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JACARANDA
ECONOMICS AND
BUSINESS ALIVE

8

VICTORIAN CURRICULUM | SECOND EDITION



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BUSINESS ALIVE** 8
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GRAEME SMITHIES

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HOW TO USE

the *Jacaranda Economics and Business Alive* resource suite

The ever-popular *Jacaranda Economics and Business Alive for the Victorian Curriculum* is available as a standalone Economics and Business series or as part of the *Jacaranda Humanities Alive* series, which incorporates Economics and Business, History, Geography, and Civics and Citizenship in a 4-in-1 title. The series is available across a number of digital formats: learnON, eBookPLUS, eGuidePLUS, PDF and iPad app.

Skills development is integrated throughout, with key skills targeted through SkillBuilders.

This suite of resources is designed to allow for differentiation, flexible teaching and multiple entry and exit points so teachers can *teach their class their way*.

Features

All topics start with an **Overview** which includes a pre-test to gauge students' readiness to begin.

An online **workbook** is available for customisation and printing.

SkillBuilders, Thinking Big research projects and Reviews are available online for every topic.

Skills keys identify each question according to the skill targeted, providing insights into skills development. Progress and results can be tracked and filtered by skill online.

Topics open with an **inquiry question** to spark students' curiosity about the topic.

OnResources feature boxes provide guidance about additional resources online.

Corrective feedback and Sample responses are available online for every question.

A range of activities is provided to promote deeper inquiry, encourage collaboration and help students to develop their research skills.

Exercise sets at the end of each subtopic allow students to **check and apply** their understanding.

24 Business decisions

24.1 Overview

Awesome name. Check. Cool website. Check. Is there more to running a successful business?

24.1.1 Cosmetics entrepreneur

Jellaine Ross started her business Cherry Blooms at the age of 24. The Brisbane-based company sells cosmetic products, particularly brush-on eyelash extensions. Ms Ross started selling the brush-on eyelash extensions after seeing them used when she was on holiday in Korea. She thought the idea would work in Australia so she repackaged and remarketed the product and created her own brand. Her business earned \$100 000 in its first year and now sells close to \$10 million worth of products a year both online and in retail stores across the world.

In this topic we will look at the different ways to own and run a business and how to recognise and respond to opportunities.

On Resources

Video Lesson Different forms of business ownership (10:18:19)

LEARNING SEQUENCE

- 24.1 Overview
- 24.2 The three main ways to own a business
- 24.3 Alternative ways to own a business
- 24.4 Opportunities for businesses
- 24.5 Responding to opportunities in the market
- 24.6 **SkillBuilder:** Cost-benefit analysis Online
- 24.7 **Thinking Big research project:** Pitch a business idea Online
- 24.8 **Review** Online

To access a pre-test and starter questions and receive **immediate feedback** and **sample responses** to every question, select your learnON format at www.jacplus.com.au.

25.4 ACTIVITY

Use online resources (such as the **Hours of work** weblink in the Resources tab) to find and examine information on average hours worked by Australians. Describe the changes in working hours from the 1980s to today. Have they increased, decreased or remained the same? Questioning and evaluating

25.4 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

25.4 Exercise 1: Check your understanding

- ES2** Describe one significant change that has occurred in the Australian workforce in the last 50 years.
- ES1** List three reasons why people value work.
- ES2** Discuss the statement: 'The value of work is a personal thing'.
- ES1** Define the phrase 'participation rate'.
- ES1** Distinguish between full-time and part-time work.

25.4 Exercise 2: Apply your understanding

- ES3** Examine **FIGURE 2**. Discuss how participation rates of women have changed from 1966 to today.
- ES5** Review **FIGURES 3** and **4**. Consider the information shown in these figures with other factors discussed in this subtopic and explain why the average weekly earnings for women are lower than they are for men.
- ES2** Explain why you think there has been a growth in people working part-time.
- ES3** Analyse why you think women have a lower participation rate than men.
- ES3** Analyse the role of human resource management in the modern workplace.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

25.5 Work in the future

25.5.1 Predicting future changes to work and possible outcomes

Can you imagine what work will be like in the year 2050? Will new jobs exist that are like the ones we see in sci-fi movies, or will they be much the same as they are now? Although it is very difficult to predict how work will change, what form it will take, what activities will need to be performed and what skills, knowledge and abilities workers will need to have, it is worth noting that one of the challenges of government is to do just that — to attempt to predict some of these changes and to make policies and economic plans that will support the future world of work in Australia.

Work as we know it will slowly change. Exactly how it will change is unknown, but it is likely to depend on a range of factors, which in turn could have particular outcomes. **TABLE 1** summarises some of these potential factors and outcomes.

DISCUSS

Many of the jobs that you may hold in your career do not currently exist. How can you prepare for a job that does not exist? Are there transferable skills that are applicable to all jobs, regardless of how the future develops? Should we focus more on developing these skills than traditional skills?

[Personal and Social Capability]

Content is presented using age-appropriate language, and a wide range of engaging sources, diagrams and images support concept learning.

23.9 ACTIVITIES

- Use the **ISO standards** weblink in the Resources tab to visit the International Organisation for Standardisation (ISO) website. Watch the video provided and answer the following questions.
 - What are ISO standards?
 - Outline two benefits of these standards.
- Use the **ACCC Product Safety Recalls** weblink in the Resources tab to visit this section of the ACCC website and select three 'Recall categories'. From each of these three categories, select one product that has been recalled and answer the following:
 - What was the name of the product?
 - What was the defect in the product?
 - Why was that defect dangerous?
 - What advice is given to consumers?

Investigating and evaluating

23.9 EXERCISES

Reasoning and Business skills key: **EB1** Remembering and understanding **EB2** Describing and explaining **EB3** Examining, analysing, interpreting **EB4** Questioning and evaluating **EB5** Reasoning, creating, proposing **EB6** Communicating, reflecting

23.9 Exercise 1: Check your understanding

- EB2** Describe the role of each of the following in ensuring product safety:
 - industry regulators
 - customs and quarantine
 - local government authorities.
- EB1** What action can government regulators take if a person is injured after a supplier fails to remove a banned product from sale?
- EB1** Identify two bodies established to maintain product safety.
- EB2** Explain how consumers can play a role in product safety.
- EB2** Explain the role of education in product safety.

23.9 Exercise 2: Apply your understanding

- EB1** What responsibilities do consumers have in relation to product safety?
- EB2** Explain the difference between mandatory standards and voluntary standards.
- EB1** Give details of two of the methods used by government regulators to encourage safe practices.
- EB2** Explain two practices encouraged by regulatory bodies.
- EB2** Explain what is meant by ISO and how this body contributes to product safety.

Try these questions in learnON for instant, corrective feedback. Go to www.jacarplus.com.au

23.10 SkillBuilder: Questioning and research

What is questioning and research?
Using questioning and research involves identifying and understanding the task you are undertaking and developing a series of specific questions to help guide your research.

Select your learnON format to access:

- an exploration of the skill (Let me)
 - a step-by-step process to develop the skill, with an example (Show me)
 - an activity to allow you to practise the skill (Let me do it).

Skillbuilders model and develop key skills in context.

Price fixing

It is illegal for two businesses in competition with each other to agree to set identical prices for their products. Businesses will probably have similar prices for similar products because of market forces, but they cannot actively work together to raise or lower prices by an exact amount. This has been an issue over the years with petrol pricing. Many service stations lower their prices in the middle of the week, and then raise them at the weekend. There have been accusations that service stations that are close to each other have agreed to raise or lower their prices by the same amount at the same time. It could be proved that they had done so, they would be deemed to be acting illegally, because this action would prevent consumers from taking advantage of genuine competition.

FIGURE 1 Any agreement by service stations to raise or lower prices at the same time and at the same rate would be an example of price fixing.



DISCUSS

As opposed to being involved in price fixing, large supermarket chains have been involved in a price war with items such as milk and roast chickens being sold at reduced prices. The squeeze on the profit margins of these items comes back to the farmers, who are paid less for supplying the goods to the supermarkets. Is this practice by the supermarkets ethical, or should they be paying more for these supplies? **[Ethical Capability]**

Misuse of market power

Not all businesses are the same size, and there is a risk that larger businesses may use their power unfairly to drive smaller competitors out of business. The Act bans any action aimed at damaging or getting rid of a competitor or preventing another business from entering the market. Some years ago, retailer Woolworths was fined \$7 million for attempting to prevent some restaurants and bars from selling packaged liquor in competition with its own liquor outlets. When these other businesses applied for liquor licences, Woolworths lodged objections with the government licensing authority. They then proposed to withdraw the objections if the other businesses agreed not to sell take-away alcohol products to their customers. A court found that Woolworths was in breach of the law.

FIGURE 2 Woolworths was fined for attempting to misuse its market power to restrict the operations of competing liquor outlets.



Predatory pricing

Predatory pricing occurs when a business deliberately sets its prices at such a low level that its competitors cannot match them. In such cases, the business actually decides that it is prepared to lose money for a while until it has forced its competitors out of the market. This leaves the business with less competition so that it can then disregard market forces, raise prices and exploit consumers. A recent example is from in 2011, where both major supermarket chains (Coles and Woolworths) decided to sell milk at \$1 per litre. This was aimed at encouraging consumers to shop at their outlets rather than at another supermarket or with their competitors Aldi and IGA.

Discuss features explicitly address Curriculum Capabilities.

4. EB3 Examine the information relating to Google. Explain why encouraging creativity is beneficial for both workers and employers.

5. EB6 'The work environment of the future is so hard to imagine it is not possible to train for it today.' Discuss this statement.

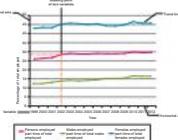
Try these questions in learnON for instant, corrective feedback. Go to www.jacarplus.com.au.

25.6 SkillBuilder: Analysis and interpretation of data

What is analysis and interpretation of data?
Tables and graphs can provide a wealth of information in a clear and concise way, to get the most from them, it is important to analyse them closely.

Select your learnON format to access:

- an exploration of the skill (Let me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it).



25.7 Thinking Big research project: Impacts of technology poster

SCENARIO
Technology has changed nearly every area of our lives. One key area where technological change has had an impact is in the area of work. Over the last 50 years some jobs have disappeared, some have changed and some have been created as a result of technology. Your task is to investigate the changing nature of technology and its impact on jobs.

Select your learnON format to access:

- the full project scenario
- details of the project task
- resources to guide your project work
- an assessment rubric.

Resources

ProjectPLUS Thinking Big research project: Impacts of technology poster (proj-01160)



In each topic, a Thinking Big research project provides opportunities for students to delve deeper, think creatively and work collaboratively.

25.8 Review

25.8.1 Key knowledge summary
Use this short summary to review the content covered in this topic.

25.8.2 Reflection
Reflect on your learning using the activities and resources provided.

Resources

- Workbook** Reflection (doc-01308)
- Crossword** (doc-01308)
- Interactively** The changing work environment crossword (int-1007)

KEY TERMS

conditions of employment the arrangements made between an employer and the employee in terms of work requirements and employee benefits

employer the person or business that pays workers for the work they do

employer expectation what the employer expects to receive from employees in return for the money that they pay them

employment working in return for a wage or salary

Generation Alpha people born from 2010 onwards

Generation X people born between 1965 and 1979

Generation Y people born between 1980 and 1994

Generation Z people born between 1995 and 2009

globalisation the process of interacting with markets in other countries around the world, as part of an integrated global economic system

human resource management the process of managing the people who work within an organisation

human resources the people who work within an organisation

industry the way that different parts of the economy are grouped, for example, manufacturing, mining etc.

labour force people aged 15 and over who are able to work and are either employed or unemployed

labour market the availability and the ability of employees to work and for employers to hire them

offshoring moving certain work processes to be performed overseas

outsourcing contracting a person or people outside an organisation to perform certain work tasks (that previously might have been performed by workers within the organisation)

primary industry the group involved in the production of raw materials, for example, farming, mining, forestry

primary production the production of crops, livestock or other basic materials that may then be used by other branches of industry

quaternary service industries involved in the processing and transfer of information and knowledge, for example, IT consultants, education services

quinary domestic service providers, for example, cleaning, childcare, home maintenance

redundant a situation in which a job is no longer required to be performed by anyone. This may be as a result of the reorganisation of a business, the introduction of new technology or a decline in business sales or production

retrenching losing one's job as a result of the position being made redundant

secondary industry the group involved in the processing of primary resources to manufacture other goods

tertiary industry the group involved in the provision of services to others, for example, doctors, accountants, retailers

unpaid human labour that can be paid or unpaid including voluntary labour

work-life balance a feeling of having an appropriate balance between work and non-working time and activities

A range of questions and a post-test are available online to test students' understanding of the topic.

