EXTERNALITIES

a) Negative externalities

Negative externalities are the costs to third parties which are not included in the market price of a product.

These costs are external costs suffered by the society.

Private costs plus external costs equal to social costs.

If external costs are considered the final market price would be pushed up and fewer goods would be supplied.

The government may use three methods to reduce negative externalities:

- Carry out campaigns in order to persuade people from causing negative externalities.
- Levy taxes on goods that cause negative externalities, e.g. taxes levied on cigarettes and alcohol.

Pass laws and regulations to prevent activities that cause negative externalities, e.g. tobacco companies are not allowed to advertise.

If external benefits are considered, people would demand more of the product and the price would therefore increase.

The government encourages positive externalities by:



- Advertising on the radio or television.
- Providing education, health care and other services at low cost or for free.
- Providing producer subsidies to lower the cost of a product and encourage its usage.

3. MONOPOLIES AND IMPERFECT MARKETS

Firms in an imperfect market supply a limited quantity of goods and services at a very high price.

The government uses its laws on competition to prevent exorbitant prices charged by firms, to ensure entry to the market is free, prevent harmful collusion and encourage foreign competition which helps keep prices of goods low.

Reasons why the government intervenes in the economy

- The private sector does not provide enough services.
- Provide public services, such as hospitals and schools.
- Government wants to protect consumers against unfair practices by monopolies.
- To promote fair treatment of workers and prevent exploitation.
- To control strategic enterprises, e.g. electricity & water provision.
- To guard against market prices that may be damaging to the economy's economic health.

The ways how the government intervenes in the economy:

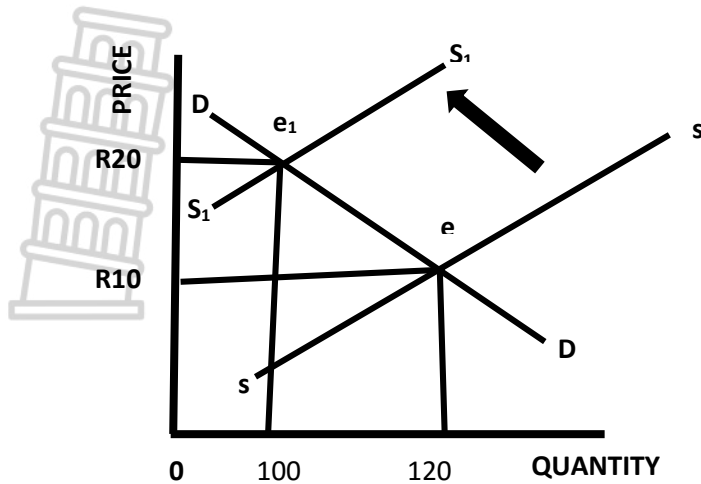
INDIRECT TAXES

- An indirect tax is paid indirectly by consumers through the purchase of goods and service.
- There are three kind of indirect tax, e.g. VAT, excise duties –charged on locally produced goods and custom duties which are charged on imports.
- By imposing the tax, the government directly influences the price which increases the price the consumer pays.

Reasons for indirect taxes

- To reduce the demand for a harmful product, such as cigarettes or alcohol.
- To raise revenue for the state.
- To limit the impact of imported products.





- The market equilibrium price is R10 where 120 quantities are demanded and supplied.
- When the government imposes the indirect taxes, the price of a good increases from R10 to R20.
- This is accompanied by a leftward shift in supply curve from origin (SS to S_1S_1).
- This will reduce demand from 120 to 100 quantities

Subsidies

- The government provides subsidies to producers in order to encourage them to increase the production of goods. Supply increases.
- **Producer subsidies** are often given to suppliers of agricultural products such as milk, wheat and maize.
- Subsidies lower the cost of producing goods and thus the market price of these goods is lowered (product are sold cheaper).
- **Consumer subsidies** are payments made by the government so that they are able to buy goods that they would not normally afford.
- They increase the ability of the consumers to demand more goods and services.
- **Export subsidies** are how government assist firms in increasing their exports by: offering services such as trade information and organising trade shows; by providing cash subsidies that reduce the cost of importing raw materials; by reducing duties on capital goods.
- **Employment subsidies** are paid to employers to reduce labour cost and encourage more employment

Reasons for producer subsidies

- To promote employment and entrepreneurship.
- To encourage the establishment of new businesses to help them in early stages of trading while they cannot compete effectively with more established businesses.

- To improve the international competitiveness of domestic industries.

Effects of producer subsidies

- ✓ There will be an increase in the quantity demanded and supplied in the market.
- ✓ Prices will decrease and more consumers will be able to enjoy the goods.
- ✓ They create uncompetitive industries and these firms will not survive in the long-run, if there are no subsidies.

Reasons for consumer subsidies

- Reduces the price of the product to benefit the poor.
- Encourage the use of a particular product that the government feels is in the public interest like subsidising ARV's.

Effects of consumer subsidies

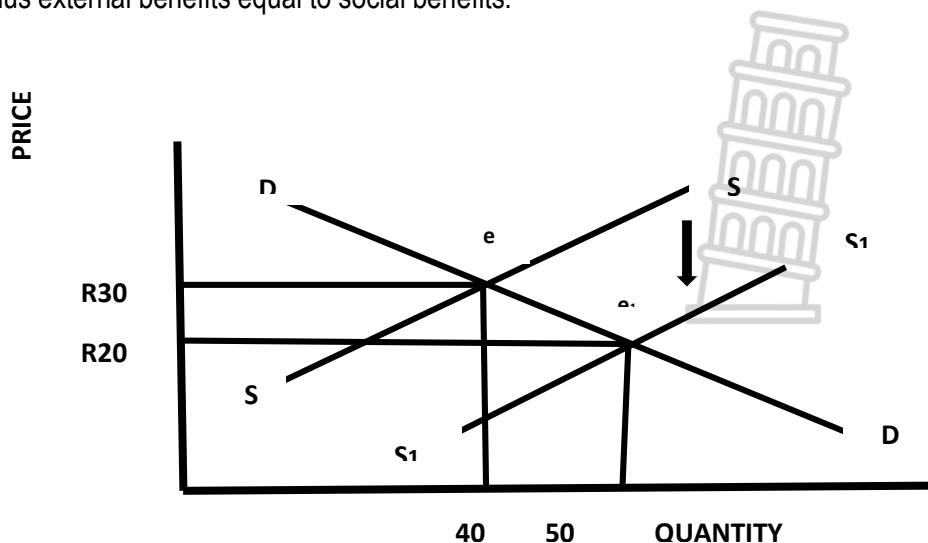
- ✓ The price of a product increases in the market.
- ✓ People who are receiving subsidy should be paying less than the original equilibrium price.
- ✓ Those who could afford the original equilibrium price pays slightly more for the product.
- ✓ The overall quantity of the product that is being used increases.
- ✓ The government monitors the prices and supply set by the markets to avoid consumer exploitation.

b) Positive externalities

Positive externalities are the benefits to third parties which are not included in the market price of a product.

These benefits are external benefits gained by the society.

Private benefits plus external benefits equal to social benefits.



- The market price of rice is R30 and the corresponding quantity is 40.
- If the government subsidises the production of rice, the market price will decrease to R20 with corresponding quantity is 50.
- The lower price, R20, allows the poor to purchase more rice.

MINIMUM PRICES (PRICE FLOORS)

-The State may feel that in some markets the prices are too low and that they need to assist suppliers.

-This is done by setting a minimum price ABOVE the market price.

It is generally used in agricultural sector where incomes are believed to be low.

-Reasons for implementing minimum prices

-To enable the producer to make a comfortable profit.

-To encourage the production of essential goods, for example, wheat.

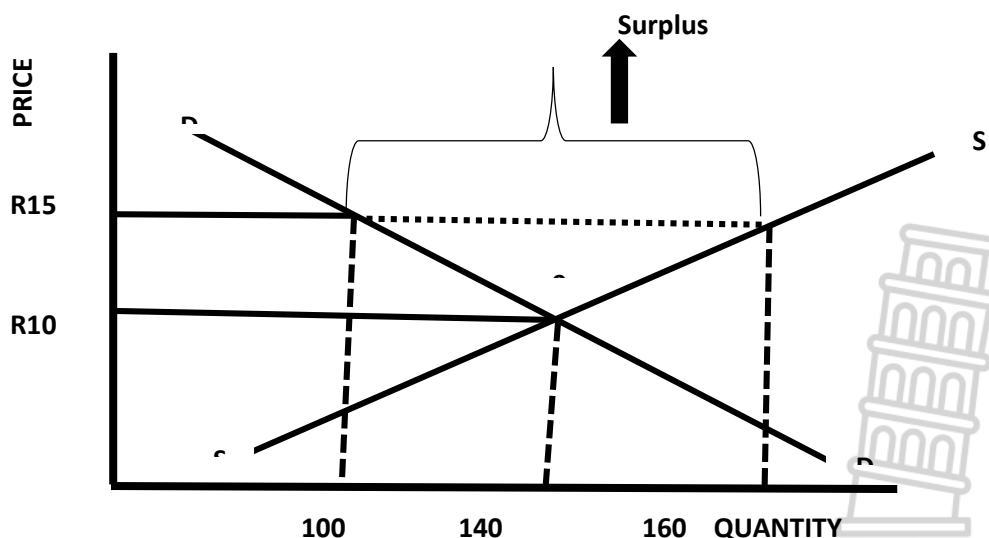
Effects of a minimum price

-There is a **surplus** of the product in the market, the quantity supplied is greater, than the quantity demanded.

The surplus will result in government buying extra wheat and **dump** it locally or abroad.

-The price is higher than it would be if it were left to the market mechanisms.

Graph and explanation



- Consider the market for wheat.
- The market equilibrium price is R10 and the equilibrium quantity is 140.
- If the government sets a minimum price at R15, farmers will earn greater profits and supply more wheat. Quantity supplied will therefore increase to 160.

- However, quantity demanded will decrease to 100.
- There would be a surplus of wheat equal to the difference between 160 and 100.
- A surplus means the government will have to buy the extra wheat and dump it locally or abroad.
- Although minimum prices may cause a surplus, they do encourage the supply of important food stuffs.

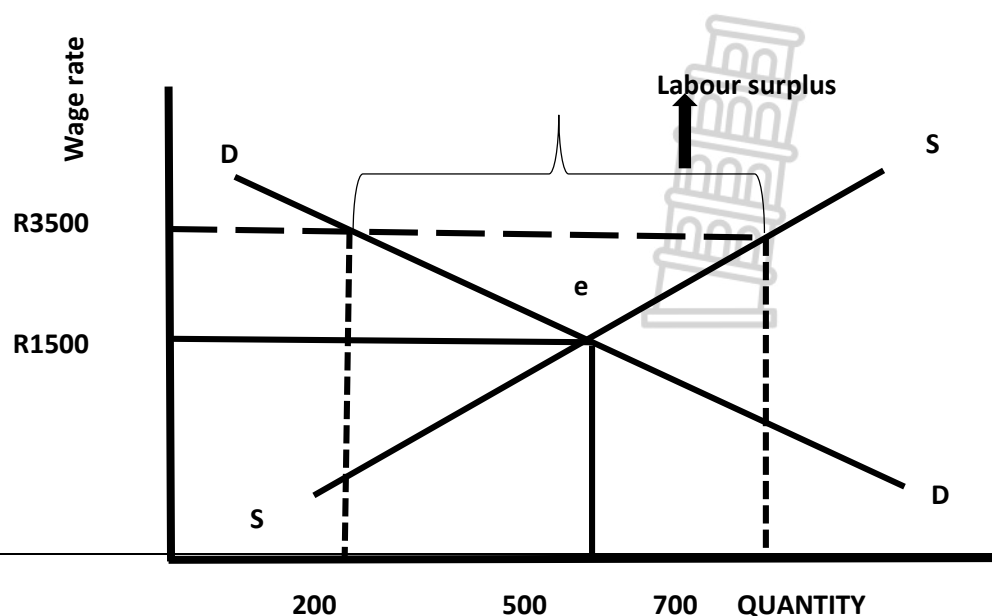
Minimum wages

- When the government enforces a minimum wage, it means workers have to be paid a certain wage amount and not anything less than this.
- The reason for this is that workers should earn wages which is enough to cover the basic cost of living.
- This helps to protect workers and re-allocate resources.
- In 2002 minimum wages were introduced for domestic workers.
- This was also extended for farm workers and also to non-unionised industries.

Effects of the minimum wage

- ✓ There is a surplus of labour being offered in the market.
- ✓ The wage rate increases in the market (above the equilibrium).
- ✓ People are being paid more equitable and fair wage for their services.
- ✓ There is a fall in employment due to higher wage costs.
- ✓ Risks of higher wage inflation due to firms increasing selling price to adjust to higher wage bill.
- ✓ Damages the competitiveness of some firms due to higher cost of production.

GRAPH AND EXPLANATION



- The figure above shows that if the wage rate is set at R1 500, the corresponding demand and supply of labour will be 500.
- If a minimum wage of R3 500 is set, the demand for labour will decrease from 500 to 200. Some people may become unemployed due to the introduction of a minimum wage.
- However, the quantity of labour supplied will increase from 500 to 700.
- More people will offer their labour because of the higher wage.

MAXIMUM PRICES/PRICE CEILINGS

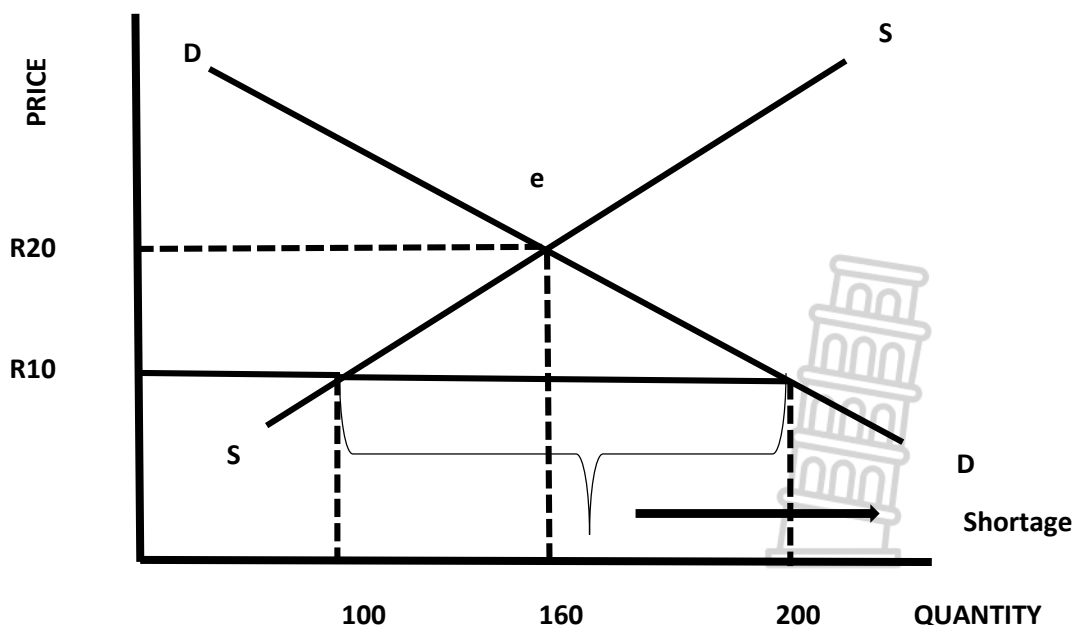
Reasons for implementing Maximum prices

- The key reason is to keep the prices of basic food low in order to ensure the poor have access to a good.
- Maximum prices are set to prevent consumers from being exploited and having to pay excessive prices.
- Government imposes price ceilings hoping that they will keep prices low and control inflation.

Effects of a maximum price

- The price in the market is lower than it would be if it was left to the market mechanism to find an equilibrium price.
- There is a deficit/shortage of the product.
- This often leads to black markets.

GRAPHICAL EXPLANATION



- Initially the market equilibrium price is R20 and equilibrium quantity is 160, determined by the market.
- The government intervenes and passes a law that milk cannot be sold for more than R10.

- The effect of this maximum price is that quantity supplied decreases to 100 and quantity demanded increases to 200.
- There is a shortage of milk equal to the difference between 200 and 100.
- A shortage creates a problem of how to allocate milk to consumers.
- Black markets often develop where people can obtain milk. A black market is an illegal market in which either illegal goods are bought and sold or illegal prices are charged.

Welfare

It refers to the state of well-being of a person.

The state has a duty to promote the basic physical and material well-being of people in need.

- Due to the uneven distribution of wealth, welfare grants are provided for people to meet their basic needs.
- Improving welfare has both the effects of reducing poverty levels and increasing spending on basic food.
- The government provides merit goods and also supplements the income of poor people.

Types of social welfare grants

Social grants: these are grants which are paid to people in need. They include old age grants, disability grants and war veteran's grant.

Children's social support: they include care-dependency grant, foster child grants and child support grant.

Special awards: they include social relief of distress grant and transport relief.

ACTIVITY 1

1.1 Study the pictures below and answer the questions that follow:



Negative externalities



Positive externalities



De-merit goods



Information failures

Source: Google search

- 1.1.1 Identify one reason of market failure from the above pictures. (1)
- 1.1.2 Give ONE example of the positive externality. (1)
- 1.1.3 Explain the concept market failure. (2)
- 1.1.4 Explain how imperfect markets lead to market failure. (2)

- 1.1.5 Briefly explain why demerit goods are regarded as a reason for market failure. (4)

ACTIVITY 2

- 2.1 Study the picture below and answer the questions that follow:



- 2.1.1 Identify the type of externality in the above picture. (1)
- 2.1.2 Name any kind of pollution. (1)
- 2.1.3 Briefly explain the term **allocative inefficiency**. (2)
- 2.1.4 How does government deal with negative externalities? (2)
- 2.1.5 Evaluate the impact of market failure on the economy. (2 x 2) (4)

ACTIVITY 3

- 3.1 Study the extract below and answer the question that follow:

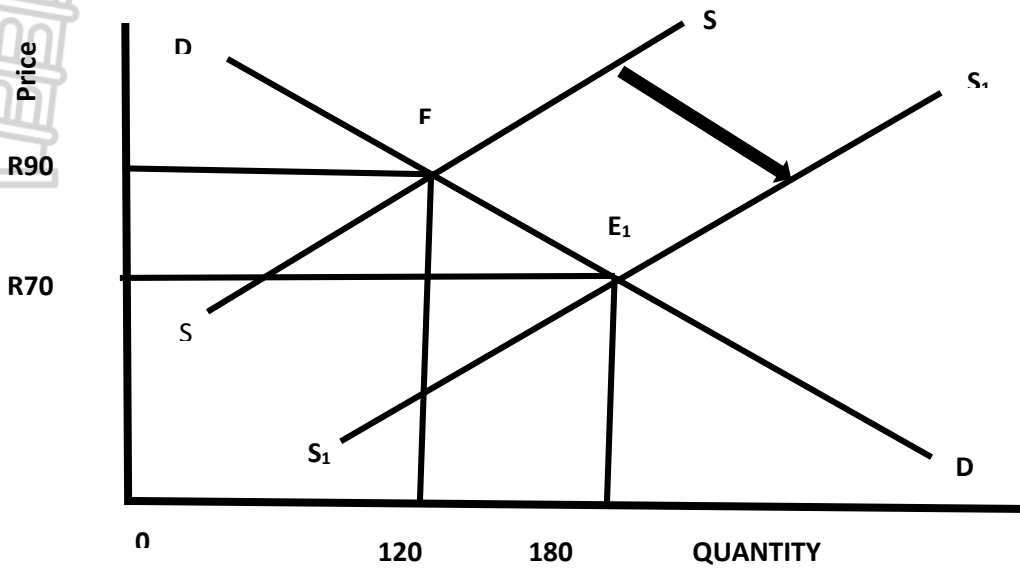
INDIRECT TAXES

Indirect tax covers a variety of taxes such as VAT. The increase in VAT rate was arguably the biggest announcement in the 2018 Budget Review from a tax perspective. Businesses are responsible for paying VAT to the government but they can pass on this charge to their customers or clients by adding VAT to the cost of invoiced goods and services.

- 3.1.1 What is the current VAT rate in South Africa? (1)
- 3.1.2 Give any other type of indirect tax except VAT. (1)
- 3.1.3 Briefly describe the term indirect tax. (2)
- 3.1.4 Briefly explain the purpose of charging VAT. (2)
- 3.1.5 How do increased tax rates contribute to the decrease in living standard of the society? (4)

ACTIVITY 4

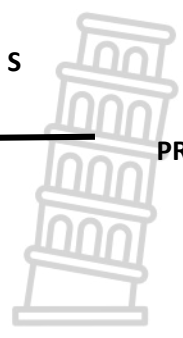
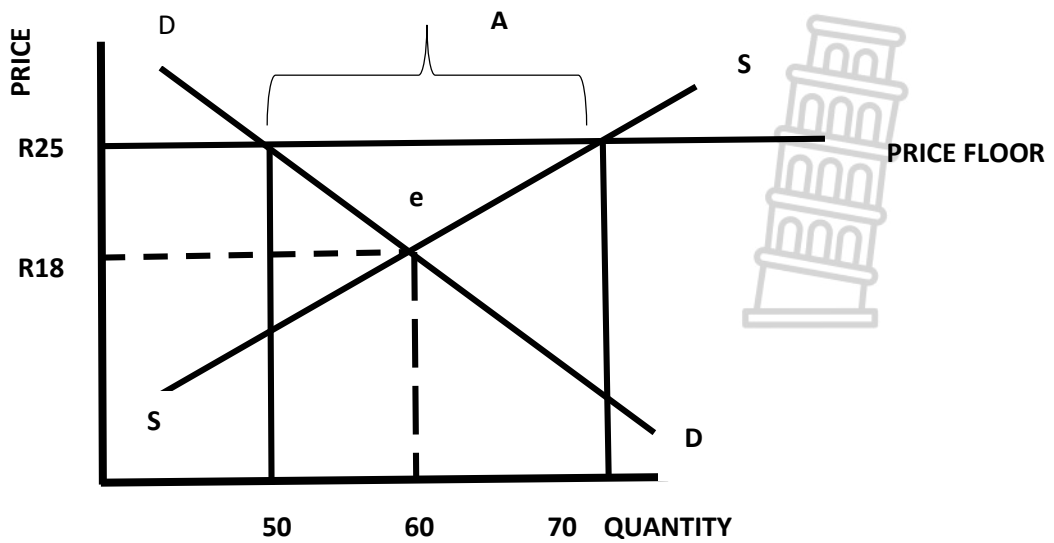
4.1 Study the graph below and answer the questions that follow:



- 4.1.1 Identify the original price from the graph above. (1)
- 4.1.2 What is represented by E₁? (1)
- 4.1.3 Describe the term **subsidy**. (2)
- 4.1.4 Briefly explain the effect of subsidy on the quantity supplied. (2)
- 4.1.5 Evaluate the impact of consumer subsidies on the economy. (2x2) (4)

ACTIVITY 5

5.1 Study the graph below and answer the questions that follow.



- 5.1.1 What is area **A** in the graph above called? (1)
- 5.1.2 Give the type of a product for which price ceilings are set. (1)
- 5.1.3 Describe the term **price floors**. (2)
- 5.1.4 Briefly describe how minimum prices will affect the quantity supplied in the market. (2)
- 5.1.5 What effect do producer subsidies have on the economy? (2x2) (4)

Activity 6

- 6.1 Study the extract below and answer the question that will follow:

MINIMUM WAGE

The majority of commissioners proposed that the national minimum wage be increased by the rate of inflation plus 1.5%. The majority also recommended that the minimum for farmworkers be aligned with the national minimum wage in 2021. The inflation rate, measured by CPI, as of September 2020 was 3% so the adjustment should be on the order of 4.5%, the commission said. The national minimum wage was originally set at R20 an hour in 2018. In 2019, the Commission had just been established and was therefore unable to undertake a full annual review.