Key terms are available in every topic review.

learnON

Jacaranda Economics and Business Alive learnON is an immersive digital learning platform that enables student and teacher connections, and tracks, monitors and reports progress for immediate insights into student learning and understanding.

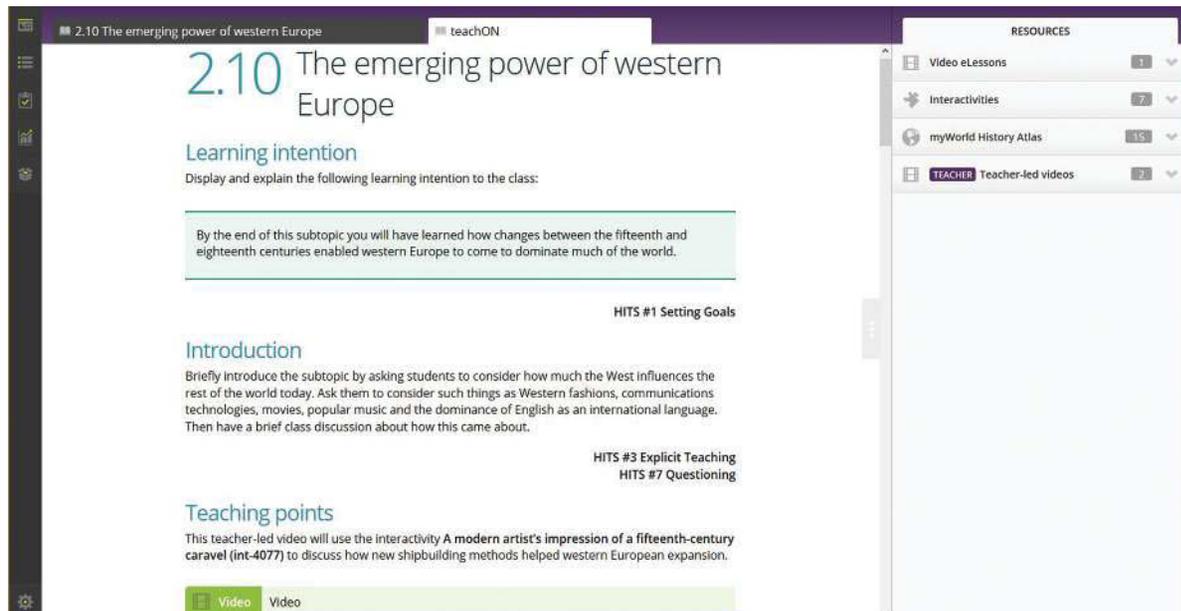
It includes:

- a wide variety of embedded videos and interactivities
- questions that can be answered online, with sample responses and immediate, corrective feedback
- additional resources such as activities, an eWorkbook, worksheets, and more
- Thinking Big research projects
- SkillBuilders
- teachON, providing teachers with practical teaching advice, teacher-led videos and lesson plans.



teachON

Conveniently situated within the learnON format, teachON includes practical teaching advice, teacher-led videos and lesson plans, designed to support, save time and provide inspiration for teachers.



ACKNOWLEDGEMENTS

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1 The market system, government, and consumer protection

1.1 Overview

We all play a part in the Australian economy. How do we ensure that everyone involved is getting a fair deal?

1.1.1 The Australian economy

The Australian economy is the total of all activities undertaken for the purpose of producing, distributing and consuming the goods and services we require to satisfy our needs and wants.

As consumers, we all hope to earn the income necessary to purchase our needs and many of our wants. We would like a fair go when dealing with businesses and we would like to know our rights, but we should recognise that some business owners and employees fail the fairness test when it comes to serving their customers. This is where we need the government to provide a legal and justice system so that buying and selling occurs within a set of rules that is fair to all participants.

In this topic, we will examine Australia's economic system, the activities of producing, distributing and consuming the goods and services we require to satisfy our needs and wants, and the protections available to consumers in their dealings with businesses.

Resources

-  **eWorkbook** Customisable worksheets for this topic
-  **Video eLesson** Development of the market economy (eles-1811)

LEARNING SEQUENCE

- 1.1 Overview
- 1.2 Participants in the market system
- 1.3 Different types of markets
- 1.4 Key economic questions for business
- 1.5 Government involvement in the market
- 1.6 **SkillBuilder**: Contesting and debating ideas 
- 1.7 Legal protection of consumer rights
- 1.8 Business competition protects consumers
- 1.9 Keeping consumers safe
- 1.10 **SkillBuilder**: Questioning and research 
- 1.11 **Thinking Big research project**: Please stop calling 
- 1.12 **Review** 

To access a pre-test and starter questions and receive **immediate feedback** and **sample responses** to every question, select your learnON format at www.jacplus.com.au.

1.2 Participants in the market system

1.2.1 Consumers and producers

Markets refer to places where buyers (consumers) and sellers (producers) meet and exchange goods and services. Producers provide the goods and services and consumers purchase them. Markets need not have a physical location – online shopping have created markets in cyberspace but for most of us, the exchange of money for goods and services takes place in a physical setting – a shop or supermarket or market stall.

Consumers and producers are at the centre of Australia’s market system. All of us are consumers, and those of us who are employed are also producers. We satisfy our needs and wants by working to earn money, and then buying goods and services from businesses that produce those goods and services. When we are working, we are providing our **labour** to contribute to the process of producing goods or services for other consumers to buy. When we are spending our money, we are consumers, purchasing goods and services that others have produced, in order to satisfy our needs and wants.

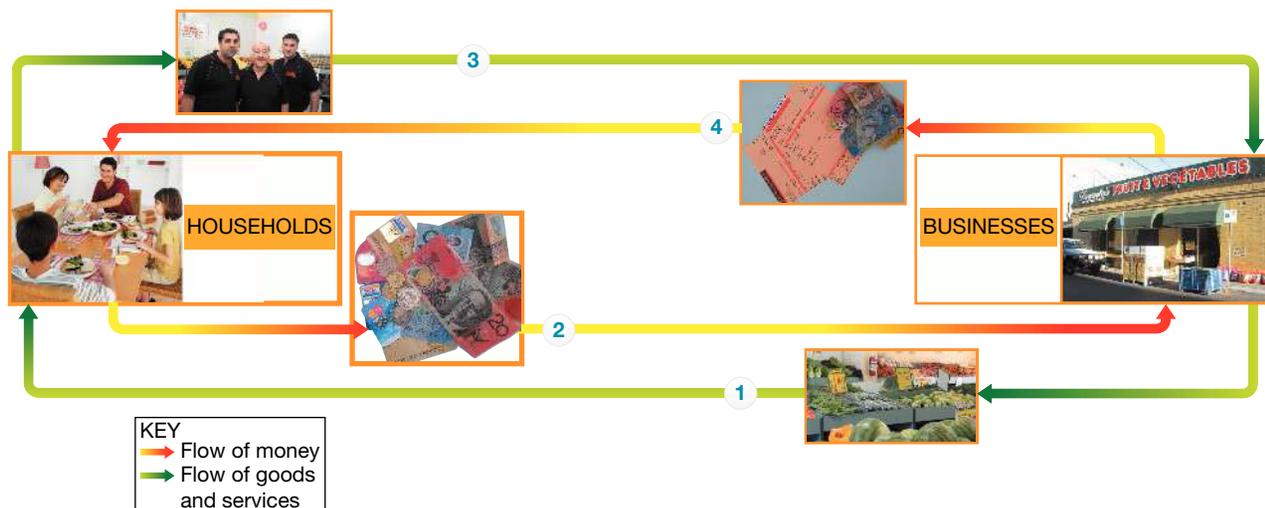
The total of all consumers in the economy is sometimes called the **household sector**. The total of all producers is sometimes known as the *business sector*.

We can examine the relationship between the business sector and the household sector by looking at the following model. It demonstrates how labour is exchanged for money, and how that money is used to purchase goods and services.

FIGURE 1 People who are employed are considered to be producers.



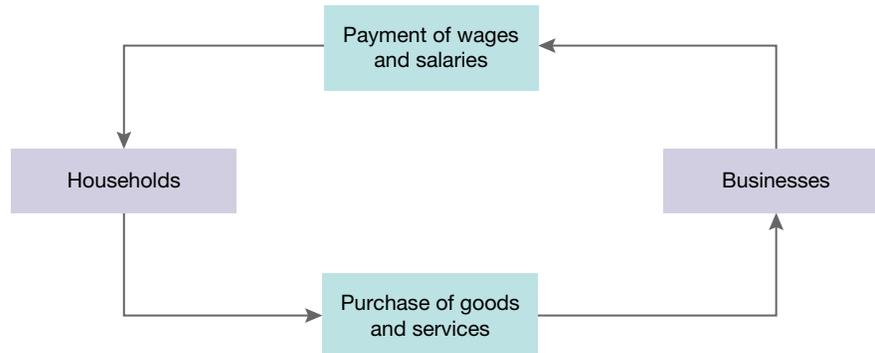
FIGURE 2 Model showing the flow of money, goods and services between households and businesses



- 1 Businesses are producers that make or supply goods and services that are distributed to customers.
- 2 Consumers use money, credit cards and debit cards to purchase goods and services.
- 3 Consumers are usually also employees, who provide businesses with their labour in the production of goods and services.
- 4 Employees receive money in the form of wages for their labour.

We can simplify this model by removing the flow of goods and services, and simply showing the flow of money between households and businesses. This tells us about the financial relationship between consumers and producers in our market system. Economists sometimes refer to this as the circular flow diagram, because it illustrates how money circulates in a simple market economy.

FIGURE 3 The circular flow of money between households and businesses in our market system



1.2.2 The financial sector

Do you spend every cent you receive in pocket money or in return for any work you do, or do you set some aside as savings? While most people of your age don't save much, many others in the economy do put aside some of their income as savings. This money is usually deposited in a bank or similar **financial institution**.

Banks and other financial institutions receive deposits, and use this money to lend out to others who need to borrow money. Most businesses will borrow money, particularly when they need to expand the business. This may involve buying new equipment, or even moving to bigger premises. Money spent in this way is known as **investment**. Financial institutions collect the savings of thousands of depositors, and then have large sums available for businesses to invest in growth.

These financial institutions make up what we sometimes call the *financial sector* of the economy. They perform an important role in our market system because they enable accumulated savings to be directed towards business growth. As businesses grow, they are able to employ more people, who in turn have more money to spend on goods and services.

FIGURE 4 Financial institutions are able to direct savings into investment in the growth of businesses.



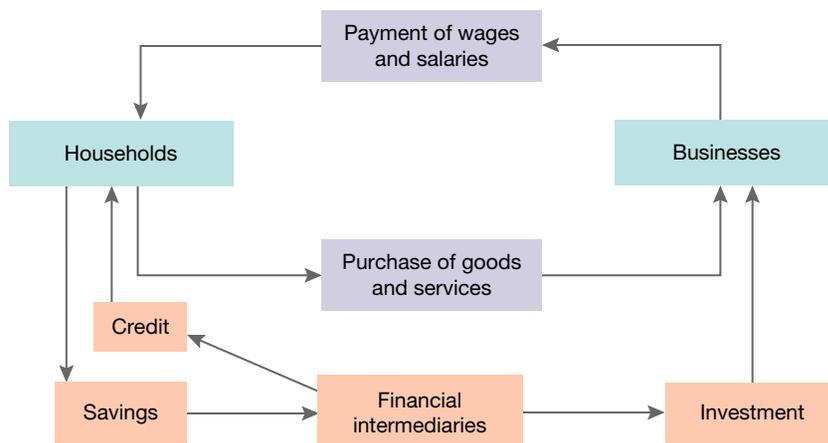
DISCUSS

Are you a saver or are you a spender? Would you like to be able to save more money? What advantages do people who save their money have over those who spend their money? **[Personal and Social Capability]**

Banks and other financial institutions also play an important role in providing credit for households. When consumers make large purchases, such as a house or a car, it is usually easier to borrow the money to pay for these than to save up for years to pay cash for them. When purchasing a house or land, most people take out a **mortgage loan**. This enables them to borrow to pay for the property, and pay back the loan over a relatively long period of time. The housing market depends on the amount of money available for mortgage loans. If more people are able to buy houses, more new houses are built, creating more jobs in the construction industry.

We can see how the financial sector plays its role in the market system by adding financial intermediaries to our basic circular flow diagram. As we can see in **FIGURE 5**, banks and other financial intermediaries receive savings from households. They use this money to lend to businesses for investment, and they lend back to households in the form of credit.

FIGURE 5 The circular flow of money between households, businesses and financial intermediaries in our market system



1.2.3 The government sector

Another element involved in the market system is the government. In Australia this refers to the federal government based in Canberra, state and territory governments based in capital cities, and local councils. As well as spending money on consumption and investing in savings, households and businesses pay money to government in the form of taxes and rates, and receive particular types of goods and services back from government. A detailed examination of the role of government can be found in subtopic 1.5. Government plays an important role in the market system for a number of reasons:

1. The level of taxation taken by government can affect the amount of money consumers have available to spend on goods and services. High levels of taxation can mean that consumers spend less, businesses cannot grow as quickly, and cannot employ as many people.
2. Money collected in taxes can be spent on providing welfare payments. These payments, in the form of pensions and unemployment benefits, allow many people to purchase more as consumers, providing more income to businesses, and creating more jobs as businesses grow.
3. Government also provides services such as schools and hospitals and these are paid for from taxes collected from both households and businesses.

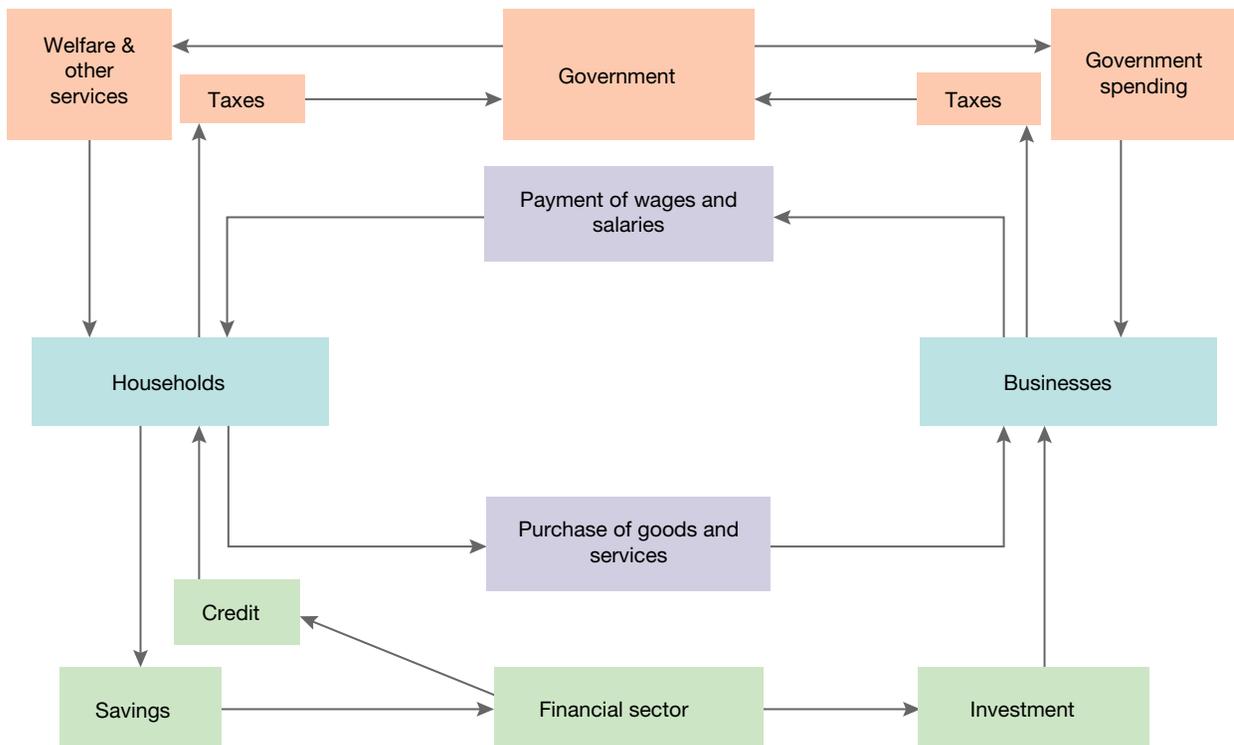
FIGURE 6 When a government pays businesses to construct roads it helps those businesses to grow and employ more people.



4. When government spends money on building roads, schools and hospitals, it is providing money to the businesses that do the actual building, helping those businesses to grow and employ more people.

The involvement of government in our market system can be illustrated by adding government to our circular flow diagram. We can see in **FIGURE 7** that both households and businesses pay taxes to government. Some of this comes back to households in the form of welfare payments such as pensions, or as services such as education and health care. Some of it is spent on buying goods and services from businesses, or paying businesses to build roads, schools or hospitals.

FIGURE 7 The circular flow of money between households, businesses, financial intermediaries and government in our market system



1.2.4 The overseas sector

Australia is an open economy, in that we trade goods and services with other countries. Australian businesses **export** goods and services to both consumers and producers in other countries. Australian consumers buy many products that have been manufactured in other parts of the world and **imported** into this country.

International trade can affect our market system in a number of ways:

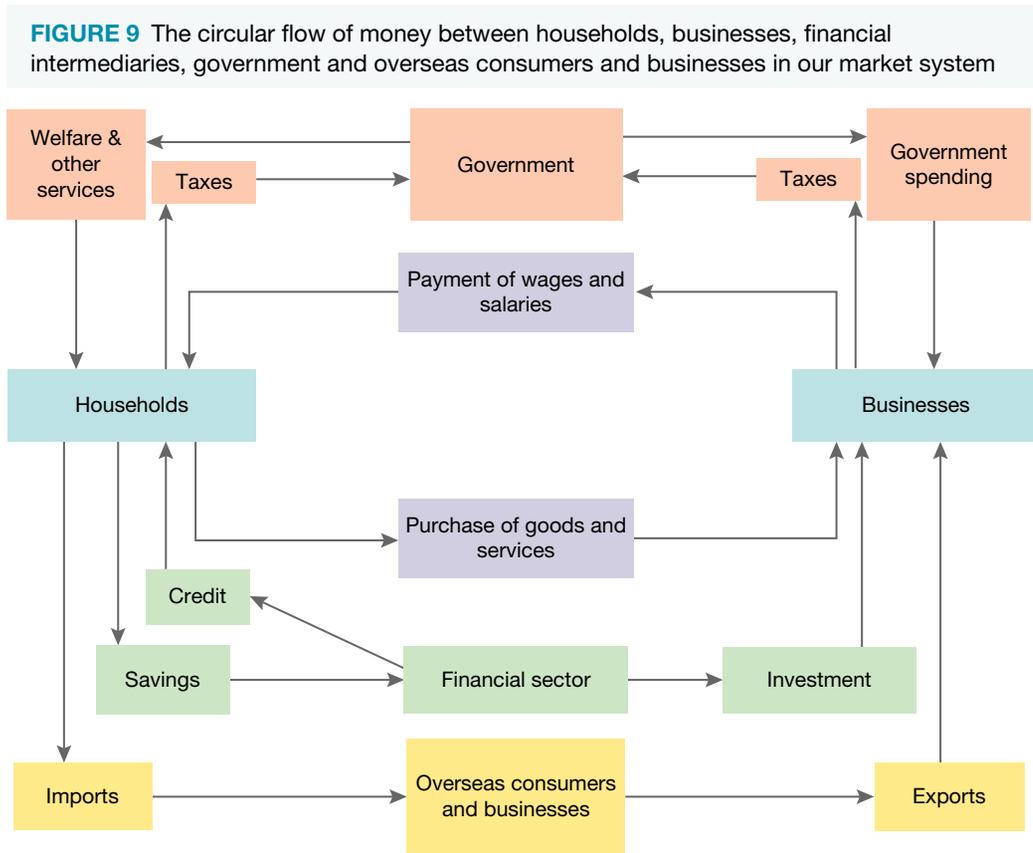
1. Australia has a relatively small population, so if overseas consumers are willing to buy the goods and services we produce, this can help our local businesses to grow and employ more people.
2. There are some products that we are unable to produce with the same efficiency as can be achieved in other countries. A lot of the highly sophisticated machinery used in factories is imported, helping the factory to produce goods more cheaply.

FIGURE 8 Australia imports many goods from overseas and exports to many other countries.



3. Imported goods are sometimes cheaper than locally produced goods, which can make it difficult for local producers to compete with the imported products. This can lead to local producers going out of business. The motor vehicle manufacturing industry is an example of an industry that has closed its Australian operations due to lower priced imported products. While local jobs are lost, consumers benefit from cheaper priced cars.

We can see the effects of overseas trade on the flow of money by adding overseas consumers and producers to our circular flow diagram. We can see in **FIGURE 9** that households spend money buying imports from overseas businesses, while businesses can earn money from exporting goods and services to overseas consumers. Exports are good for the Australian economy because they bring money into our market system, while imports take money out of the country and pay it to overseas businesses.



We can see that there are five main sectors involved in our market system: the household sector, business sector, financial sector, government sector and overseas sector. The circular flow diagram allows us to see the financial relationships between each of these sectors.

1.2 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.2 Exercise 1: Check your understanding

1. **ES1** Define the following and provide an example of each:

- | | | |
|----------------------|----------------------|-----------------------|
| (a) market | (b) labour | (c) household sector |
| (d) business sector | (e) financial sector | (f) government sector |
| (g) overseas sector. | | |

2. **ES2** Why is it possible for a person to be both a producer and a consumer?

3. **ES2** How do financial institutions help markets to operate?
4. **ES1** What is the difference between imports and exports?
5. **ES2** Explain why taxes are considered a 'leakage' from our economic system.

1.2 Exercise 2: Apply your understanding

1. **ES2** Explain one way in which a government can influence markets.
2. **ES3** Examine the **FIGURE 9** circular flow diagram and predict the impact that each of the following might have on the level of goods and services sold by Australian businesses.
 - (a) Households decide to save a larger proportion of their income.
 - (b) Financial institutions make it easier for consumers to acquire credit cards.
 - (c) Governments decide to increase the level of taxation for households.
 - (d) Governments increase the level of welfare payments.
 - (e) There is a large increase in the availability of cheaper imported goods.
3. **ES2** Taxes and government spending are linked. Explain this relationship.
4. **ES2** Exports and imports involve the overseas sector and trade. Explain why Australia needs to trade.
5. **ES3** In 2019, interest rates were reduced to their lowest ever level. Analyse the impact this may have on investment by businesses and spending by consumers.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.3 Different types of markets

1.3.1 Retail, labour, financial and stock markets

As we have seen, a market exists in any situation where buyers and sellers come together to exchange goods and services for money. A market can exist in a single physical location, it can be spread across a number of locations, or can have no physical trading location at all, such as online retailing. It is the act of buying and selling, not the actual location, that creates the market. We will now look at a number of different markets that exist within the Australian economy: retail markets, labour markets, financial markets and stock markets.

1.3.2 Retail markets

We are all very familiar with retail markets. These are the markets that allow us to buy most of our goods and services. They include:

- shopping areas in the central business districts (CBDs) of our large capital cities
- huge suburban shopping malls such as Chadstone in Melbourne, Westfield Parramatta in western Sydney and Chermside in northern Brisbane
- local shopping centres with a supermarket and a number of specialty stores
- shopping strips located along major roads and near public transport hubs
- the groups of shops gathered in the main streets of country towns and regional centres
- online shopping websites.