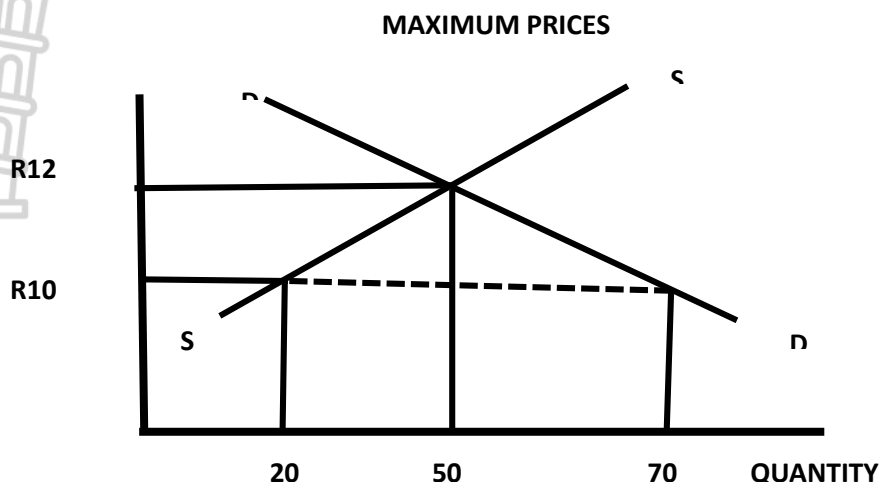
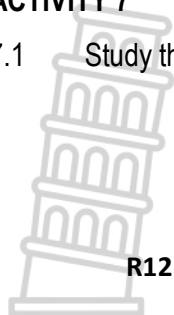
[Source: Business Tech report; 20 November 2020 accessed: 28 November 2020]

- 6.1.1 Identify the percentage wage increase in the extract above that was proposed by the Commission? (1)
- 6.1.2 Which measurement is used for the inflation rate? (1)
- 6.1.3 Describe the term **minimum wage**. (2)
- 6.1.4 Briefly explain reason for aligning farm workers wage with the national minimum wage. (2)
- 6.1.5 What negative impact does the minimum wage have on the economy? (2x2) (4)



ACTIVITY 7

7.1 Study the graph below and answer the questions that follow:



- 7.1.1 What is the market price in the graph above? (1)
- 7.1.2 Identify the quantity which will be produced if maximum price is introduced. (1)
- 7.1.3 Briefly describe the term **maximum price**. (2)
- 7.1.4 Briefly explain the reasons for the government to implement maximum prices. (2)
- 7.1.5 How will maximum prices affect the economy? (4)

ACTIVITY 8

8.1 Study the picture below and answer the questions that follow:



- 8.1.1 Identify the institution that is responsible for social grant payments in South Africa. (1)
- 8.1.2 Name one social grant provided in South Africa. (1)
- 8.1.3 Describe the term **welfare**. (2)
- 8.1.4 Explain the impact of social grants on the welfare of people. (2)
- 8.1.5 Evaluate the success of government in improving the welfare of people during the COVID-19 pandemic. (4)

TOPIC 8 ECONOMIC GROWTH: ECONOMIC PURSUITS

CONCEPT	DESCRIPTION
Nomadic	When people move from place to place for food, water and pasture
Barter	A method of trading by which a commodity is exchanged for another commodity.
Guild	An association of people with similar interest.
Mercantile law	The law that governs commercial transactions
Communism	Political and economic system of social organisation based on shared ownership of property and factors of production.
Capitalism	This is economic and social system in which private individuals and businesses produce and exchange goods and services by means of prices and markets
Central planned economic system	Is the system where the government plans what will be produced with the available resources and how goods and services will be distributed.
Mixed economic system	This is the system with features of both capitalism and socialism
Mechanisation	The use of machines to do the work of animals and people.
Public finance	Is the branch of economics that deals with government revenue and expenditure and administration of these revenues and expenditure.
Urbanisation	The movement of people from rural areas to urban cities to look for work or better services
Poll taxes	Taxes levies per head of adult population

GROWTH, DEVELOPMENT AND GLOBALISATION

1. Early economic development and emergence of trade

Self-sufficiency and dependence on agriculture

- Provided for their own needs (dependent on nature) – **subsistence agriculture**
- Traditional societies (farming and domestication of animals)
- Nomadic (moved from place to place)
- Technology (stone age tools)
- They produced for consumption, no trade (**no markets and no money**)

Barter, trade and emergence of money

- Agriculture became more productive, surpluses were produced
- Specialisation started, producing one commodity (production increased)
- **Barter trade** was introduced (exchange of one commodity for another of the same value) which replaced self-sufficiency – problems were encountered during this trade
- First primitive forms of **means of payments** were developed



Commodity money (metals, cowry shells, barley, wine, beads) – non perishable

-Monetary trade (trade where money is used to pay for goods) replaced barter trade – metal coins (gold, silver, copper) – stamped with images of gods and emperors

Language, skills and learning

- Self-sufficient societies used only one language, but as trade developed different languages had to be learnt for communication

- But specialisation for trade required special skills.

Apprenticeship (informal ways of skills training) in the workplace which involves education, as surplus production for markets evolved

Wealth, power and accumulation

- Successful farmers became **landlords** and unsuccessful people were **peasants** (workers) – in large pieces of land known as **manors**

-**Surpluses** were used by landlords to build their wealth and support their power

- Peasants lived in poverty while landlords accumulated great wealth, further increased through wars

- **Accumulation** of wealth gave economic and political power to tribal leaders and kings (Southern Africa)

2. EVOLUTION OF MARKETS

Surplus production, trade and transport development

- **Surpluses** in turn led to the development of non-agricultural activities (**manufacturing and trading**)

- **The agricultural surpluses** and manufactured items brought about the start of **real trade** with other communities and the other parts of the world. (primary production)

- The expansion of local and international trade led to **emergence of merchants (entrepreneurs)**

- As trade took off, **transport infrastructure was developed**, effective means of transport on land (road) and water (ships)

Growth of towns and cities

- **First towns** were settlements outside the walls of a church or castle (along rivers, at crossroads, along bays)

- **Towns and cities** became centres for manufacturing and trading while political power and religion developed

- With development of towns came the increase in **income, savings and investment**, which led to the appearance of **entrepreneurs**.

- **Peasants** also left manors and moved to towns and cities for better opportunities (**urbanisation**), where they became merchants, artisans and small scale farmers.

- **There was also the development of art, architecture, culture and political structures.**

- These developments led to **central government and empires that controlled towns and cities**

Specialisation of labour and emergence of guilds

- **Labour specialisation** started to increase output.
- After merchants, craftsmen and other producers had settled in towns, they form **guilds**.
- Through specialisation and division of labour, guilds were enabled to produce surpluses, which led to evolution of different markets

Mercantile Law and development of business forms

Mercantile Law (known as Commercial Law) – these were systems of based on custom and best practice laws to regulate trade, and meant more tax for the governments (seldom interfered)

Technological progress (Industrial Revolution).

- The **First Industrial Revolution** (1760-1840) saw significant economic development in **the age of mechanisation through steam and water power**. Enabled mass production
- The **Second Industrial Revolution** (1870-1900) saw **improvements in electricity, the internal combustion engine, analogue communications, entertainment and using hydro-carbons to power the world we live in**. Enabled mass production and electricity
- The **Third Industrial Revolution** (1960 onwards) revolved around **computing and communications technologies destroying distance and costs barriers**. Enabled the manufacturing of computers and telecommunications devices
- The **Fourth Industrial Revolution** - With **AI, robotics, 3D printing and other 4IR foundations in essence being digitised capabilities, they have been spreading much quicker than steam, railways, electricity and computers, i.e. physical entities**.

3. SAVINGS

Reasons why consumers and businesses save

- Savings results to capital formation and investments
- Consumers and businesses earn interests through savings
- Loans by businesses and consumers can be acquired through savings

Reasons why the nation should be encouraged to save

- A major input in growth is capital
- Without capital formation, no economic growth
- No economic growth, no economic development

Forms of saving

- Corporate savings
- Household savings
- Government savings
- Foreign savings

4. GOVERNMENT AND REGULATION OF MARKETS

State involvement in trade

- Governments were levying of customs duties on imports to protect local agriculture and industries (**protectionism**), served as useful income to the state.
- Subsidies were paid to encourage exports (**export promotion**) and improve the **balance of trade**
- Strong governments also stimulated trade by providing reliable currencies (**trade laws and regulations**)
- **Taxation and mobilisation of finance for investment in infrastructure**
- Kings, emperors and all forms of governments **collected taxes from earlier times for their own benefit and some employed tax collectors**
- **Forms of taxes:** poll tax, excise taxes, toll tax, customs duty, war tax, inheritance tax, sales tax, personal income tax

Comparative economic systems

- **Traditional system** – economic system where consumers were also producers
- **Manorialism** – economic system where each village was self-sufficient, they produce what was decided by officials
- **Feudalism** – **economic** system, but social, military and political system based on exchange of land by king for military service
- **Mercantilism** – economic system where the major trading nations based their economies on state interference for prosperity, wealth and power.
- **Communism** – political and economic system because state plans and controls the economy (community makes economic decisions)
- **Capitalism** – economic and social system in which private individuals and businesses own factors of production. It encourages economic growth and development and contributes to industrialisation

Public finance and the emergence about economic policy

- **Public finance** – is concerned with **government revenues** (direct and indirect taxes, revenues from government-owned corporations, sale of government assets and profits for minting coins) **and government**

expenditures (government consumption, government investment and transfer payments). And also deals with proper financial management

- **Economic policy** – strategies and measures adopted by a government to manage the economy as a means of achieving its objectives.

5. INDUSTRIAL DEVELOPMENT (also refer to industrial revolution as discussed)

Manufacturing

-Use of tools, machines and labour to produce goods and services

Technological progress, mobilisation of energy and mechanisation

-Industrial Revolution (as discussed above)

Urbanisation and migration

- **Urbanisation** – movement of people to towns and cities

- **Migration** - movement of people to other countries

6. EVOLUTION OF ECONOMIC INSTITUTION

Limited liability companies (during 1800s)

-Also known as joint stock emerged as the leading form of business, which means they are liable for company's debts to the value of the money invested.

Labour unions

Trade unions were developed during the Industrial Revolution because the employers exploited the workers in the mines and factories.

Financial institutions and the emergence of joint stock companies

Financial institutions – developed in middle 1700 because of financial risks and needs of producers, consumers, workers and governments.

They facilitate the flow of money in the economy.

They are highly regulated by the government

Globalisation and international economic cooperation

Globalisation – is the worldwide integrating and interaction of economies with trade as a key element

International economic cooperation and free trade are promoted by World Trade Organisation (WTO).

Activity 1

1.1. Choose the correct answer:

1.1.1 The breaking down of barriers to improve the free movement of goods, services and capital without regard for national boundaries is called ...

- A. Immigration
 - B. Globalization
 - C. Urbanization
 - D. Nationalization
- (2)

1.1.2 A characteristic of South Africa's manufacturing industry is that it is ...

- A. Highly concentrated.
 - B. Spread over different provinces.
 - C. Isolated from world markets.
 - D. Not contributing to the GDP.
- (2)

1.3. Indigenous money excludes _____

- A. Commodities
 - B. Scarce objects
 - C. Paper money
 - D. Pieces of gold
- (2)

1.4. The process of people moving from rural areas to urban areas is _____

- A. Urbanisation
 - B. Migration
 - C. Manufacturing
 - D. Travelling
- (2)

1.2. Give one term of the following descriptions:

1.2.1. Households aim to produce enough goods for their own consumption

1.2.2. Goods are exchanged for goods with more or less the same value

1.2.3. Laws that govern commercial transactions.

1.2.4. People move from place to place for food and water.

1.2.5. Firms focus on the production of one item in order to become more efficient.

1.2.6. An increase in the amount of goods and services produced in a country.

(6x1) (6)

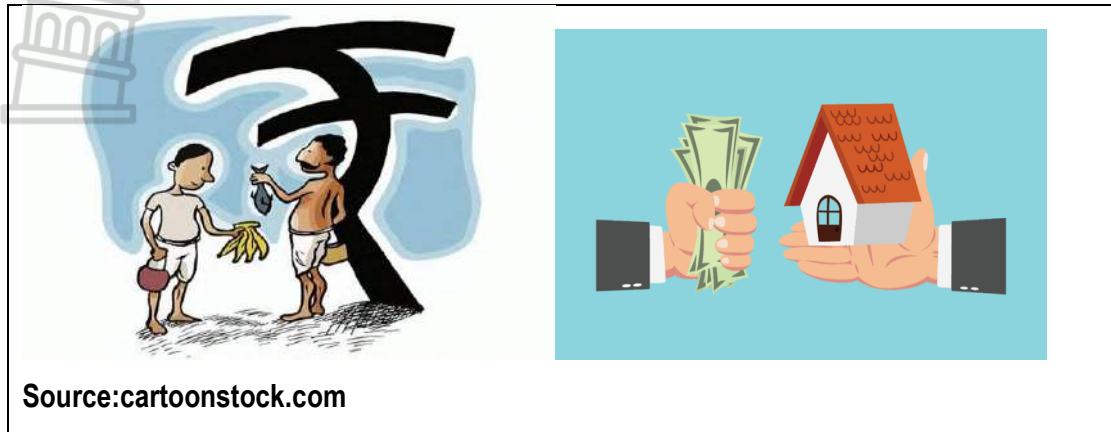
Activity 2

Data response question

2.1 Study the pictures below and answer the questions that follow:

Picture A

Picture B



- 2.1.1 Identify the picture that depicts bartering. (1)
- 2.1.2 Which economical method has led to barter? (1)
- 2.1.3 Briefly describe the concept specialization. (2)
- 2.1.4 Explain the role of Commercial Law in the evolution of markets. (2)
- 2.1.5 Explain how specialization has led to an increase in trade nationally and internationally. (4)
- 2.1.6 Discuss the government's involvement in trade through taxes and infrastructure. (2x4) (8)
- 2.1.7 Explain how an increase in the demand for goods and services contributed to Industrial development. (2x4) (8)

Activity 3

3.1 Read the following extract and answer the questions that following questions

SUBSISTENCE AGRICULTURE

Subsistence agriculture occurs when farmers grow food crops to meet the needs of themselves and their families. Agriculturalists target farm output for survival and for mostly for local requirements with no surplus. Subsistence peasants are people who grow what they eat. Subsistence agriculture generally features: small capital or finance requirements, mixed cropping, limited use of agrochemicals (e.g. Pesticides and fertilizers) unimproved varieties of crops and animals, little or no surplus yield for sale, use of crude or traditional tools (e.g. Hoes, machetes and cutlasses)

(Source: Google)

- 3.1.1 Identify one characteristics of self-sufficient societies. (1)

- 3.1.2 Name one features of subsistence agriculture. (1)
- 3.1.3 Describe the term barter exchange. (2)
- 3.1.4 What positive impact commercial farming have on economic growth? (2)
- 3.1.5 Compare living in self-sufficient societies and modern economies of today. (4)
- 3.1.6 Briefly explain the importance of language and learning in the development of economies. (4)

Activity 4

4.1 Study the picture below and answer the following questions.

EVOLUTION OF MARKETS



Pete Lit: Reading in Public: London, 1910

(Source: Google)

- 4.1.1 What is depicted by the above picture? (1)
- 4.1.2 Mention one area where first markets were located. (1)
- 4.1.3 Describe the term artisan. (2)
- 4.1.4 How was surplus production distributed in early societies? (2)
- 4.1.5 How specialization of labour influence our dependence on other people and countries to satisfy needs. (4)

Activity 5

5.1 Study the picture below and answer the questions that follow



TRADITIONAL FARMING



(Source: Google)

- 5.1.1 List one human activities of earliest human societies. (1)
- 5.1.2 Mention one example of commodity money. (1)
- 5.1.3 Describe the term barter exchange (2)
- 5.1.4 Explain the benefit of producing using technology? (2)
- 5.1.5 Briefly discuss the shortcomings of this method mentioned above of exchange? (4)
- 5.2 How do government manage to finance public services as their role in different economic system? (8)



TOPIC 9 POPULATION AND LABOUR FORCE

Population size

The total population in South Africa was last recorded at 55.91 million people in December 2016.

The population of South Africa represents 0.73 percent of the world's total population which possibly means that one person in every 138 people on the planet is a resident of South Africa.

There are FOUR factors that affect the size of the population (Population growth):

1. **Birth rate:** the number of live births per 1000 per year
2. **Death rate (mortality rate):** the number of deaths per 1000 per year.
3. **Immigration:** the number of **people moving into the country.**
4. **Emigration:** the number of **people leaving the country of origin.**

Counting of the population:

When the population of a country is counted, it is called a census.

The last census held in South Africa was in 2011.

It was also the third census of the first democratic government.

Population growth

Population growth is an increase in the number of people who reside in a country.

Example of South Africa's population growth:



SOURCE: TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

	Male	Female	Total
Population (2016)	27 379 800	28 529 100	55 908 900
% of Population	48.98%	51.02%	100%

A population is growing when:

1. the birth rate is higher than the death rate.
2. more people immigrate into the country

A population is decreasing when:

1. the death rate (mortality rate) is higher than the birth rate.
2. more people emigrate to another country.

To determine whether the population has grown the following formula is used:

$$(\text{Birth rate} + \text{Immigration}) - (\text{Death rate} + \text{Emigration})$$

Population estimates per Province: 2016

	Population estimate	% of total population
Eastern Cape	7 061 700	12.6
Free State	2 861 600	
Gauteng	13 498 200	24.1
KwaZulu-Natal	11 079 700	19.8
Limpopo	5 803 900	10.4
Mpumalanga	4 328 300	7.7
Northern Cape	1 191 700	2.1
North West	3 790 600	6.8
Western Cape	6 293 200	11.3
Total	55 908 900	100,0



Population growth rate

- The population growth rate is the rate at which the size of the population increase over a period of time, usually measured in a year.
- The rate may be positive or negative.
- It is important governments, businesses, organizations, etc. to have an idea of the countries growth rate.

- The growth rate is an indicator of the changing needs of the people; governments want to know the financial burden of providing infrastructure e.g. (schools, hospitals, roads, housing, etc.); businesses / government wants to know the how resources should be allocated e.g. (water supply, electricity, food, etc.) and how many jobs should be generated annually.

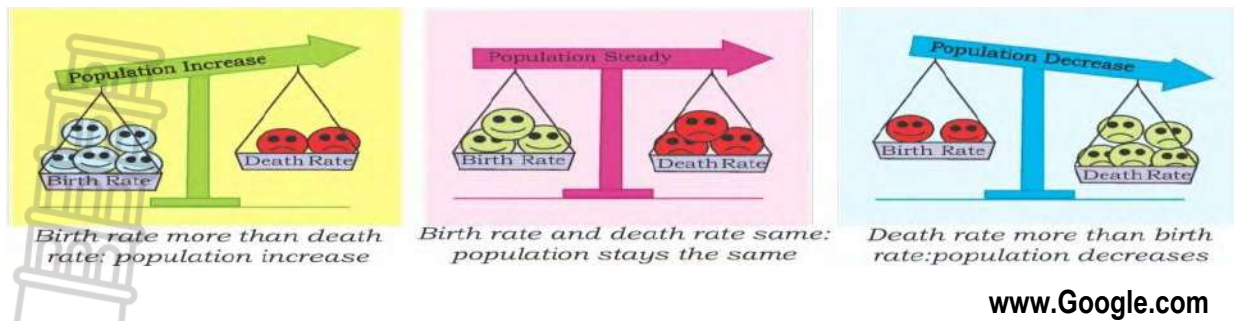
Estimated annual population growth rates, 2001–2015

Period	Male	Female	Total
2002–2003	1,43	1,15	1,28
2003–2004	1,46	1,17	1,31
2004–2005	1,48	1,20	1,34
2005–2006	1,51	1,23	1,37
2006–2007	1,54	1,26	1,40
2007–2008	1,57	1,30	1,43
2008–2009	1,60	1,33	1,46
2009–2010	1,63	1,36	1,49
2010–2011	1,66	1,39	1,52
2011–2012	1,69	1,42	1,55
2012–2013	1,72	1,45	1,58
2013–2014	1,76	1,48	1,62
2014–2015	1,79	1,52	1,65

Positive growth rate	Negative growth rate
<ul style="list-style-type: none"> • The birth rate is more than the death rate • Natural growth occurs • High population growth rate leads to population explosion 	<ul style="list-style-type: none"> • The birth rate is less than the death rate • Negative natural growth • Population shrinks 

Natural growth rate

Natural growth rate is the difference between the birth rate (live births) and the death rate of a population during a year.



Births and deaths for the period 2002–2015

Year	Total number of births	Total number of deaths	Total number of AIDS-related Deaths	Percentage of AIDS deaths
2002	1 118 916	608 480	271 419	44,6
2003	1 127 380	643 285	306 365	47,6
2004	1 134 751	671 101	334 281	49,8
2005	1 141 351	682 059	345 607	50,7
2006	1 150 015	625 210	289 321	46,3
2007	1 162 056	564 663	228 384	40,4
2008	1 175 212	542 038	195 835	36,1
2009	1 188 662	528 342	179 461	34,0
2010	1 201 175	535 396	183 465	34,3
2011	1 211 011	556 087	200 654	36,1
2012	1 222 324	555 921	197 090	35,5
2013	1 232 668	539 880	177 624	32,9
2014	1 242 070	516 929	151 040	29,2
2015	1 250 782	531 965	162 445	30,5

Fertility rate

- A country's fertility rate indicates how rapidly a population is increasing.
- The fertility rate is the average number of children born alive to a woman in her child bearing (reproductive) years.
- Child bearing years is between 15-49 years of age.

- South Africa's fertility rate is 2.34 births per woman (2015).
- The ideal fertility rate for a country is 2.1%.

Life expectancy rate:

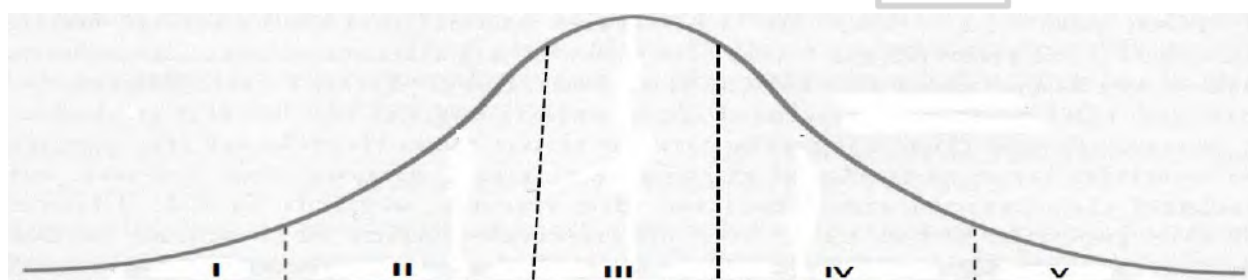
- The number of years a newborn infant could expect to live if prevailing patterns of age-specific mortality rates at the time of birth stay the same throughout the infant's life.
- South Africa's life expectancy is 62.4 years and Sweden has a life expectancy of 82.55 years.

Demographic indicators, 2002–2016

Year	Crude Birth Rate	Life Expectancy			Infant Mortality Rate	Under 5 Mortality Rate	Crude Death Rate	Rate of Natural Increase (%)
		Male	Female	Total				
2002	23.4	53.6	56.6	55.2	48.2	70.8	12.9	1.05
2003	23.6	53.2	55.7	54.5	48.2	71.1	13.5	1.01
2004	23.8	52.9	55.1	54.0	48.4	71.5	14.0	0.98
2005	24.0	52.8	54.8	53.8	48.7	71.8	14.3	0.97
2006	24.2	53.0	55.0	54.0	48.6	71.3	14.2	1.00
2007	24.5	53.4	55.5	54.5	48.0	70.0	13.9	1.05
2008	24.7	54.2	56.9	55.6	46.8	67.5	13.2	1.15
2009	24.5	54.7	57.9	56.4	43.4	63.9	12.8	1.17
2010	24.0	55.3	58.6	57.0	41.2	58.8	12.4	1.16
2011	23.5	56.2	60.2	58.3	39.7	55.6	11.7	1.18
2012	23.2	57.4	62.2	59.9	38.6	53.2	10.8	1.24
2013	22.9	58.3	63.6	61.0	37.7	51.3	10.2	1.27
2014	22.5	58.9	64.2	61.6	36.6	49.3	10.0	1.26
2015	22.2	59.3	64.7	62.1	34.4	46.6	9.8	1.23
2016	21.6	59.7	65.1	62.4	33.7	44.4	9.7	1.19

The demographic cycle

The demographic cycle, or population cycle, refers to the evolution over time of the population profile of a country, region or other defined geographical area.



Phase 1

During this phase:

- Birth rate and death rate is high.
- There is no birth control.
- The community is poor and absence of medical facilities and medical care.
- The average age of the population low.
- This is known as a young population.
- The natural growth is low.

Phase 2

During this phase:

- Birth control and family planning is not practiced – birth rate is high.
- Living conditions improve.
- Death of babies and mothers decrease.
- People live to an older age.
- The natural growth rate is higher than the first phase.
- Average age of the population increase.

Phase 3

During this phase:

The phase has two parts:

Part 1:

- Income and standard of living increase for a large part of the population.
- This result in social development - families accept new values which lead to a decrease in births.
- Death rate decreases at a faster rate and ensures a high natural growth rate.

Part 2

Birth rate decreases more rapidly than the natural death rate and the natural growth rate starts to decrease.

Phase 4

During this phase:

- Birth rate decreases rapidly.
- People realise that their standard of living can increase if they have fewer children.
- Family planning is accepted by a greater number of families – the natural growth rate declines.
- Medical care and services become affordable – death rate declines.

Phase 5

During this phase:

- The natural growth rate is low and starts to level out.
- Birth rate and death rate is low.
- The average age of the population increases – known as old populations, e.g. some European countries.

Text taken from: **Enjoy Economics**

Projected growth rates

- It is important to monitor the changes in the country's population growth rate.
- The government, policymakers and planners use population projections to gauge future demand for food, water, energy, and services.
- It gives the government and planners an idea of the composition of the labour force.
- It gives the government and planners an idea on the size of future school age population - it assists governments to plan to meet the demand for housing, education (building of schools, number of teachers needed, educational infrastructure; desks, books, etc.).



- According to the above graph, the population is expected to increase to 58 million in 2018.