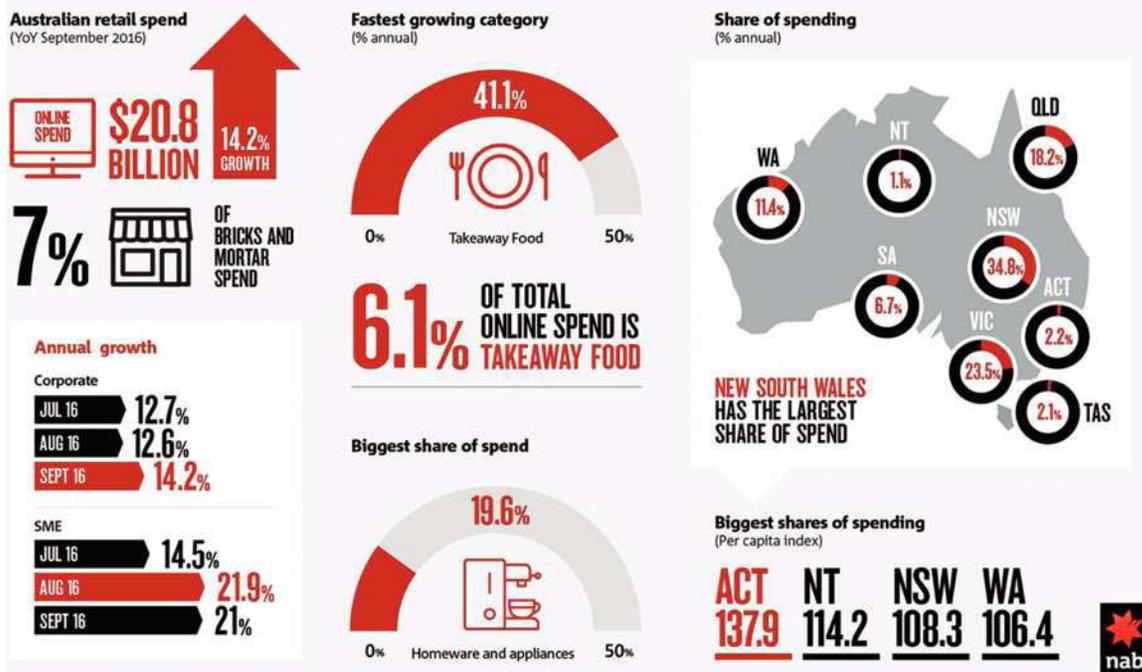
Online shopping has become so popular that in 2016 it accounted for 7% of all household spending. It was valued at \$20.8 billion — a 14.2% increase on the previous year.

FIGURE 1 Large shopping malls provide a wide range of retail businesses.



FIGURE 2 Online shopping continues to grow each year.

AT A GLANCE



1.3.3 Labour markets

At any given time, there are people looking for a job. Some of them are unemployed and want to find work; while some of them already have a job but want to work for a new company or do different work. At the same time, many businesses are looking to employ people to work for them. Prospective employees are hoping to *sell* their labour to employers. Those employers wish to *buy* the skills and effort of suitable employees. This combination of buyers and sellers of labour constitutes the labour market.

Like many other markets, the labour market does not operate in a particular physical location. The labour market relies on a variety of means of communication between the sellers of labour (potential employees) and the buyers of labour (employers). These allow employers to advertise vacancies in their businesses, and potential employees to find out about job opportunities. The operation of the labour market can involve the following:

- The simple placement of a sign in a shop or café window indicating that the owner has a job vacancy
- Newspaper advertisements for job vacancies. This method has declined significantly in recent years, with relatively few vacancies advertised this way today.
- Online ‘jobs boards’ such as Seek, Indeed and Australian JobSearch. These are the fastest growing source of job advertisements, updated every day. Employers pay a fee to advertise their vacancies, and jobseekers can apply online for the vacancies advertised.
- Any person receiving **unemployment benefits** from the government is usually required to take an active role in looking for work. The government pays independent agencies to assist unemployed people to find work. Many of these are run by community organisations and a list of these, including Matchworks and the Salvation Army, can be found on the Australian JobSearch website.

on Resources

Weblink Australian JobSearch

The price the employer pays as a buyer of labour is known as a wage or salary. Wages and salaries are quite highly regulated in Australia. There is a **minimum wage** that must be paid to all employees over the age of 21 years. It is adjusted every year to account for rises in the **cost of living**. At 30 June 2019 this was set at \$18.93 per hour, or \$719.20 (before tax) for a standard working week. This figure is expected to be revised.

1.3.4 Financial markets

Just as there are a number of markets for goods and services throughout the economy, there is also an important market for money. While households earn money in the form of wages and salaries, they will often choose to borrow money to buy larger items such as cars or houses. Businesses make money from selling goods and services to consumers, and generally try to make a **profit** by doing so. Sometimes part of that profit will be invested in expanding the business, but if the profits are not large enough to do this, the business may also want to borrow money to help it grow.

The functions of money

Money performs four very important functions in our market system:

1. *Medium of exchange* — Money allows us to exchange goods and services using a common means of exchange we all accept. Employees exchange their labour for money, and all businesses accept money in exchange for the goods and services they supply.
2. *Measure of value* — We use money to put a price on the goods and services we exchange. The price is a measure of what we believe the goods or services to be worth, when compared with other goods and services.
3. *Store of value* — We are able to save our money to spend at a later date.
4. *Standard of deferred payments* — Using money allows us to purchase goods and services on credit, with both buyer and seller knowing how much has to be paid at a later date.

The working of financial markets

Just as all goods and services have a price, so too does money. The price of having access to money that actually belongs to someone else is known as **interest**. When you deposit your money in a bank account, the bank will pay you interest on your savings. This is usually based on a percentage figure. If you deposit \$100 in your account, and the bank is paying 3 per cent per annum (per year), the bank will pay you three

FIGURE 3 Online job boards such as SEEK are the fastest growing source of job advertisements.



FIGURE 4 Money performs important functions in our economy.



dollars in interest after a year. Interest is often calculated monthly or even daily, so that if you withdraw your money before the year is up, you will be paid a lesser amount to cover the time the bank had the use of your money. Banks then lend out the money that they have deposited with them to other consumers or to businesses. They will usually charge a higher rate of interest to borrowers than they pay to their depositors. This is how they make a profit.

If you have money to deposit, it is often worth shopping around to get the best rate of interest. Sometimes it is possible to earn a higher rate of interest if you agree to leave the money in the bank for a fixed period of time. This is known as a *term deposit*, because the money is deposited for a fixed *term*, or period of time. If you borrow money, you want to pay the lowest possible rate of interest, so it is worthwhile to shop around a number of lenders to get the best deal.

Financial markets operate like any other market, with sellers wanting to charge the highest price they can for their goods and services, and buyers wanting to pay the lowest price they can. If you are selling the use of your money (i.e. you are a depositor), you want to get the best price (interest earnings) you can for allowing someone else to use that money. If you are buying the use of someone else's money (i.e. you are a borrower), you want to pay the lowest price (interest payments) you can.

FIGURE 5 A bank account allows us to earn interest, while the bank can lend the money deposited to other individuals and businesses.



1.3.5 Stock market

Like other markets, the stock market (also called the share market) is simply a relationship between buyers and sellers. In this case it is shares in companies that are bought and sold. A share is a unit of ownership in a company. Large companies divide their ownership into millions of shares, which can be bought and sold through the stock market, known in Australia as the Australian Securities Exchange (ASX). The ASX was formed in 1987 by amalgamating the six capital-city stock exchanges. Today the ASX is based in Sydney, but also has offices in Melbourne and Perth.

on Resources

 **Video eLesson** Share market basics (eles-0256)

There are over 2000 companies listed on the ASX. These include large retailers such as Woolworths and Wesfarmers (owners of Coles); the four big banks — ANZ, CBA, NAB and Westpac; and large mining companies such as BHP Group Limited and Rio Tinto. The value of shares can go up and down, depending on the demand for those shares. When a company reports that it has had a successful year, many people may want to buy shares in that company. If there are more people wanting to buy than to sell, the price tends to rise. If the company appears to not be performing well, there may be more shareholders wanting to sell their shares than there are buyers, so the price is likely to go down.

As the price of a company's shares goes up or down, so too does the value of a shareholder's investment. The value of most shares tends to rise over time, even though the prices can fluctuate daily. People who

hold shares for long periods (generally more than 10 years) benefit from **capital growth**. Owning shares means you can also benefit when the company makes a profit, as profits can be distributed to shareholders as **dividends** or in extra shares.

FIGURE 6 Buying shares listed on the ASX enables you to become a shareholder in a variety of different businesses.



The buying and selling of shares is usually handled by stockbrokers. These are licensed agents who have access to the ASX, and who conduct share transactions on behalf of the general public in exchange for a small fee. Most stockbrokers will recommend that their clients buy shares in a variety of different companies. If you only buy shares in one company and that company experiences problems, the value of your shares can drop and you lose money. Buying shares in a number of different companies reduces your risk, as you have a better chance of having some shares that will perform well. You have probably heard the saying ‘don’t put all your eggs in one basket’, which means you should spread your risks among a number of ventures.

FIGURE 7 Stockbrokers buy and sell shares on behalf of their clients.



However, as with retail, it is possible for individuals to buy shares in companies themselves, online, by creating their own account, usually through their bank. Commsec and ANZ Etrade are examples of online trading platforms that allow consumers to buy shares if they have an account with that bank and have a minimum amount of money available — usually \$600.

on Resources

[Weblinks](#) Fair Work
ASX

1.3 ACTIVITIES

1. Watch the **Share market basics** eLesson and then answer the following questions:
 - (a) What are you buying when you buy shares?
 - (b) What would be the situation if you owned 100 per cent of the shares in a company?
 - (c) What is the role of a stockbroker?
 - (d) When is the stock market report published?

(e) Copy the following table into your workbook and explain the meaning of each term as found in the stock market report.

Stock		
Close		
Move		
Turnover (100s)		
Quotation	Buy	
	Sell	
52-week	High	
	Low	

Analysing and interpreting

- Examine the stock market report in a daily newspaper or use the **ASX** weblink, and answer the following:
 - Identify two companies that experienced an increase in share price in the previous day's trading.
 - By how much did each increase in price?
 - How many shares were bought and sold for each company?
 - What is the highest and lowest price each company's shares reached during the last year?
 - Is the current price closer to the highest or lowest experienced during the past year?
 - From what you can see of the shares in these two companies, do you think they would be good value to buy right now? Explain your answer.

Analysing and interpreting

- Use online resources to investigate a 'job board' website and search for each of the following jobs in your local area: nurse, bricklayer, hairdresser, taxi driver.
 - How many vacancies were available for each type of job?
 - What sort of information is provided about each job?
 - Explain the process for applying for one of these jobs online.

Questioning and evaluating

- Use online resources (such as the **Fair Work** weblink in the Resources tab) to answer the following questions.
 - What is the current rate of the minimum wage for workers over the age of 21?
 - By how much has the minimum wage increased from the previous year?

Questioning and evaluating

1.3 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.3 Exercise 1: Check your understanding

- ES2** Describe three examples of retail markets.
- ES1** What is the ASX?
- ES1** Define each of the following in your own words:

(a) unemployment benefits	(b) interest	(c) award
(d) capital growth	(e) enterprise bargaining	(f) dividend.
- ES1** What is being bought and sold on the labour market?
- ES1** What is being bought and sold on financial markets?

1.3 Exercise 2: Apply your understanding

- ES2** Explain each of the four functions of money.
- ES1** Distinguish between money as a measure of value and a store of value.
- ES2** Explain what is meant by a 'market' and provide reasons why markets don't need to have a physical presence.

4. **ES2** All markets are affected by specific factors. Explain a common factor that impacts the retail market and the financial market.
5. **ES2** Explain the relationship between the labour market and the retail market.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.4 Key economic questions for business

1.4.1 Market forces

A key factor in any market is the price charged for the goods and services sold in that market. Sellers will generally decide how much they wish to charge for the goods or services they are supplying, but they cannot do this in isolation. They must take into account the price that consumers are willing to pay. If there are a large number of sellers in any market, prices will tend to be lower because these sellers have to compete with each other to attract customers. When prices are influenced by the interaction between buyers and sellers, they are said to be influenced by *market forces*. These market forces can also affect what goods and services producers choose to supply and the methods they choose to produce them. Market forces can also determine who the ultimate buyers of these goods and services will be.

1.4.2 Influencing prices

The prices paid for goods and services can be influenced by both sellers and buyers. Sellers can adopt a number of strategies to determine prices, including:

- applying a retail price recommended by the manufacturer of the goods being sold. Although it is illegal for a manufacturer to enforce such a price, it can provide a useful guide for the seller.
- following the prices set by other sellers in the same market. This may involve matching those prices, or setting a slightly lower price to attempt to attract more customers.
- adding a **percentage mark-up** to the cost of the goods to the business. The seller may calculate a sale price by adding a fixed percentage to the price that they paid for the goods.

The selling price needs to be enough to help cover all the business expenses, and also provide a profit.