Migration

- Migration is the movement of people between countries, regions, areas, etc.
- **Migration = Immigration – Emigration**
- Large scale migrant workers from neighbouring countries employed in mines have work permits that give them legal residence in the country for a specific period of time.

Voluntary Migration

People choose to move to other areas, countries, regions for:

- better living conditions
- access to health care
- access to good education
- better employment opportunities
- higher wages

Forced (Involuntary) migration

- Forced migration is the movement of refugees and internally displaced people.
- People are displaced by conflicts (wars) within the country or region.
- People are displaced by natural or environmental disasters, chemical or nuclear disasters, famine, etc.

People are forced to move to other areas and regions as a result of:

- **Wars:** Rwanda: 1994; Iraq: 2003 / present; Syria: present; DRC: 2006 / present; etc.
- **Natural disasters:** Ethiopia, 1984, 2006, present; en Eritrea: 1996 and present;
- **Nuclear disinter:** Chernobyl April 1986;
- **Environmental disasters:** Earthquake Taiwan 1999.

Immigration

- Immigration is when people enter a country to settle themselves permanently in the country.

Emigration

- Emigration is when people leave a country to settle permanently in another country.
- South African people are free to emigrate.
- Those who emigrate is professional people and technical skilled people of South Africa.
- This is harmful to the economy because it creates a skill shortage.

Labour force

Describe the term: Labour force

The labour force of a country consists of those people who take part in the country's production and exchange activities.

Three groups not part of the labour force:

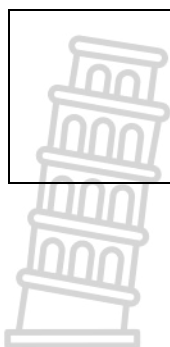
1. Children and senior citizens (0-14 and 64+)
2. People who cannot work (Disabled people)
3. People who prefer not to work (homemakers)

Age composition

Distribution of the South African population by age group in %						
Age group	Number of people				Total	%
	Male	%	Female	%		
0-14	8 491 453	31.0	8 315 788	29.1	16 807 241	30.1
15-64	17 775 353	64.9	18 417 149	64.6	36 192 502	64.7
65+	1 112 922	4.1	1 796 200	6.3	2 909 122	5.2
	27 379 728	100.0	28 529 137	100.0	55 908 865	100.0

The table above shows the age composition of South African population.

Youth 0-14	<ul style="list-style-type: none"> • Children younger than 15 years of age • They are depended on adults for their food, clothing and education. • The youth population is divided between males (31.0%) and females (29.1%). • 30.1% of the total population of South Africa's is younger than 15 years old.
EAP 15-64	<ul style="list-style-type: none"> • It is persons between the ages of 15 and 64. • They form part of the economically active population (EAP). • They support the youngsters and the elderly. • 64.9% of the population between the age group 15-64 is males and 64.6% is female • 64.7% of South Africa's population fall between the ages of 15 and 64.
Elderly 65+	<ul style="list-style-type: none"> • People in this group is 65 and older • They are not regarded as part of the economic active population



- These people are mostly pensioners
- 4.1% of the elderly is male and 6.3% is female.
- 5.2% of the elderly population in South Africa is 65 years old and older.

Describe the term “Economically Active population” (EAP)

- The economic active population is all those people between the ages of 15-64 years of age who present their labour for the production of goods and services in return for remuneration.
- The EAP is that portion of the population who can work.

There are people in the age group 15 – 64 who are not part of the EAP:

1. Disabled and ill people who cannot work
2. Learners and students
3. People who prefer not to work (for example, homemakers, people looking after their kids) and they do not receive remuneration.

The South African labour force

Labour force numbers

Key findings of the QLFS conducted from April to June 2017 (Q2: 2017).

	Apr – Jun 2016	Jan – Mar 2017	Apr – Jun 2017
Population age 15 – 64 year	36 591	37 061	37 217
Labour force	21 179	22 426	22 277
Employed	15 545	16 212	16 100
Formal sector (Non-agricultural)	10 917	11 337	11 193
Informal Sector (Non-agricultural)	2 507	2 681	2 761
Agriculture	825	875	835
Private Households	1 296	1 319	1 311
Unemployed	5 634	6 214	6 177
Non Economically Active	15 412	14 634	14 941
Discouraged work seekers	2 526	2 277	2 361
Other (non-economically active)	12 886	12 357	12 580

Rates (%)			
Unemployment rates	26,6	27,7	27,7
Employment / population ratio (absorption rate)	42,5	43,7	43,3
Labour force participation rate	57,9	60,5	59,9

Describe the term “Labour force participation rate” (LFPR)

- The labour force participation rate is the rate to determine which part of the population is economically active.
- Labour force participation rate = Labour force (EAP) ÷ Population (15-64) X 100

South Africa’s labour participation rate (2017)

- Labour force participation rate (2017) = Labour force ÷ Population (15-64) X 100
 $22\,277 \div 37\,217 \times 100 = 59.9\%$



TOPIC 10 Unemployment and Employment

Describe the term Unemployment

An unemployed person is someone between the ages of 15 -64, who is able to work, wishes to work and is looking for a work but cannot find a work or become self- employed.

There are two kinds of Unemployment:

Expanded definition of unemployment	Strict (official) definition of unemployment
Include unemployed persons not looking for a job or trying to become self-employed.	Include only persons actively looking for work or trying to become self-employed
South Africa's expanded unemployment rate is 36,6%	South Africa's official unemployment rate is 27.7% No of unemployed persons ÷ labour force = unemployment rate $6177 \div 22\ 277 \times 100 = 27.7\%$

	Official Unemployment rate			Expanded unemployment rate		
	Apr - Jun 2016	Jan-Mar 2017	Apr-Jun 2017	Apr -Jun 2016	Jan-Mar 2017	Apr-Jun 2017
	Percentage %			Percentage %		
South Africa	26,6	27,7	27,7	36,4	36,4	36,6
Western Cape	22,2	21,5	20,7	24,6	24,7	24,6
Eastern Cape	28,6	32,2	34,4	43,8	43,6	44,5
Northern Cape	27,4	30,7	30,5	39,8	43,9	45,3
Free State	32,2	35,5	34,4	38,1	41,7	40,5
KwaZulu-Natal	22,6	25,8	24,0	39,7	41,0	40,4
North-West	27,3	26,5	27,2	42,6	41,7	42,0
Gauteng	29,5	29,2	29,9	33,0	32,0	32,9
Mpumalanga	28,8	31,5	32,3	41,0	41,2	41,4
Limpopo	20,6	21,6	20,8	38,6	38,2	37,1

Employment

It the engagement of the factors of production called labour in the productive activity for which they receive a remuneration.

South Africa's employment rate is:

Employment rate = Employment ÷ population (15-64) x 100

$16\ 100 \div 37\ 217 \times 100 = 43.3\%$



South Africa's employment distribution across provinces

Province	Apr-Jun 2016	Jan – Mar 2017	Apr – Jun 2017
	Thousands		
South Africa	15 545	16 212	16 100
Western-Cape	2 266	2 406	2 403
Eastern Cape	1 350	1 442	1 416
Northern Cape	303	299	292
Free State	797	767	777
KwaZulu-Natal	2 479	2 555	2 583
North- West	915	976	978
Gauteng	4 942	5 193	5 050
Mpumalanga	1 171	1 217	1 212
Limpopo	1 324	1 358	1 390

- South Africa's employment is unequally distributed across provinces.

Geographic distribution

South Africa's population is unevenly distributed across the nine provinces.

	Population estimate	% of total population
Eastern Cape	7 061 700	12.6
Free State	2 861 600	5.1
Gauteng	13 498 200	24.1
KwaZulu-Natal	11 079 700	19.8
Limpopo	5 803 900	10.4
Mpumalanga	4 328 300	7.7
Northern Cape	1 191 700	2.1
North West	3 790 600	6.8
Western Cape	6 293 200	11.3
Total	55 908 900	100,0

- Migration of people between provinces is unavoidable
- People move from rural areas to urban areas causing the uneven geographical distribution in areas.
- People move to certain areas in the search of:
 1. Better economic opportunities
 2. Employment opportunities
 3. Better living conditions

4. Better climate
5. Access to water resources
6. Fertility of soil
7. Etc.

Urbanisation

- Urbanisation is the movement (migration) of people from rural areas to urban areas.
- Urbanisation has led to the growing numbers of people in cities.

Activity 1:

- 1.1 Give the correct concept for the following statements. Write only the correct answer.
- 1.1.1 Consists of the people living in that country (1)
 - 1.1.2 The cyclical pattern that reflects the natural growth rate of a population (1)
 - 1.1.3 The movement of people from one country to another (1)
 - 1.1.4 The difference between the birth rate and the death rate in a country. (1)
 - 1.1.5 The number of people in that country who can work and are available to work. (1)
- 1.2 Match the concepts in Column A with the descriptions in Column B

Column A	Column B
1.2.1 Labour Force participation rate	A Includes employed and unemployed people
1.2.2 Economically active population	B Those who want to work but have given up looking for work
1.2.3 Labour absorption rate	C The state of having paid work
1.2.4 Not economically active	D Actively looking for work
1.2.5 Discouraged work seekers	E The percentage of the working-age population who are employed
	F Disabled people and children under 15
	G The total number of people employed or seeking employment in a country

(5 x 1)

(5)

Activity 2:

- 2.1 Answer the following questions.
- 2.1.1 List any **TWO** factors which influence a country's population growth rate (2)
 - 2.1.2. List any **TWO** factors which contribute to high fertility rates (2)
 - 2.1.3 List **TWO** forms of migration (2)
 - 2.1.4 List **TWO** groups of people who are not part of the labour force (2)
 - 2.1.5 List any **TWO** factors which contribute to urbanisation. (2)

Activity 3:

3.1 Study the table below and answer the questions that follow:



Table 5: Mid-year population estimates by population group and sex, 2019

Population group	Male		Female		Total	
	Number	% of total male population	Number	% of total female population	Number	% of total population
Black African	23 124 782	80,7	24 318 477	80,8	47 443 259	80,7
Coloured	2 513 221	8,8	2 663 530	8,8	5 176 750	8,8
Indian/Asian	768 594	2,7	734 413	2,4	1 503 007	2,6
White	2 266 151	7,9	2 385 855	7,9	4 652 006	7,9
Total	28 672 747	100,0	30 102 275	100,0	58 775 022	100,0

- 3.1.1 Identify any population group in the above table (1)
- 3.1.2 Which year was the above data presented? (1)
- 3.1.3 Describe the term population (2)
- 3.1.4 How can the covid-19 affect the population growth? (2)
- 3.1.5 Distinguish between birth rate and death rate (4)

Activity 4

4.1 Study the extract below and answer the questions that follow:

Statistics South Africa (Stats SA) will conduct a population count in 2021, Census 2021. This will be the fourth population count in post-apartheid South Africa. A census is the largest undertaking by a statistical agency, where everyone in the country is counted. The data collected during a census is used for planning, policy and evidence based decision-making. Census data also provides content for a wide variety of programs and services used by different structures and communities across the country. According to the Statistics Act (Act No.6 of 1999), a census in South Africa should be conducted every five years. However, a decennial census is undertaken and in between censuses, a large scale survey called the Community Surveys is conducted every five years. Stats SA is mandated by the Statistics Act to collect data for official statistics and to conduct a census. In terms of section 17 of the Act, information collected on individuals and their households remains confidential. The Act also makes it obligatory to provide data to Stats SA fieldworkers administering questionnaires for producing official statistics.