Whatever method a seller uses, it is a general rule in all markets that sellers will attempt to charge as high a price as possible, while buyers will look for the lowest price they can find. A seller who attempts to charge too high a price will find that buyers will not buy from their business. The seller must cover the business's expenses and make a reasonable profit, but cannot afford to charge too high a price if competitors are selling the same product at a lower price. A buyer who expects to pay too low a price may find that there are no sellers willing to sell at that rate, so has to be realistic about what constitutes a fair price.

A good example of the way in which markets operate can be found at large fruit and vegetable markets such as Paddy's Markets in Sydney, or the Queen Victoria Market in Melbourne. In these marketplaces, there are large numbers of different fruit and vegetable stalls, all competing with each other. Sellers can see

FIGURE 1 Sellers must set a price that will not turn customers away.



what their competitors are charging for their stock, while buyers can move easily around the different stalls to compare the quality and prices of produce on sale.

We can see how the interaction between buyers and sellers can influence prices by taking an example from one of these markets. Imagine each fruit and vegetable stall sells apples, and most sellers agree that if they could charge \$10 per kilogram (kg), they would happily supply 100 kg of apples for sale each day. If they could only charge \$5 per kg, they would only be prepared to provide 50 kg a day. If they could only charge \$2 per kg, they would only supply 20 kg for sale, and concentrate instead on selling other fruit and vegetables that would make a bigger profit.

Buyers have a different point of view. They want to purchase at the cheapest price possible. If apples cost \$10 per kg, only a small number of people would buy them, and then only in small quantities — a total of 20 kg on any given day. If the price dropped to \$8 per kg, buyers might be prepared to purchase a total of 30 kg a day. If the price fell to \$6, they might buy 40 kg, at \$4 they would buy 60 kg, and at \$2 they would buy 80 kg.

How will the interaction of the different preferences of buyers and sellers help produce a price and a quantity for sale that is acceptable to both groups? We can start to answer this by putting the above data into tables.

FIGURE 2 Buyers can easily compare prices at a fruit and vegetable market.



TABLE 1 Sellers' preferences

Price per kg	Quantity supplied
\$2	20 kg
\$5	50 kg
\$10	100 kg

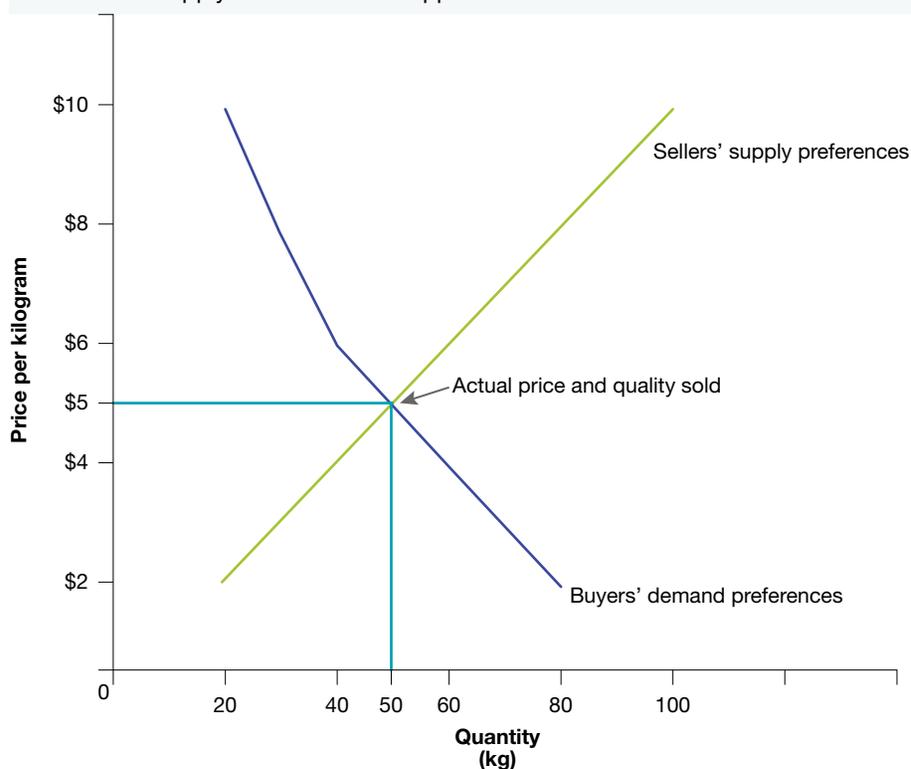
TABLE 2 Buyers' preferences

Price per kg	Quantity purchased
\$10	20 kg
\$8	30 kg
\$6	40 kg
\$4	60 kg
\$2	80 kg

We can now enter the data from these tables into a graph. If we place the different prices along the vertical axis, and the different quantities along the horizontal axis, we can plot the preferences of both buyers and sellers on the graph (see **FIGURE 3**). The sellers' preferences are shown by the blue line, while the buyers' preferences are shown by the red line. The point at which the two lines intersect will give us the price and quantity at which the preferences of both buyers and sellers are matched.

The market for apples will settle at a point where 50 kg of apples will be sold each day at a price of \$5 per kg. Sellers know that if they have 50 kg of apples in stock on any given day, they will be able to sell them all at this price. If one seller decides to sell below this price, he or she will be likely to sell out his or her stock more quickly, but will make a smaller profit. If he or she wants to cover costs and make a profit, it is unlikely that the lower price will be maintained for long. A seller attempting to sell above the price of \$5 per kg will be likely to sell less and so will be forced to bring the price down.

FIGURE 3 Supply and demand for apples



The interaction between the different quantities sellers are willing to supply and buyers are likely to demand at various prices can have an impact on a range of markets for many different goods and services.

1.4.3 The key economic questions

The aim of any economy is to provide goods and services to consumers in as efficient a manner as possible. We would expect consumers to buy goods and services that will satisfy their needs and wants, and that producers will want to make a profit by selling them those goods and services. In order for both consumers and producers to be satisfied, the economy has to answer three basic questions:

1. What to produce? — What goods and services should be produced, and in what quantities?
2. How to produce? — What methods should be used to provide those goods and services?
3. For whom to produce? — To whom should those goods and services be distributed?

Because the Australian economy operates largely as a market system, we would expect the interaction between buyers and sellers in a variety of different markets to answer these questions.

What to produce?

How does our market system help producers to decide exactly what goods and services to supply, and in what quantities to supply them? Up to a point, the market system operates largely by trial and error. A producer may make certain goods or services available to consumers and hope that these will satisfy the needs and wants of those consumers. If the goods or services fail to sell, the producer will probably go out of business. In Australia more than 60 per cent of small businesses close within their first three years, while one in three fail in their first year. This means that a lot of potential producers are entering the marketplace, but not selling the goods or services necessary to satisfy the needs and wants of consumers.

The market largely determines which businesses are likely to be successful. Some factors that can influence markets include:

- *Established habits and experience* — Producers know from people's existing behaviour that there will always be a demand for certain types of goods or services. Families need to buy food on a regular

basis, so a supermarket in a new suburb may well be successful. In any new shopping centre, businesses such as cafés and hairdressers will probably meet a demand from consumers if there are no similar businesses nearby. If a second or third café or hairdressing salon is established in the same shopping centre, the success of these businesses will depend on whether the level of demand from consumers is sufficient for all of them to survive. If not, then one or more will close. The operation of the market for those goods and services will determine how many similar businesses can survive in the same marketplace.

- *Changing tastes and preferences* — An example of this is the market for Australian-made cars. For many years, family sedans and wagons such as the Holden Commodore and Ford Falcon were Australia’s best-selling cars. Car manufacturing was so successful that other manufacturers such as Toyota also set up factories in Australia. Over time, consumers’ preferences have changed, and smaller imported cars and larger SUVs have become more popular. This led to a decline in car manufacturing in Australia. As a result, Holden, Toyota and Ford all ceased motor vehicle production in Australia in 2017.

FIGURE 4 Changes in the market saw the closure of Toyota, Ford and Holden car manufacturing plants.



- *Marketing and advertising* — Any business introducing a new product or service into the market needs to ensure that consumers are aware of its availability. For many years, businesses have used television, newspaper and radio advertising to persuade consumers to buy their goods and services. In addition, online advertising has increased dramatically, and today an online presence is essential for almost all businesses.
- *Technological change* — As a society we have become very enthusiastic about new technology. Whenever a new model iPhone is released, consumers queue up outside their nearest Apple store to be one of the first to buy it. Consumers monitor new developments in technology, and many will quickly replace outdated products with newer models. Producers can be quite confident that improvements in technology will quickly attract buyers to new goods and services.

How to produce?

Producing goods and services generally involves a combination of labour, equipment and raw materials. These are known as **inputs**, and any production process will involve different types and combinations of these three inputs. A factory producing frozen vegetables will be set up with different types of equipment, such as freezers to keep the vegetables cold, machines to chop them, and machines to pack and seal them in plastic packaging. The same factory will employ workers to control those machines, and perhaps carry out some other tasks, such as managing the whole process. The raw materials are the vegetables that are processed.

FIGURE 5 Improvements in technology soon attract consumers.



At different times, the managers of the factory will have to make decisions about the best methods to produce their final product, and the operation of the market can influence these decisions. Competition from rival frozen food companies will mean that the business will wish to keep its costs as low as possible. If efficient new equipment becomes available, it may be worth changing the methods of production to take advantage of this new machinery.

Automated production lines and robotics-based equipment are technologies that have improved factory production. In most cases, automation enables a factory to employ fewer workers, saving wage costs and allowing the prices of products to be kept at a level where they can compete in the marketplace. When one business in a particular market is able to cut costs by changing its methods of production, other businesses in the same market will usually make changes also, to remain competitive.

FIGURE 6 The use of robotics has changed the way manufacturers produce goods.



For whom to produce?

A business owner will make some decisions about who he or she intends to supply with goods and services. The market can also influence who receives these goods and services because purchasing will be affected by the level of prices when compared with the income of consumers. As seen in the **FIGURE 7** circular flow diagram in subtopic 1.2, household income can consist of wages and some government welfare payments. Households can also gain access to credit to purchase some goods and services. Taxes and desired levels of savings result in a reduced amount available for spending.

The amount actually available for households to spend is known as **disposable income** (income less tax). All consumers make decisions about what to buy by comparing their disposable income with the prices they will have to pay for the goods and services they want. The prices of different products can influence who buys them. Luxury motor vehicles cost much more to produce, but the manufacturers are not attempting to sell to the mass market. Their product is aimed at those with a high enough level of disposable income to be able to afford such a vehicle. On the other hand, fast-food restaurants such as McDonald's and KFC provide relatively cheap meals designed to appeal to large numbers of consumers. Other, more exclusive restaurants, charging \$100 or \$200 per meal, are providing a service for a completely different market.

FIGURE 7 Luxury motor vehicles cost much more to produce, but the manufacturers are not attempting to sell to the mass market.



1.4 ACTIVITY

In a fruit and vegetable market, bananas are subject to the following buyer and seller preferences.

- Sellers agree that if they could charge \$14 per kg, they would happily supply 140 kg of bananas for sale each day. If they could only charge \$7 per kg, they would only provide 70 kg a day. If they could only charge \$3 per kg, they would only supply 30 kg for sale.
- If bananas cost \$14 per kg, buyers would demand a total of 30 kg in any given day. If the price dropped to \$10 per kg, buyers might be prepared to buy 40 kg a day. If the price fell to \$8, buyers might purchase 60 kg, at \$6 they would buy 80 kg, and at \$4 they would buy 100 kg.

Based on this information, complete the following tasks.

- Draw up a table showing the different quantities of bananas that sellers would be prepared to supply at each price level.
- Draw up a table showing the quantities of bananas that consumers would demand at each price level.
- Use the data from these tables to construct a graph that shows both sellers' supply preferences, and consumers' demand preferences.
- State the price per kilogram at which buyers' and sellers' preferences would be matched. What quantity would be sold at that price?

Reasoning, creating, proposing

1.4 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.4 Exercise 1: Check your understanding

- ES1** Define each of the following in your own words:
 - percentage mark-up
 - disposable income.
- ES2** Outline two methods a business might use to determine the prices for the goods or services it sells.
- ES1** What are the three different types of inputs that go into any production process?
- ES2** Explain two factors that could influence which goods and services businesses decide to produce.
- ES1** How do businesses aim to keep their production costs as low as possible?

1.4 Exercise 2: Apply your understanding

- ES2** Explain how markets can influence to whom different goods and services are distributed.
- ES2** Explain the three economic questions.
- ES2** Explain two methods that can impact how businesses produce goods.
- ES2** Explain what is meant by demand and supply.
- ES2** Explain what is meant by equilibrium in reference to the preferences of buyers and sellers.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.5 Government involvement in the market

1.5.1 Welfare

The government provides financial and other support to disadvantaged members of the community. The aged pension supports those who are beyond retirement age and no longer working. Unemployment benefits are designed to support those who cannot find work. The National Disability Insurance Scheme (NDIS) provides people with a permanent and significant disability with money to access support and services.

Not only are welfare payments designed to provide fairness and support to those who need help, but the payments can also have a positive economic effect on markets. Those receiving welfare are likely to spend most of their money and so their spending adds to the circular flow of income throughout the economy. Businesses gain revenue from selling additional goods and services. This, in turn, allows them to employ more people, who also spend their money buying goods and services.

FIGURE 1 Welfare payments help those who are not able to earn an income.



1.5.2 Provision of infrastructure

Government has a major responsibility for providing the **infrastructure** for the country. This includes roads, railways and ports, and has traditionally included other means of communication, as well as energy supplies. Roads and railways are essential if goods are to be transported from place of manufacture to the shops where they are sold. Ports are not only required to allow for the import and export of goods in and out of Australia, but also for the transport of goods within Australia. Tasmania relies on shipping across Bass Strait to bring goods from mainland Australia, and to transport goods produced within the state to consumers in other states.

The government provides a postal service that supports correspondence between businesses, as well as the delivery of goods through a parcel delivery service. The telephone service was originally provided by government before Telstra was **privatised** and other providers were permitted to enter the market for telephone services. Even today, the national broadband network is an important infrastructure project being funded by government. Markets cannot operate without efficient systems of communication between consumers and businesses.

Traditionally, energy supplies such as electricity and gas also have been provided by government. These are not only essential for the domestic uses we are all accustomed to, but also for the functioning of businesses. In some states of Australia, electricity and gas supplies have been privatised and are now run by businesses rather than by government. Even where this has occurred, the original infrastructure was usually built by government before being sold to the business sector.

FIGURE 2 Government provides infrastructure to enable markets to function more efficiently.



DISCUSS

Privatisation of essential industries, such as electricity and gas supplies, can lead to increased prices as the companies that provide these services seek to make larger profits. Do you think these essentials should be sold for profit?

[Ethical Capability]

1.5.3 Economic management

Government has a responsibility to ensure that Australia experiences a sustainable level of economic growth from year to year. Growth is important because, as the population increases, it is necessary to ensure there are sufficient goods and services for all consumers to buy. There also needs to be an increase in the number of jobs available to provide employment for a growing population.

Governments can encourage economic growth by spending money, which increases funds into the circular flow. This can provide more for consumers to spend, encouraging business to increase the supply of goods and services, and thus provide more job opportunities. However, if too much money is injected into the economy there may not be enough goods and services readily available to meet the increased demand. This is likely to force prices up, leading to **inflation**.

When excess inflation occurs, governments will usually cut back on spending, which removes money from the economy, which hopefully slows down the rise in prices. Governments use their annual **budgets** to influence the flow of money in the economy. They will aim to encourage growth, while trying to avoid the risk of too much inflation. Governments can use statistics gathered by the **Australian Bureau of Statistics** to assist them in their decision making. These statistics can include figures relating to the levels of employment in the economy, as well as those tracking price rises.

FIGURE 3 Governments will use a variety of statistics to assist with decision making.



on Resources

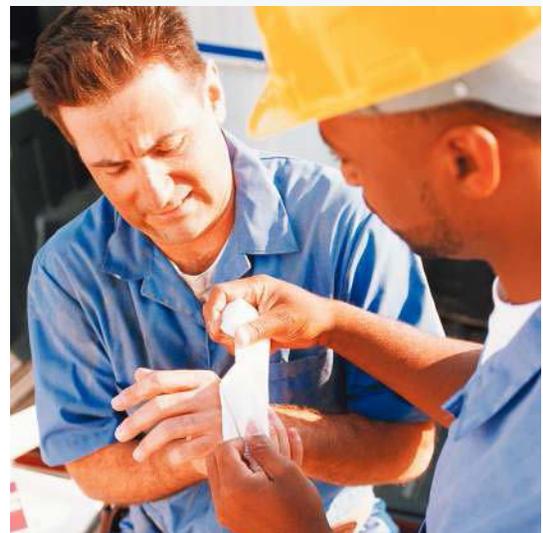
 **Weblink** Australian Bureau of Statistics

1.5.4 Wages and employee relations

As we have discussed, there is a market for labour in which workers offer their skills and experience for sale to businesses and businesses buy that labour by paying wages and salaries. In order to ensure that the labour market functions fairly, it is regulated by laws passed by governments. The major law dealing with wages and working conditions in Australia is the *Fair Work Act*, a federal government law.

State governments provide regulations to ensure safe workplaces through Occupational Health and Safety laws. Both federal and state governments have also sought to prevent discrimination in the workplace by passing laws supporting equal employment opportunity. These make it illegal to discriminate against someone in any workplace on the basis of gender, race, age or ethnicity. Victoria also has laws to deal with bullying in the workplace.

FIGURE 4 Occupational Health and Safety laws are designed to prevent injuries at work.



on Resources

 **Weblink** Fair Work

1.5.5 Provision of goods and services

Governments can also become involved in the marketplace as actual suppliers of goods and services. For example, every state and territory government provides an education system. In addition, state governments provide hospitals and other health services. Although other organisations also provide many of these services, such as private schools and private hospitals, most people consider it a responsibility of government to ensure that everyone has access to education and health services. Ambulance services and firefighting and emergency services are similarly considered to be the responsibility of state governments.

Public transport systems also are mostly provided by state governments, and those public transport systems that are provided by non-government businesses usually receive large amounts of money from government to assist in their running. Public transport does not make a profit, so no business would want to run it without such funding. Further, without this government assistance, for public transport to be profitable fares would have to be so expensive that many people could not afford to use it. Public transport is recognised as an essential service, so governments either provide it themselves or pay businesses to provide it at a reasonable price.

FIGURE 5 It is a responsibility of governments to provide hospitals and health services.



1.5.6 Planning and the environment

State governments and local councils have powers to control the type of buildings and other developments that are built within their borders. Governments establish building standards to ensure that all buildings are structurally sound, and not likely to fall down or cause a hazard in any other way. Anyone wishing to build a house or other structure on vacant land must gain a building approval. This is to ensure that the building conforms with certain standards. Councils and the state government can also determine whether or not a particular type of building is appropriate in a particular area. For example, it would usually be considered inappropriate to build a large factory in the middle of a residential area.

Since the early 1970s, state governments have also introduced laws to protect the environment. These place restrictions on both businesses and individuals in relation to what they can release into the atmosphere and waterways. These laws can affect markets because they can increase costs for some businesses. Businesses that may once have simply released waste material into a creek, river or drain now have to dispose of it in an environmentally responsible manner. Smoke and fumes have to be properly filtered before being released into the atmosphere. Motor vehicles have emission controls to limit the levels of harmful chemicals in exhaust fumes.

FIGURE 6 Governments have introduced laws to prevent businesses from polluting the environment.



Environmental laws have also created new business opportunities, with waste management and recycling businesses providing services for a variety of different customers. As with most government involvement in the economy, while some businesses may appear to be disadvantaged, opportunities are often created for new and different businesses to grow.

1.5.7 International trade policies

Governments have the power to regulate what comes into and goes out of the country. Customs and quarantine laws can have an influence on the markets for a number of products. Until 2011, Australia banned apples from New Zealand because of fears the apples may spread a disease known as fire blight. Such a regulation would obviously have an impact on the market for apples throughout Australia.

Traditionally governments have also attempted to protect goods produced by local industries by imposing special taxes on similar goods imported from other countries. These taxes are known as **tariffs**. The clothing and textile industries were once protected in this way. In the early 1980s, there was a 28 per cent tariff on all imported clothing. This made these imported goods more expensive than locally produced clothing, thus encouraging consumers to buy the Australian-manufactured product. Over the next thirty years this tariff was reduced, making imported clothing much cheaper than the local product.

As a result of reduced tariffs, many local clothing manufacturers have been unable to compete with cheaper imported clothing and consequently have had to close. A similar program of tariff reduction occurred in the motor vehicle industry. While this has been a negative for the Australian clothing and motor vehicle industries, the positive impact for Australian consumers is clothing and motor vehicles being much cheaper. Since the 1980s, Australian governments have also negotiated trade agreements with other countries. We agree to reduce tariffs on imports from those countries, and in return they agree to reduce tariffs on goods they import from us. Although this can make it difficult for some local manufacturers who have to compete against cheaper imported products, it can be good for our export industries and for consumers paying lower prices.

FIGURE 7 A reduction in tariffs has increased the quantity of imported clothing sold in Australia.



1.5.8 Immigration policies

As well as controlling the goods that come into and go out of Australia, governments can regulate the movement of people. This particularly applies to immigration into the country. Immigration allows the population to rise faster than would occur through natural increases in the birth rate. Rapid population increases can provide more consumers for businesses to supply with goods and services. Further, new arrivals add to the workforce, providing businesses with new employees who may have new skills to help the business grow.

Governments can also affect the market for particular goods and services through decisions made about who is encouraged to migrate here. If particular skills are required in certain industries and not enough people in Australia have the required qualifications, governments can allow employers to bring in migrants with the necessary skills. This can affect the labour market in that industry. Australia has also become a major provider of tertiary education for our region. Encouraging international students to come here provides additional income for our universities, as these students pay fees to study here.

FIGURE 8 Australia has become a major provider of tertiary education for fee-paying students from Asian countries.



on Resources

 **Weblink** Australian Bureau of Statistics

1.5 ACTIVITY

Use the **Australian Bureau of Statistics** weblink in the Resources tab to complete the following tasks.

- Find out the current estimated population of Australia.
- Explain how this estimate is calculated.
- Select two headlines or media releases, and for each one, describe:
 - three significant facts or figures included in the report
 - the trends or changes that have occurred in recent years in the facts or figures reported.

Investigating and evaluating

1.5 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.5 Exercise 1: Check your understanding

- ES1** Define each of the following in your own words:
 - infrastructure
 - inflation
 - government budget.
- ES1** Why does government usually have to provide funding for public transport to operate?
- ES1** How can government welfare payments have an impact on the market for goods and services?
- ES2** Explain what happens when a service provided by government is privatised.
- ES1** What are tariffs?

1.5 Exercise 2: Apply your understanding

- ES2** How can a government budget influence economic growth?
- ES2** Why might it be important for government to be involved in the regulation of wages and working conditions for employees?
- ES2** What effect might environmental laws have on the costs experienced by businesses in managing waste from their production processes?
- ES2** Explain two ways in which government immigration policies can have an influence on markets.
- ES2** Explain why it is important for the government to regulate trade.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.6 SkillBuilder: Contesting and debating ideas

online only

What is contesting and debating?

When studying business issues, it is important to be able to contest and debate different ideas related to each issue. Contesting means coming up with opposing ideas on an issue. Debating is the process of communicating about these opposing ideas with others.

Select your learnON format to access:

- an explanation of the skill (Tell me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it).



1.7 Legal protection of consumer rights

1.7.1 Law and justice

Governments at all levels involve themselves in the market in a variety of ways. Politicians, commentators and the media often refer to the issue of ‘economic management’ as a responsibility of government. People expect the government to take action to encourage growth in the economy and to avoid high unemployment. Government activity within a market economy goes well beyond these aims. The successful operation of markets often depends on the level of government involvement.

Government provides a legal framework that allows buying and selling in the marketplace to occur within a set of rules that should be fair to all participants. Australian Consumer Law protects consumers from unscrupulous businesses that could try to cheat them. Laws relating to the enforcement of legal contracts ensure that all buyers and sellers will be able to enforce their rights before the courts. The criminal law aims to provide protection from threats and intimidation in any business dealings. Our court system gives everyone the right to take legal action to enforce their rights.

FIGURE 1 Australian Consumer Law protects consumers from unscrupulous businesses that could try to cheat them.



on Resources

 **Video eLesson** Consumer rights — services (eles-2529)

1.7.2 Fair transactions

As a consumer, you can often be at a disadvantage when it comes to buying goods and services. Even though you may have a good idea of what you wish to buy, you will often rely on the advice of a salesperson to help you with your purchase. You want to be assured that this person will be showing appropriate respect for your interests, not trying to ‘con’ you. The Australian Consumer Law aims to make sure that every transaction between buyers and sellers is fair to both parties.