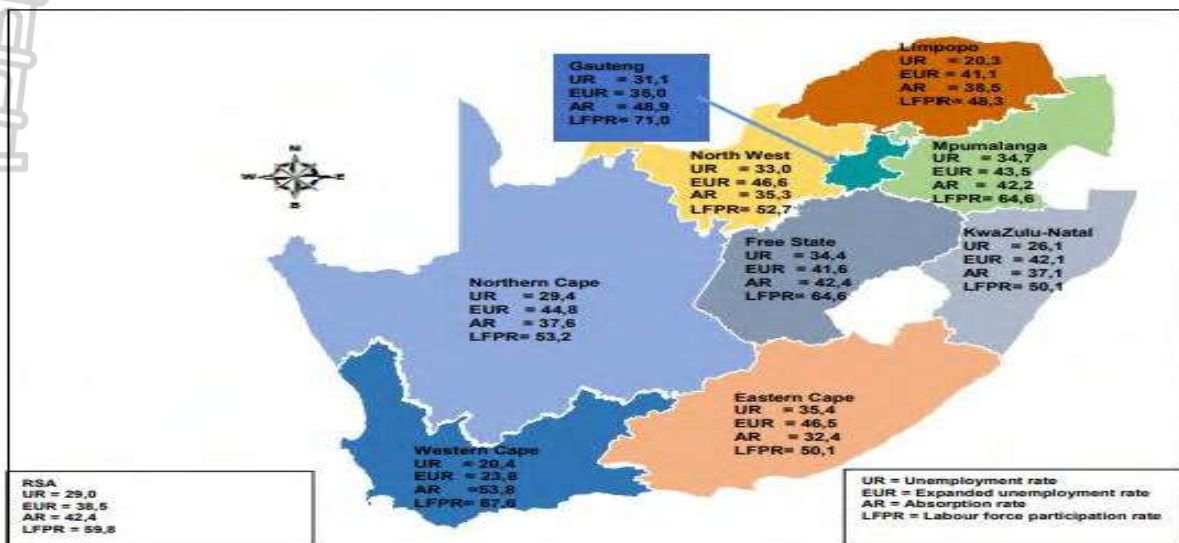
Source: StatsSA

- 4.1.1 Which institution that collects a population data in South Africa? (1)
- 4.1.2 When is the next census will be conducted (1)
- 4.1.3 Briefly describe the term census (2)
- 4.1.4 How can migration affect the population growth? (2)
- 4.1.5 How to calculate the natural growth rate? (4)

Activity 5

5.1 Study the map below and answer questions that follow

Summary of labour market measures at glance, Q2: 2019



- 5.1.1 Which country is the above map refers to? (1)
- 5.1.2 How many provinces are in the above map? (1)
- 5.1.3 Briefly describe the term unemployment (2)
- 5.1.4 Explain what has happened to the labour absorption rate in the last three years (2)
- 5.1.5 Distinguish between the formal and informal sector (4)

Activity 6

- 6.1 Discuss the **FIVE** phases of a demographic cycle (26)
- 6.2 Evaluate the impact of Covid-19 in the economy of South Africa (10)

The nature of unemployment

In South Africa, we use two different definitions of the concept 'unemployed'. The first is the official definition used by Statistics South Africa (StatsSA); the second is the expanded (or broader) definition.

According to the **official definition**, someone is unemployed if:

- the person did not work during the seven days prior to the survey
- the person wants to work and is available to start work within a week of the survey
- the person has taken active steps to look for work or to start a business in the four weeks prior to the survey.

According to the **expanded definition**, someone is unemployed if:

- the person did not work during the seven days prior to the survey
- the person wants to work and is available to start work within a week of the survey.

The unemployment rates

To calculate the unemployment rate:

Unemployment rate = number of unemployed/total EAP x 100/1

The economically active population (EAP) consists of:

- People between the age of 16-65 who have jobs, as well as those who do not have a job but who are able to work and want to work.
- People between the age of 16-65 who are able to work, but who do not want to work because they are still at school or college, or are retired.
- It does not include people younger than 16 and those who may not work because they are in prison.

Types of unemployment

Frictional unemployment

- Frictional unemployment occurs when a person is between jobs, or is looking for a job for the first time (such as a school-leaver or student who has recently graduated). It is supposed to last for a short period.

Cyclical unemployment

- Cyclical unemployment is the result of cyclical changes or fluctuations in the economy. During an economic recession, many workers lose their jobs. When the economy recovers and starts to expand, these workers may find jobs again.

Structural unemployment

- Structural unemployment occurs when the nature of the economy changes and the skills of the labour force do not match the needs of the economy or the technology used in the workplace. For example, South Africa has a shortage of engineers.

Seasonal unemployment

- Seasonal unemployment occurs when workers in a particular occupation are only needed for part of the year. For example, fruit farmers only use fruit-pickers and packers during the harvest. Seasonal unemployment is common in the agricultural and hospitality industries.

Characteristics of South Africa's unemployment

Unemployment in South Africa has specific characteristics that are partly due to our history.

Lack of education and the correct skills

Much of South Africa's population cannot find employment because they do not have the necessary skills. We have mostly structural unemployment.

One of the reasons for the lack of skills of many older South Africans is the apartheid policies of the past.

The number of unemployed, unskilled workers in South Africa is increasing due to structural changes in our economy. For example:

- Technological development and mechanisation mean that machines now do much of the work previously done by unskilled or low-skilled workers.
- Globalisation means that South Africa has to compete with other economies to produce goods and services efficiently and cheaply.
- The primary sector of the economy is becoming less important.

Young people are more likely to be unemployed

South Africans between the ages of 16 and 24 years of age have very high levels of unemployment. It is often difficult to find a first job, because you do not have any work experience. Knowledge learned at school quickly becomes outdated, especially computer skills, as information technology tends to change very quickly.

Gender

As the result of discrimination, many women received fewer years of education and skills training than men. Some women choose careers where there is less demand for their skills so they more likely to be unemployed.

Race

A far greater percentage of black and coloured people are unemployed than white and Indian. Under the policy of apartheid that existed before 1994, black and coloured people received poor quality education and skills training which has left many of them unemployable.

Causes of unemployment

Population increase

- The population growth rate in South Africa is higher than the economic growth rate.
- The economy is not growing fast enough to provide jobs for all the young people being added to the job market each year.

Capital investment and mechanisation

- Competition within South Africa as well as from the global economy means that businesses are under ever-increasing pressure to produce more goods and services more efficiently.
- Businesses invest in machinery, which works faster, to keep up with the demand.
- Machines are less complicated to deal with than people: machines do not need leave, and they do not strike for higher wages.
- Mechanisation leads to workers becoming unemployed.

Historic reasons

- The policies of apartheid prevented a large section of the South African population from getting proper education and training.
- Many economically active people in our country do not have the right skills for jobs in today's sophisticated economy.

Economic cycles

- When the economy is in a recession, or in a downward (shrinking) phase, there is less demand for goods and services.
- Businesses decrease production as a result and workers lose their jobs.
- There are fewer opportunities to find casual work or to start new businesses.

Effects of unemployment

High levels of unemployment have serious economic, social and political consequences.

Poverty

- Unemployment is the main reason for high levels of poverty in South Africa.
- Official figures put South Africa's unemployment at about 4,4 million, but the expanded definition estimates there are at least 7 million unemployed people.
- One employed person usually supports a large number of family members, so even one person being without work has a big ripple effect.
- Almost half of the total South African population lives in poverty.
- The Unemployment Insurance Fund (UIF) only provides money to people who have recently been in formal employment, and have contributed to the fund. It does not help the millions of people who have never been able to find a job, or who have been unemployed for many years.

Social problems

- Being unemployed affects people's pride and dignity.
- If you are unemployed, you cannot provide for your family and may become desperate enough to turn to crime for money.
- Families who cannot pay their rent or bond repayments become homeless or have to rely on relatives or friends who may already be struggling financially.
- High crime rates make people scared and uncertain.
- High levels of substance abuse and domestic violence are common in communities with high unemployment rates.
- Boredom, depression and lack of motivation are common problems for unemployed people.

Cost to the taxpayers

- Since 2001, the government has increased its spending on social welfare grants to the poor.
- The government taxes workers and businesses to get the money to pay these grants.
- The money raised from these taxes could have been used for infrastructure such as schools, hospitals, and roads.
- Many more people in South Africa receive grants than pay taxes.

Approaches to solving the problem of unemployment

The Government has implemented a number of programmes to solve the problem of unemployment in the country. If the economy grows, it can create more jobs. This will help to solve the problem of unemployment.

Government programmes to solve unemployment

GEAR

- The Growth, Employment and Redistribution policy (GEAR) was introduced after 1994 to create more economic growth.

ASGI-SA

- The goal of ASGI-SA is to halve poverty and unemployment by 2014. We need the economy to grow at a rate of 6% per annum to achieve this.

JIPSA

- The Joint Initiative on Priority Skills Acquisition (JIPSA) was created to identify scarce skills that we need to grow the economy.

Growth of production

If we increase the demand for goods and services, we have to increase production to satisfy this demand. This means more people have to be employed. This will reduce unemployment.

Local production

- To solve local unemployment, we need to increase local production.
- The Proudly South African programme encourages South Africans to 'buy South African'.

Local businesses

- The government is trying to encourage SMMEs by passing laws to help these businesses with funding and to make their tax returns and other record-keeping easier.

Public works programmes

- The National Public Works Programme (NPWP) was started in 1994 to upgrade South Africa's infrastructure and provide job opportunities at the same time.
- The NPWP uses labour-intensive methods to improve roads, pipelines, water supply and sanitation, and to build houses, schools, and clinics.
- This employs many unskilled people.
- People have the opportunity to learn new skills and improve the infrastructure at the same time.

Unemployment Insurance Fund (UIF)

- The Unemployment Insurance Fund (UIF) is an insurance scheme that provides temporary income for people who have lost their jobs.
- It only pays out if you have previously been employed, and it only pays out for six months.
- It does not help people who have never been employed, or who have been unemployed for more than six months.

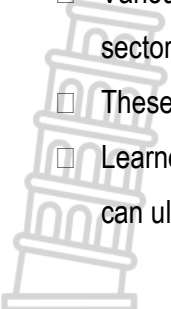
Economically marginalised groups

- Economically marginalised groups are those people who have not been part of the economy in the past.
- Marginalised groups are the most vulnerable to unemployment.
- Marginalised groups include those who were previously disadvantaged as a result of apartheid policies.
- Marginalised groups received inferior education and so have few skills to offer.
- They form the majority of unemployed South Africans.

Government projects have been created to deal with the problem of unemployment among marginalised groups.

Skills development

- The government has introduced the Skills Development Act to improve the skills of marginalised South Africans.
- Employers have to contribute a small percentage of their turnover to the Skills Development Fund.

- 
- Various Sectoral Education and Training Authorities (SETAs) represent the different sectors in the economy.
 - These SETAs work with employers to offer learnerships to young people.
 - Learnerships equip individuals with skills and knowledge specific to the industry, and can ultimately lead to employment opportunities.

Correcting past policies

The government has introduced a number of policies and laws to correct the old apartheid injustices.

It is government policy to buy products and services from Broad-based Black Economic Empowerment (BBBEE) companies, whenever possible.


The Employment Equity Act (EEA) and affirmative action

- The Employment Equity Act and policies of affirmative action have been introduced to address past policies that discriminated against certain population groups.
- Employers must give preference to black people (that is, people who are black, Coloured or Indian), women and people living with disabilities, when recruiting workers.
- This applies to all except very small businesses.
- If necessary, employers must prioritise employing people from specific groups, so that the workforce in their business becomes more representative of the general population.

Employers in both the private and public sectors have to implement Affirmative Action (AA) policies when they appoint people. Private companies that want to do business with the government must comply with the EEA.

Broad-based Black Economic Empowerment (BBBEE)

Broad-based Black Economic Empowerment (BBBEE) policies aim to increase the black ownership of businesses.



ACTIVITY 1

1.1 Study the article below and answer the questions that follow

COVID-19 RELATED UNEMPLOYMENT IN SA

South Africa's unemployment rate worsened to 30.1% in the second quarter, from 29.7% in the first quarter, Statistics SA reported on Tuesday in its quarterly labour force survey. Manufacturing lost 105,000 jobs, community, social and personal services lost 93,000, and trade lost 57,000 jobs.

The number of discouraged work seekers increased to 2.9 million people during this period, while the working-age population increased by 154,000 people. The Free State suffered the largest increase in its unemployment rate, which grew by 1,6 percentage points, followed by Gauteng, at 1,1 percentage points and the Western Cape, where unemployment rose by one percentage point. The Eastern Cape has the highest unemployment rate, at 45.8%.