1.7.3 Honesty is the best policy

The Australian Consumer Law makes it clear that sellers are expected to advertise and promote their products honestly. It is illegal to do anything that might mislead the customer, or trick them into buying something they might not have bought if they had known all the facts. The following are some examples of behaviour that is illegal under this law.

1. *Misleading or deceptive conduct* — Advertisements must not use words that make claims about a product that are not true. This includes claims about low prices, or goods being ‘on special’.
2. *Unconscionable conduct* — This is any business conduct that is unfair or unreasonable.
3. Offering gifts and prizes in connection with the supply of goods and services and then not providing them.
4. *Conduct that may mislead the public* — For example, using a brand name similar to a well-known brand, or using an Australian-made logo when the product was made overseas.
5. *Bait advertising* — This refers to a business attempting to attract customers by advertising some products at lower prices, but stocking very few of those products. When the advertised products quickly run out, customers are then directed to higher-priced items.
6. *Referral selling* — This occurs when a business offers a customer a special deal or special price if the customer refers other potential customers to the seller and those customers make a purchase.

FIGURE 2 Any discounts, special offers or specials offered by sellers must be genuine.



1.7.4 Treating consumers fairly

Consumers wish to satisfy their needs and wants, and when they go looking for goods and services they are usually eager to make a purchase. This means that an unscrupulous seller could take advantage of them. Consumer law makes it compulsory for sellers to provide all available information to consumers, and to ensure that buyers and sellers have equal rights in any purchase. Some of these rights are:

1. Any contract or agreement that a consumer enters into must be fair and balanced. It must be written in clear language that is easy to understand. It should not contain any provisions that allow the seller to change the conditions of the agreement without informing the buyer. For example, it would be illegal for a mobile phone contract to allow the service provider to make changes to their prices and charges without notifying the customer. However, the consumer is responsible for reading the contract carefully to make sure they understand it.
2. A consumer has the right to ask for a receipt for any transaction, no matter how small the amount involved. For all transactions over \$75, a receipt is compulsory.
3. Anyone attempting to sell goods or services door-to-door or over the phone can only do so between 9 am and 6 pm on weekdays, and from 9 am to 5 pm on Saturdays. These types of sales are not permitted on Sundays or public holidays. This rule does not apply when consumers have agreed in advance to an appointment time for the seller to visit their home. A salesperson must leave immediately if requested and must not contact the consumer again for at least thirty days (with that same product). If a consumer agrees to purchase goods or services from a door-to-door salesperson, or over the phone, the Australian Consumer Law allows for a ten-day 'cooling off period'. This means that the consumer has the right to cancel the agreement within ten days, without having to pay anything.
4. Lay-by agreements must be in writing and must be expressed in plain language that is clear and easy to understand. The agreement must include all terms and conditions.
5. Businesses that display 'No refunds' signs are breaking the law. If a product is faulty or is unfit for its usual purpose a refund must be offered to the buyer. However, a business may refuse to provide a refund if consumers simply change their minds and there is nothing wrong with the product.

FIGURE 3 A door-to-door salesperson must leave immediately if requested.



1.7.5 Guarantees for consumers

You may have heard of manufacturers or sellers offering guarantees or warranties. These are promises that if anything goes wrong with the product, it will be replaced or repaired free of charge. Even if a manufacturer or seller does not provide such a written warranty, the Australian Consumer Law makes it compulsory for all suppliers and manufacturers to automatically provide a basic set of guarantees on all products they sell to consumers. A business cannot remove consumer rights under these guarantees, but they can improve these basic rights if they wish to do so. The Australian Consumer Law provides the following guaranteed rights:

FIGURE 4 Goods must be of acceptable quality; if a shoe heel broke after only a couple of wears, the shoes would not be considered of acceptable quality.



- The consumer will gain clear legal ownership to goods; that is, the seller actually owns the goods being sold and can legally transfer ownership to the buyer.
- Goods must match any sample, demonstration model or description provided to the buyer.
- Goods must be of acceptable quality; that is, they must be safe, long-lasting, free from defects, acceptable in appearance and finish, and do all the things that the goods are normally used for. For example, if a consumer purchased a pair of jeans and found some of the stitching was coming apart after a week, the jeans would not be considered of acceptable quality.
- Products must be fit for a particular purpose. Fitness of purpose means the product will perform as the instructions or advertisements imply. A bottle of shampoo that failed to properly wash hair would be a breach of this condition.
- Repairs and spare parts must be available for a reasonable time after manufacture and sale.
- Any necessary servicing must be carried out with reasonable care and skill and must be completed within a reasonable time.

1.7.6 When the law is broken

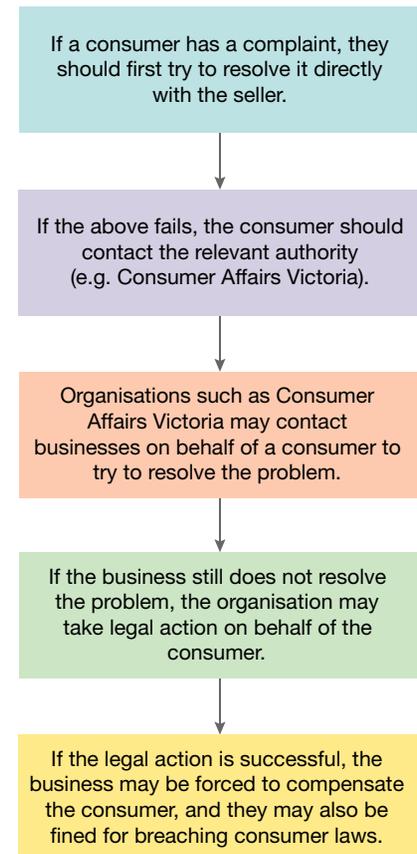
Although the Australian Consumer Law is a law of the Commonwealth parliament, enforcement of the laws protecting consumers is usually carried out by the relevant state or territory Office of Fair Trading or Consumer Affairs Office. When a consumer has a complaint against a seller, these offices will usually recommend that the consumer attempt to sort out the problem directly with the seller. If direct contact with the business does not produce a result, the Fair Trading or Consumer Affairs Office may contact the business on the consumer's behalf and attempt to resolve the matter.

If the business fails to resolve the problem, Fair Trading or Consumer Affairs Offices can take legal action on behalf of the consumer. If the legal action is successful, the seller may be required to compensate the consumer or to replace or repair any faulty goods. The business can also be fined for failing to comply with the Australian Consumer Law.

FIGURE 6 Fair Trading and Consumer Protection offices will usually recommend that the consumer attempt to sort out a problem directly with the seller.



FIGURE 5 The following steps may help a consumer resolve an issue when they feel a business has breached consumer laws.



1.7.7 Responsibilities as well as rights!

What is an ethical consumer or producer?

While the Australian Consumer Law contains a strong emphasis on protecting the rights of consumers and enforcing the responsibilities of sellers, consumers also have responsibilities in the marketplace. Some of these responsibilities are:

- Whenever you buy goods or services, you are entering into a legally binding contract. You might believe that a contract is a written document that you sign, but this is not always the case. If you are buying a house or a car, there are particular types of written documents that are required by law, but any agreement between a buyer and a seller is a legally binding contract, even if you don't sign anything. As a buyer you have a responsibility to pay the required amount for the goods or services you purchase. This is particularly relevant if you purchase goods or services on credit, with an expectation that you will pay by instalments, such as the purchase of a mobile phone with an accompanying payment plan.
- Consumers who borrow money or who use a credit card to make purchases have a responsibility to make repayments. Failure to do so can leave the consumer with a poor credit rating. This remains active for five years, and if you need to apply for a loan during that time, you may have that loan refused.
- A consumer cannot return goods and claim a refund if the goods have been used other than for the purposes for which they were intended. If you damage a product by using it inappropriately, or even injure yourself while doing so, you have very little chance of being compensated. Consumers have a responsibility to use goods in the way the manufacturer intended.

FIGURE 7 Consumers who borrow money must repay it in full. Failure to do so can leave the consumer with a poor credit rating.



on Resources

 **Video eLesson** What is an ethical consumer or producer? (eles-0255)

1.7 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.7 Exercise 1: Check your understanding

1. **ES1** What is the purpose of Australian Consumer Law?
2. **ES2** Provide a brief description of each of the following:
 - (a) misleading conduct
 - (b) bait advertising
 - (c) referral selling.
3. **ES1** Outline one responsibility that consumers have in relation to goods or services they purchase.
4. **ES2** Explain the rules that apply to phone sales and door-to-door selling.
5. **ES1** In what circumstances is a seller allowed to refuse a refund?

1.7 Exercise 2: Apply your understanding

1. **ES2** Explain two guaranteed rights that consumers have in relation to goods they purchase.
2. **ES2** What powers does a Consumer Protection or Fair Trading authority have to enforce Australian Consumer Law?
3. **ES5** In each of the following examples, explain why there has been a breach of the *Competition and Consumer Act*.
 - (a) An electrical goods business advertises a particular brand of television and states that it is at a cheaper price than that offered by a competitor. This statement is false.
 - (b) A clothing store advertises t-shirts and claims that they are made in Australia when in fact they are made in Hong Kong.
 - (c) A take-away food outlet advertises that a special deal is only for one week when in fact it plans to extend it for two months.
 - (d) A garden maintenance business offers some its customers a 10 per cent discount if they provide the names and addresses of five potential customers for the business.
4. **ES2** Explain what is meant by a 'lay-by' and why consumers may use this method of purchasing goods.
5. **ES4** 'Most businesses are concerned about maximising their profits and so we need consumer protection laws to regulate their behaviour.' Discuss this statement.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.8 Business competition protects consumers

1.8.1 The benefits of competition

One of the best protections consumers can have is a market with a large number of sellers, all competing with each other to attract customers. Competition can help keep prices lower, and if one business treats consumers badly, there are plenty of alternatives available. As the name suggests, the *Competition and Consumer Act* is concerned with encouraging fair competition between businesses in all markets. The Act makes it illegal to engage in business practices that interfere with competition, or that give some businesses an unfair advantage over others. The Australian Competition and Consumer Commission (ACCC) has the power to enforce the law to encourage greater competition in the marketplace.

1.8.2 Banned anti-competitive practices

The *Competition and Consumer Act* lists a number of business practices that are prohibited or that are regulated by the ACCC. These include price fixing, misuse of market power, predatory pricing, exclusive dealing, resale price maintenance, and mergers and take-overs. Each of these practices are outlined in the following subsections.

Price fixing

It is illegal for two businesses in competition with each other to agree to set identical prices for their products. Businesses will probably have similar prices for similar products because of market forces, but they cannot actively work together to raise or lower prices by an exact amount. This has been an issue over the years with petrol pricing. Many service stations lower their prices in the middle of the week, and then raise them at the weekend. There have been accusations that service stations that are close to each other have agreed to raise or lower their prices by the same amount at the same time. If it could be proved that they had done so, they would be deemed to be acting illegally, because this action would prevent consumers from taking advantage of genuine competition.

FIGURE 1 Any agreement by service stations to raise or lower prices at the same time and at the same rate would be an example of price fixing.



DISCUSS

As opposed to being involved in price fixing, large supermarket chains have been involved in a price war with items such as milk and roast chickens being sold at reduced prices. The squeeze on the profit margins of these items comes back to the farmers, who are paid less for supplying the goods to the supermarkets. Is this practice by the supermarkets ethical, or should they be paying more for these supplies?

[Ethical Capability]

Misuse of market power

Not all businesses are the same size, and there is a risk that larger businesses may use their power unfairly to drive smaller competitors out of business. The Act bans any action aimed at damaging or getting rid of a competitor or preventing another business from entering the market. Some years ago, retailer Woolworths was fined \$7 million for attempting to prevent some restaurants and bars from selling packaged liquor in competition with its own liquor outlets. When these other businesses applied for liquor licences, Woolworths lodged objections with the government licensing authority. They then proposed to withdraw the objections if the other businesses agreed not to sell take-away alcohol products to their customers. A court found that Woolworths was in breach of the law.

FIGURE 2 Woolworths was fined for attempting to misuse its market power to restrict the operations of competing liquor outlets.