[Source: <https://www.heraldlive.co.za/business/2020-08-01-unemployment-rate-worsens-to-301/>]

- 1.3.1 What was the unemployment rate for the second quarter of 2020? (1)
- 1.3.2 Which province had the highest increase in its unemployment rate according to the extract? (1)
- 1.3.3 Describe the term underemployment. (2)
- 1.3.4 Explain how the rate of unemployment is calculated in South Africa. (2)
- 1.3.5 How efficient is the government in reducing unemployment in SA? (4)

ACTIVITY 2

2.1 Study the cartoon below and answer the questions that follow:

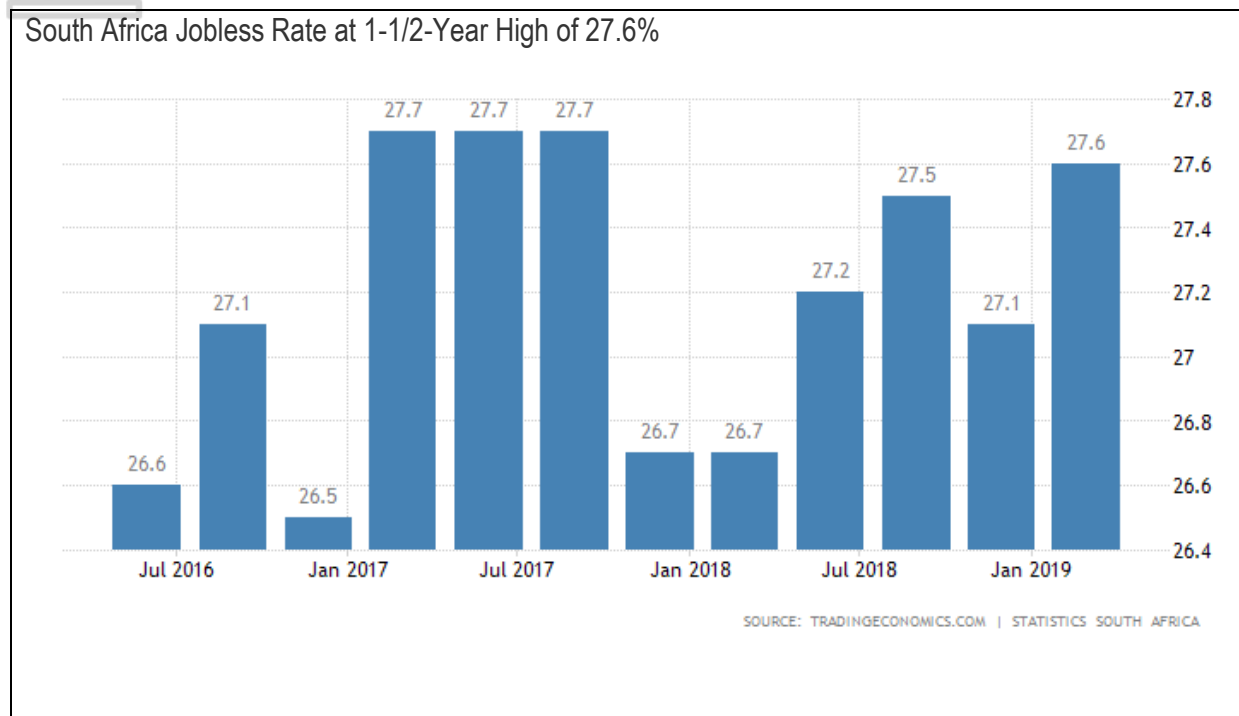


- 2.1.1 Identify the institution responsible for unemployment figures in SA. (1)
- 2.1.2 Name the age groups that form part of the unemployment rate. (1)

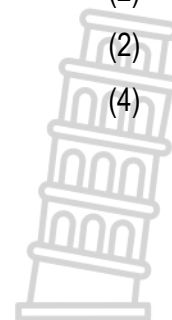
- 2.1.3 Describe the term unemployment according to the strict definition. (2)
- 2.1.4 Explain how unemployment affects society and individual. (2)
- 2.1.5 How can the development of local businesses help to reduce unemployment? (4)

ACTIVITY 3

3.1 Study the graph below and answer the questions that follow:

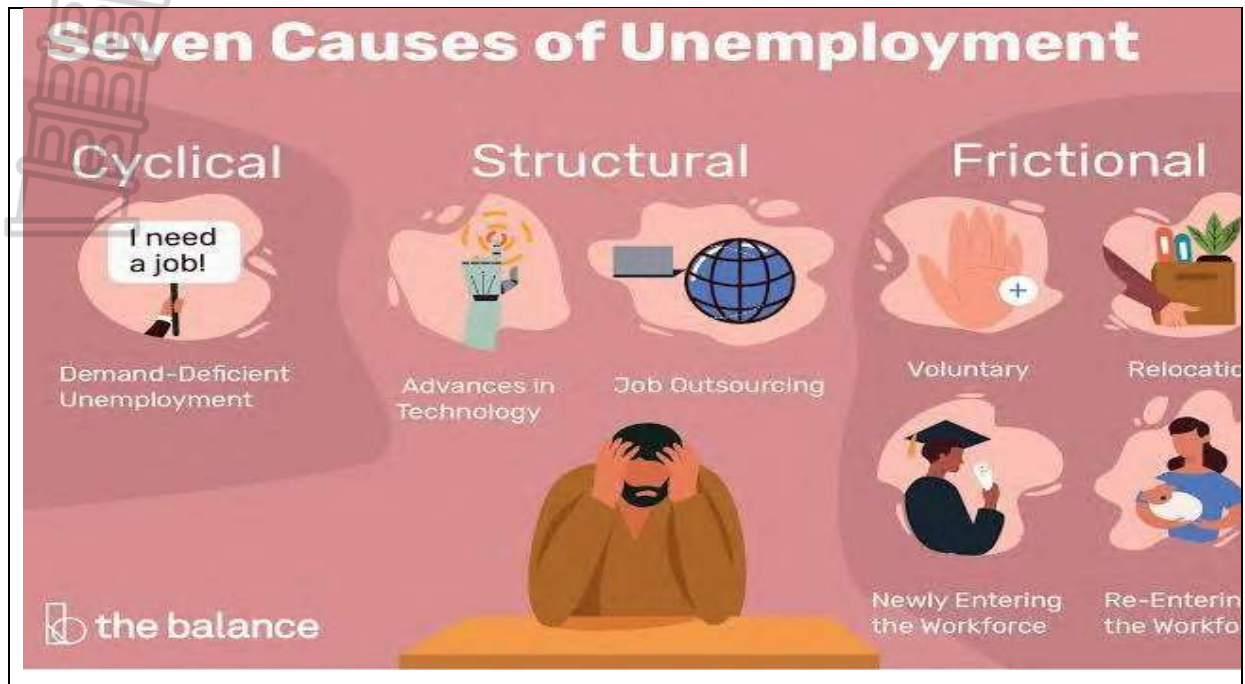


- 3.1.1 What is shown by the above graph? (1)
- 3.1.2 What was the percentage change between July 2017 and Jan 2018? (1)
- 3.1.3 Describe the term economically marginalized group. (2)
- 3.1.4 Explain the importance of training in reducing unemployment. (2)
- 3.1.5 Why is unemployment a burden on taxpayers? (4)



ACTIVITY 4

4.1 Study the cartoon below and answer the questions that follow:



- 4.1.1 Provide the other type of unemployment that is not shown above. (1)
- 4.1.2 Which type of unemployment occurred as result of Covid-19? (1)
- 4.1.3 Describe the term structural unemployment. (2)
- 4.1.4 Explain the effect unemployment on the economically marginalized group. (2)
- 4.1.5 How can the increase in government spending help reduce unemployment? (4)

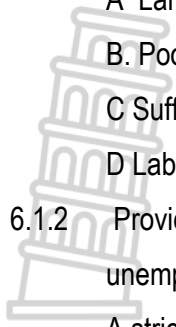

ACTIVITY 5: DISCUSSIONS

5.1 Answer the following questions

- 5.1.1 Discuss *gender* and *age* as characteristics of unemployment. (8)
- 5.1.2 Discuss *public works programmes* and *unemployment insurance* as methods to combat unemployment (8)
- 5.1.3 Discuss the *social* and *economic problems* caused by unemployment. (8)
- 5.1.4 Evaluate the effectiveness of measures to combat unemployment in SA. (8)

ACTIVITY 6

- 6.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A–D) next to the question number (1.1.1–1.1.7) in the ANSWER BOOK, for example 1.1.8 B.
- 6.1.1 The following is regarded as a general cause of unemployment:

- 
- A Large skilled labour force
B. Poor education system
C Sufficient growth in the economy of a country
D Labour intensive industries
- 6.1.2 Provides unemployment figures according to both narrow and broad definitions of unemployment
A strict definition
B BBBEE
C Statistics South Africa
D SARB
- 6.1.3 A situation where a person is not employed to his or her full capacity
A underemployment
B stability
C overemployment
D unemployment rate
- 6.1.4 The sum of employed and unemployed persons between the ages of 15 and 65.
A labour
B retired population
C child labour
D economically active population
- 6.1.5 A law passed to promote equal opportunity in the workplace.
A Labour Relations Act
B Employment Equity Act
C RDP
D GEAR
- 6.1.6 The overall inability of an economy to provide employment for its total labour force, leads to ... unemployment.
A seasonal
B frictional
C cyclical
D structural
- 6.1.7 A government policy implemented in 2010 with the aim of creating five million jobs by 2020:
A ASGISA
B NGP
- 



(7x2)

ACTIVITY 7

7.1 Choose a description from **COLUMN B** that matches an item in **COLUMN A**. Write only the letter (A–F) next to the question number (2.1.1–2.1.5) in the **ANSWER BOOK**, for example 1.2.6. G

COLUMN A		COLUMN B	
7.1.1	Economically active population	A.	Are key drivers of economic growth, innovation and job creation
7.1.2	Unemployment Insurance Fund	B.	Is a policy that tries to reduce discrimination by ensuring equal opportunity in employment
7.1.3	Public works programme	C.	Their main responsibility is to set up training schemes called Learnerships.
7.1.4	SMMEs	D.	The sum of employed and unemployed persons between the ages of 15 and 65.
7.1.5	Expanded definition	E.	Is an initiative that supports and encourages training and skills development efforts of the public and private sector that supports economic growth.
7.1.6	Economically marginalized group	F.	Is the provision of employment by the creation of public goods at a prescribed wage for those unable to find alternative employment
7.1.7	JIPSA	G.	Includes all people who are out of work whether or not they are willing or able to work.
7.1.8	SETAs	H.	The group of people with a smaller ability to find a job or to earn a salary or a wage as result of apartheid policy before 1994
7.1.9	Affirmative Action	I.	The process of counting people.
		J.	Workers who lose their jobs can claim a portion of their wages from the fund for six months.

ACTIVITY 8: ESSAY (40 MARKS)

- Discuss in detail the different types of unemployment. (26)

What strategies have been implemented by the South African government to redress the issue of unemployment? (10)



TOPIC: 11 LABOUR RELATIONS

CONCEPTS

- **Segmented:** labour market exists when there are different skills and employment requirements.
- **Derived demand** is demand that is result of the demand for another.
- **Wage rate** is payment for labour per hour, per week or per month.
- **Labour conventions** are labour standards developed the international labour organisation
- **Collective bargaining** takes place when workers negotiate as a group with employers with regard to working conditions.
- **Bargaining councils** are used to express the percentage of the population that is presenting itself for work and that is earning a wage.
- **Labour force participation rate (LFPR)** is the formula used to express the percentage of the population that is presenting itself for work and that is earning a wage.
- **Mediation** –negotiation to resolve differences that is conducted by an impartial party.
- **Conciliation** –bringing parties together and getting them to agree on a certain course of action.
- **Arbitration** –the hearing and determination of dispute by an impartial referee.
- **Equality** refers to all people receiving the same fair treatment

THE LABOUR MARKET IN THE SOUTH AFRICAN CONTEXT

A labour market...

- is a market where labour is traded.
- is a factor market.
- is a people-orientated
- that only trades working terms and not the workers themselves The income of people is largely determined by the jobs they do.
- For example, a computer programmer earns more than a service station attendant.
- Supply and demand within the labour market determines what wages are paid.

Characteristics of the Labour Market against the goods market

The following are some of the most important differences:

1. Workers usually have to be physically present when their services are used. As a result, non-monetary factors such as location of employment and other working conditions are more important in labour markets than in

markets for other factors of production for example if you are working in a farm you would need to be physically present.

2. Labour services are embodied in the persons concerned and are therefore **not transferable** to other people. Goods, in contrast, are fully transferable between purchasers and sellers.
3. Labour markets differ from goods markets in that labour is always rented rather than sold. A person can rent his or her services but nobody can buy him or her.
4. Labour markets are typically characterised by trade unions, employee's associations, collective bargaining and government intervention for example COSATU is a trade union in South Africa whilst the National Union of Mine Workers is an employee's association
5. Labour is usually employed by means of long term contracts, for example we see soccer stars or footballers being signed on a 1 year or two-year contract and some workers are even permanently employed
6. Labour is heterogeneous or different unlike goods is cannot be classified or standardised. No two people are the same even if they may all hold the same qualification.
7. The remuneration or payment of labour does not consist only of its wage. The remuneration package may include various **non-wage benefits** (such as housing, medical, and pension, travel and holiday benefits).

DEMAND FOR LABOUR

- When the economy is growing more workers are employed.
- When they have negative expectations, employers lower the wages and demand returns to **DD**.

Demand is determined by the following factors:

I. Performance of the economy

- If the economy grows, more goods and services are sold, thus more labour is employed.
- If the economy is in recession, fewer goods and services are sold and less labour is employed.
- In the recovery phase, the opposite happens.

II. Productivity of labour

- Productivity is the relationship between real output and the quantity of input used to produce that output.
- Productivity is, therefore, a measure of input efficiency.
- *Labour productivity* as the number of units of output obtained from a unit of labour input.

$$\text{productivity} = \frac{\% \text{increase in output (e.g. production)}}{\% \text{increase in input (e.g. capital or labour or both)}} \times 100$$

SUPPLY OF LABOUR

- Within the economy, more people will give up their leisure time and work if wages are higher.
- The labour supply curve slopes upward

Supply are affected by the following factors:

a. Population growth rate

- The labour force (EAP) in South Africa is approximately 1/3 of the total population.
- It grows at a rate that is more or less similar to the population growth rate.

b. Labour force participation rate

- The extent to which labour is available for employment is expressed by the labour force participation rate (LFPR).
- The number of women available for employment has increased substantially over the years
- An increase in the supply of labour pushes the supply curve to the right.

c. Skills and other competencies

- All the workers in the aggregate labour supply may not have the skills and other competencies.
- Eg. if computer skills are required, typing skills are inadequate.

A workforce that lacks skills



INTERACTION OF SUPPLY AND DEMAND

- Wage rates are determined by the **market demand and supply for labour**.

a) *Equilibrium wage rate*

- Curve **DD** represents the labour demanded, and curve **SS** represents the labour supplied.
- **W** is the equilibrium wage.
- If demand and supply shift, a new equilibrium is established at **d**.

b) *Market failure*

- If unemployment is in excess of its natural level, it indicates market failure.
- Labour market failure are shortages of skilled labour, workers that are in jobs that they are not best suited for, lack of training, and wages that are above or below their equilibrium levels.

I. **Immobility of labour**

- **Geographic immobility**-when workers find it difficult to move from one geographic area to another.
- For example, this may be caused by a lack of accommodation in the urban areas.
- **Occupational immobility**- where workers may not be trained for the kind of work that is available.
- Their qualifications, skills and competencies may differ from what is in demand.

II. **Oligopoly employers**

- In a labour market there are few employers, and they have the power to determine the **wage rate** and **employment**,
- Both are likely to be lower than in a free competitive market.

III. **Trade unions**

- Trade unions may push the wage rate above the equilibrium which prevents market clearing.
- This will worsen unemployment and undermine their position of power.
- Also if there are fewer people employed they would have fewer members.

IV. **Market inflexibility**

- Labour market fails to adjust to changing conditions because workers are overprotected (by laws)
- Employers switch to the use of capital intensive technology (machinery).

V. **Lack of information**

- Workers may be unaware of vacancies with better benefits.
- Employers may also not appoint the most productive workers because they are not in touch with all the potential workers.

VI. **Attachment between workers and employers**

- Workers may stay in jobs that pay poorly because they like working for their present employers.



VII. Lack of training.

- Training has positive externalities
- However, some workers and some firms take a short-term view and underestimate the benefits of training.

VIII. Discrimination

- Occurs when workers are treated differently to others in the same job in terms of pay, employment, promotion, training opportunities and work conditions.



LABOUR RELATIONS ACT (LRA)(No. 66 of 1995)

- The LRA is based on the Constitution
- Provides the legal framework for the South African labour-relations system.
- The general purpose of this Act is to advance economic development, social justice, labour peace and the democratization of the workplace.
- The LRA has been amended in 1996, 1998, 2000 and 2002, and a bill for a new amendment was published in 2012.
- **The LRA therefore:**
 - ✓ governs relationships between employers and employees
 - ✓ **enforces the fundamental rights** in all labour-related issues
 - ✓ sets rules so that employers manage employees fairly
 - ✓ ensures that employees can earn fair wages and salaries
 - ✓ ensures that employees perform their duties to the best of their ability
 - ✓ provides a framework for collective bargaining, and
 - ✓ promotes the **effective resolution of labour disputes**

THE BASIC CONDITIONS OF EMPLOYMENT ACT (BCEA)(No.75 of 1997)

- The *purpose* of this Act is to “advance economic development and social justice”.
- Its *primary objective* is to ensure workers’ rights to fair labour practices.
- The BCEA regulates the basic conditions of employment in order to implement the right to fair labour practices referred to in the Constitution.

Typical issues covered in the BCEA are:

- ✓ working hours
- ✓ leave and sick leave
- ✓ public holidays and yearly holidays
- ✓ wages, salaries and deductions, and
- ✓ termination of employment.

The BCEA also specifically addresses the following problems:

- ✓ child labour (work undertaken by people under the age of fifteen years)
- ✓ overly long working hours
- ✓ the lack of fair payment to vulnerable workers
- the mistreatment of vulnerable workers (such as farm workers and domestic workers)



THE COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT (COIDA) (No. 130 of 1993)

- This Act provides for the payment of compensation for disability caused by injuries or diseases in the execution of work duties.
- Compensation is also paid in the event of death as a result of such events.
- The COIDA gives the legal requirements about how workers must be compensated if they suffer any form of injury as a result of workplace-related incident or a workplace-related disease.

The Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993) applies to all employees except:

- ✓ any employee guilty of a misconduct
 - ✓ domestic workers
 - ✓ people doing military training
 - ✓ the South African Police Force and Defence Force
 - ✓ foreigners
 - ✓ people who are temporarily employed.
- Workers or their relatives must apply within 12 months to the Compensation Commissioner.

5 LABOUR COURTS

- The **Labour Court** handles labour disputes
- Such as those arising from unfair dismissals.
- The Labour Court falls under the jurisdiction of the Ministry of Justice.
- Appeals are made to the Labour Appeal Court.

PARTICIPANTS IN COLLECTIVE BARGAINING

Workplace forums

- are formal meetings
- between the representatives of labour union and employers

Bargaining council ...

- is a group of representatives from both the labour unions and the employers' organisations in a particular industry.

established on a voluntary basis by employers and unions

A labour union or trade union

- ✓ is a workers' association



- ✓ that aims to help employees achieve good wages and working conditions from employers through collective bargaining.

The Commission for Conciliation, Mediation and Arbitration (CCMA)

is an independent statutory body that is financed by the Department of Labour.

CCMA provides fair judgement and mediation between opposing parties in a working environment, as well as information on good labour practice.

Conciliation

- is a voluntary process
- the Act provides for conciliation between the employer and the employee in respect of a dismissal

Mediation

- involves the services of an acceptable, impartial and neutral third party to assist the parties
- in dealing with their dispute and, where possible, to reach agreement.

In **arbitration** a judgment is made.

Activity 1

Multiple choices

1.1 Various possible answers are provided for each of the following questions. Write the **letter only** of the correct answer next to the relevant question number.

1.1.1 The point in the graph where the demand for labour is equal to the supply.

- A. The break-even point
- B. The wage rate
- C. the equilibrium point
- D. the total labour point

(2)

1.1.2 The law passed to promote equal opportunity in the workplace.

- A. The basic condition in employment act
- B. Employment Equity Act
- C. The COIDA
- D. The Labour Relation Act

(2)

1.1.3 The largest trade union federation in South Africa.



A. COSATU

B. CONSAWU

C. FEDUSA

D. NACTU

(2)

1.1.3 Suppose there is economic growth because of an increase in the demand for consumer goods. This, would *ceteris paribus*, lead to...

A an increased demand for labour.

B an increase in the supply of labour.

C a decrease in the demand for labour.

D a decrease in the supply of labour.

(2)

1.1.5 Suppose that there was a decrease in both the demand for and supply of labour. This, would *ceteris paribus*, most certainly lead to...

A an increase in the wage rate.

B an increase in the level of employment.

C a decrease in the wage rate.

D a decrease in the level of employment.

(2)

Activity 2

2.1 Give one term for each of the following descriptions. Write only the term next to the question number.

2.1.1 A body responsible for regulating labour practices and ensuring compliance with the Labour Relations Act (1)

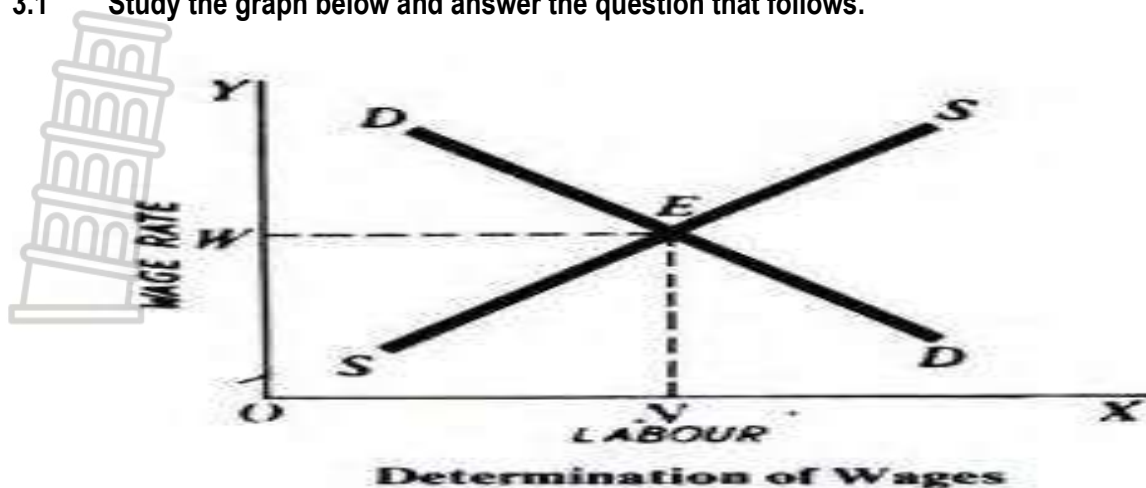
2.1.2 Legislation which seeks to promote the employees' physical well-being (1)

2.1.3 Quantity of output produced by workers in a certain time. (1)

2.1.4 The number of workers willing and able to work for a given wage. (1)

2.1.5 A collection of employees within a business who meet to discuss labour issues at work (1)

3.1 Study the graph below and answer the question that follows.



- 3.1.1 Identify the equilibrium wage in the above graph (1)
- 3.1.2 Give one factor that can influence supply of labour. (1)
- 3.1.3 Explain the relationship between demand for labour and supply of labour. (2)
- 3.1.4 How demand in the labour market is derived to demand in the product market. (4)

4.1 Study the cartoon below and answer the following questions



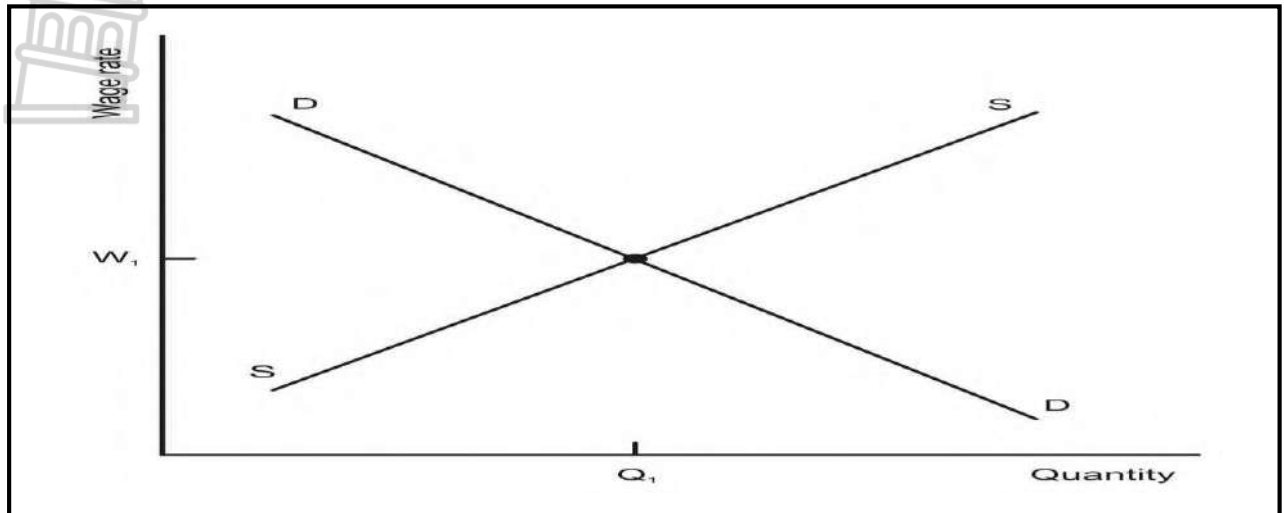
- 4.1.1 Which South African Act addresses the above labour issues? (1)
- 4.1.2 Give one factor that influences the wage level (1)
- 4.1.3 Briefly explain the concepts labour force (2)
- 4.1.4 Why labour are not fully mobile in South Africa. (4)

Activity 5

- 5.1 Discuss the factors that determine the demand for labour. (8)

Activity 6

6.1 Study the diagram below depicting the market demand and supply conditions for labour in South Africa. Initially the market is in equilibrium at a wage rate of W_1 , and the level of employment at Q_1 .



6.1.1 Re-draw the above diagram to show the effect on the wage rate and employment level if there is a shift towards capital-intensive production techniques in South Africa. (8)