Predatory pricing

Predatory pricing occurs when a business deliberately sets its prices at such a low level that its competitors cannot match them. In such cases, the business actually decides that it is prepared to lose money for a while until it has forced its competitors out of the market. This leaves the business with less competition so that it can then disregard market forces, raise prices and exploit consumers. A recent example is from in 2011 where both major supermarket chains (Coles and Woolworths) decided to sell milk at \$1 per litre. This was aimed at encouraging consumers to shop at their outlets rather than at another supermarket or with their competitors Aldi and IGA.

The Coles and Woolworths could afford to make a loss on milk sales because they were making a good profit on other products. Other supermarkets and smaller shops, such as milk bars and convenience stores, may not be able to lower prices as much and so could lose many customers. If the other businesses selling milk were forced out of the market, the supermarket could then raise its prices and there would be no competition to prevent it from doing so.

Exclusive dealing

Exclusive dealing involves one business trading with another while imposing restrictions on that other business's freedom to deal with its competitors. An example is when a hair products supplier will only sell to a hairdresser on the condition that the hairdresser does not purchase hair products from any other supplier. This can be legal in some circumstances if it is not seen to lessen competition in the market for the products in question. For example, McDonald's sells Coca-Cola products but not Pepsi, and they are permitted to do so. This is because KFC sells Pepsi and not Coke, so the overall market for soft drinks is still competitive. Businesses that wish to enter such an arrangement must notify the ACCC of the proposed agreement. The ACCC will then examine the details before either approving or disallowing the arrangement.

FIGURE 3 It would be illegal for a supermarket to use predatory pricing to try to put other milk retailers out of business.



FIGURE 4 McDonald's is permitted to have an exclusive deal with Coca-Cola, and KFC can have an exclusive deal with Pepsi, because the market for soft drinks is still competitive.



Resale price maintenance

Suppliers cannot set the prices at which retailers will sell the products. Suppliers can recommend a retail price for the sale of their goods, but it is illegal to attempt to force a retailer to sell at that price. Retailers must be free to compete on price with other retailers selling the same products. It is also illegal for suppliers to set a minimum price that retailers must not sell below, or to force a retailer not to discount goods. On the other hand, it is quite legal for a supplier to set a maximum price for its products. This is to prevent any retailer that has no competitors in a particular location from unfairly overcharging customers.

Mergers and take-overs

When two or more businesses decide to join together, this is known as a *merger*. When one business decides to buy out a competitor, this is known as a *take-over* or an *acquisition*. Sometimes a merger or take-over in a particular market may lead to reduced competition in that market. The Act prohibits mergers and take-overs between one or more businesses if they result in the competition being substantially reduced. Businesses proposing a merger or acquisition can ask the ACCC for permission. The ACCC may permit a merger or acquisition if it will not substantially limit competition. If businesses proceed without seeking permission, the ACCC can investigate and has the power to take action against them if it finds that the merger or acquisition has substantially limited competition.

Mergers and acquisitions occur regularly in the banking industry. In 2008, Bendigo Bank and Adelaide Bank merged; the Commonwealth Bank took over Bankwest; and Westpac acquired St George Bank. However, the big four banks, ANZ, NAB, Westpac and the Commonwealth Bank are specifically banned from merging with each other as this would reduce competition too much.

FIGURE 5 Retailers must be free to compete on price with other retailers selling the same products.



FIGURE 6 Australia's four big banks are prohibited from merging because this would severely reduce competition in the banking industry.



1.8.3 The role of the Australian Competition and Consumer Commission (ACCC)

The ACCC has wide powers to investigate possible breaches of the *Competition and Consumer Act*, and can take legal action against any person or organisation suspected of such a breach. It will sometimes be granted a court order to seize confidential documents from businesses suspected of anti-competitive behaviour.

Only a court can determine whether a breach of the Act has occurred and make orders against offenders. The ACCC's role is to bring matters before the courts to have criminal penalties imposed and to gain compensation for anyone who may have been harmed by the breach. Courts can impose penalties of up to \$10 million for companies and \$500 000 for individuals found guilty of anti-competitive behaviour.

The ACCC has the power to authorise behaviour which might appear to be anti-competitive if it considers that behaviour to be in the public interest. It can also actively monitor prices and approve price rises in markets where competition is limited. As described above, businesses wishing to engage in mergers or take-overs can seek advice from the ACCC as to whether the proposed action is likely to breach the Act, and then proceed according to that advice. The ACCC aims to encourage compliance with the Act rather than simply to punish wrongdoers.

FIGURE 7 ACCC officials may seize documents from businesses suspected of anti-competitive behaviour.



on Resources

 **Weblink** ACCC

1.8 ACTIVITY

The ACCC website contains details of recent cases dealt with by the ACCC. Use the **ACCC** weblink in the Resources tab to visit the site, select and read one story, and then answer the following:

- What was the issue in question?
- How did the matter come to the attention of the ACCC?
- What decisions, actions or recommendations did the ACC make in relation to the issue?

Investigating and evaluating

1.8 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.8 Exercise 1: Check your understanding

- ES1** Provide a brief description of each of the following:
 - price fixing
 - predatory pricing
 - exclusive dealing
 - resale price maintenance.
- ES2** Why is competition between businesses beneficial for consumers?
- ES2** Explain the circumstances under which a merger or acquisition would be acceptable to the ACCC.
- ES1** What does ACCC stand for?
- ES1** Identify the Act of Parliament designed to provide fair competition between businesses. ▶

1.8 Exercise 2: Apply your understanding

- ES1** Outline the actions that can be taken by the ACCC when dealing with a breach of the *Competition and Consumer Act*.
- ES5** How would you expect the ACCC to deal with each of the following situations?
 - The only two garden maintenance businesses in a country town decide to merge and form one business.
 - The owners of five petrol retailers along a major stretch of road met each week to determine how much they would all charge on each day of the week.
 - The manufacturer of a range of electrical goods provides all retail outlets selling its products with a list of recommended retail prices for each of its products, and then refuses to supply the products unless the retailers stick to those prices.
 - A branch of a major supermarket chain, located in the same shopping centre as an independent supermarket, consistently prices all its products five per cent below those of the independent supermarket. When the independent business lowers its prices to try to match its competitor, the major supermarket lowers its prices even further.
- ES1** Distinguish between a merger and a take-over.
- ES5** In 2011 through to 2019, Coles and Woolworths sold milk for \$1 per litre. Why do you think they did this and do you think it should have been allowed?
- ES5** 'If businesses compete fairly then consumers and businesses are both winners.' Discuss this statement.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.9 Keeping consumers safe

1.9.1 When purchases go wrong

Every now and again we hear stories in the news of a particular model of car being 'recalled' to have some fault fixed. Other stories come to light of people suffering from food poisoning after visiting a certain restaurant or café. We hope that every purchase we make will be safe, but this is not always the case. Just as it is important to protect consumers from dishonest behaviour, it is even more important to ensure that the products we buy will not harm us.

1.9.2 Who keeps us safe?

A number of different bodies are responsible for ensuring that the goods and services we buy are not going to cause us harm. These bodies include government regulators, as well as other groups, such as Choice. The roles of these different entities are discussed briefly below.

Government regulators

Governments at federal, state, territory and local level have established a number of bodies to ensure product safety.

- The ACCC — the Australian Competition and Consumer Commission includes issues of product safety among its various roles.
- State and territory Consumer Affairs and Fair Trading authorities have a major role within their respective states.
- Customs and quarantine bodies are able to monitor goods coming in from overseas, and can identify any products that may be dangerous.
- Specific industry regulators are organisations that have particular powers in relation to certain types of products. For example, the Therapeutic Goods Administration has a role in regulating medicines, as well as devices such as wheelchairs.

FIGURE 1 Customs officers check containers of goods from overseas to prevent dangerous goods from entering the Australian market.



- Local government health authorities carry out inspections on food premises such as restaurants, cafés and school canteens to make sure cleanliness and hygiene regulations are followed.

Other groups

Responsibility for product safety is spread quite broadly across the community, with a number of organisations involved.

- **Businesses** — manufacturers and sellers take responsibility to ensure their products are safe. A business selling a product that causes harm to one or more consumers can be sued by those affected. It makes sense to avoid legal action by closely controlling the production process to keep products safe.
- **Technical bodies** — worldwide organisations such as the International Organisation for Standardisation (ISO) set acceptable standards for all types of products. Any product that conforms to those standards is entitled to display an ISO number, so consumers know it conforms to the highest quality.
- **Consumers** — buyers and their representatives also have a responsibility for safety. Choice, formerly the Australian Consumers' Association, publishes a magazine and a website called *Choice*, which examines and tests all types of products. Individual consumers also have a responsibility to maintain items to keep them safe, such as checking electrical cords and enabling safety features on motor vehicles.

FIGURE 2 Consumers can be assured that any product carrying ISO certification will be safe and will conform to the highest standards of quality.



1.9.3 What do the government regulators do?

Federal, state and territory bodies have wide-ranging powers and responsibilities to ensure product safety. They carry out a variety of different activities in exercising these responsibilities.

General market monitoring

Government regulatory bodies examine all areas of all markets to detect possibly unsafe products. They monitor the media for any death or injury reports that may suggest a particular product could be dangerous. They examine and arrange testing of new types of products coming onto the market. They also respond to consumer complaints and monitor information on new products from around the world.

Encouraging safe practices

Regulatory bodies encourage safe practices through various measures:

1. *Negotiating product removal.* This involves gaining agreement from suppliers to remove dangerous goods from sale in their stores or outlets, including online outlets.
2. *Removing unsafe goods.* This can often involve a product recall. Anyone who may have bought a product that is found to be dangerous is expected to return it to the place of purchase. If the fault can be repaired, it will be returned to the manufacturer to be fixed. If the product cannot be made safe, the

purchaser will be entitled to a refund. Product recalls must be widely publicised through the media. In newspapers, recall notices appear with a special striped border. When suppliers have records of who their purchasers are, they also will contact them directly to arrange a recall. This often happens when identified faults need to be repaired in motor vehicles. A current example is the ongoing government recall on Takata airbags, which were installed in a variety of makes and models of cars. These airbags are potentially fatal if they activate at the wrong time.

Resources

 **Weblink** ACCC Product Safety Australia

3. *Promotion of safety management.* Government regulators encourage manufacturers and other suppliers to comply with sets of standards. These can include mandatory standards or voluntary standards. Mandatory standards are compulsory and must be observed by suppliers. For example, there are very strict standards for electrical goods, and consumers must be supplied with instructions and warnings about their appropriate use and any possible hazards. All packaged food must list ingredients and nutritional information on packaging, and clothing items must have washing and care instructions provided. Voluntary standards are those that have been agreed to by groups of suppliers or other organisations. They are not compulsory, but any supplier that complies with them can use this fact when promoting its products. Voluntary standards do not usually relate to issues of safety, they are more likely to deal with issues of quality.

FIGURE 3 Manufacturers that discover a fault in any of their products are expected to recall these products for repair, replacement or refund.



FIGURE 4 All packaged food must provide nutritional information on the packaging.

Amount Per Serving		Calories from fat 4	
Calories 85		% Daily Value	
Total Fat	0g	0%	
Saturated Fat	0g	0%	
Trans Fat		0%	
Cholesterol	0mg	0%	
Sodium	2mg	5%	
Total Carbohydrate	20g	5%	
Protein	0g		
Vitamin A	5%	Vitamin C	15%
Calcium	5%	5%	
Total Fat	Less than 60g	Calories:	2,000 2,500
Sat Fat	Less than 30g		80g 80g
Cholesterol	Less than 210mg		210mg 2,500mg
Sodium	Less than 2,500mg		380g 30g
Total Carbohydrate	300g		
Fiber	Sat Fat 30g		
Calories per gram:		Carbohydrate 5	Protein 5
Fat 10			

4. *Publicity and education.* Government regulators aim to make sure that all necessary information relating to product safety in general, and particular hazards when they occur, is circulated as widely as possible throughout the community. They often issue statements to the media about particular safety issues. These are sometimes reported in the media. The ACCC administers a product safety website, which provides regular updates on safety hazards. State and territory Consumer Affairs and Fair Trading authorities regularly conduct education and publicity programs to inform the public on broad product safety issues.

Solving safety problems and enforcing standards

Government regulators usually try to support businesses to do the right thing, rather than simply punishing them for doing the wrong thing. Where possible, they will work with industry, support technical investigation and concentrate on educating suppliers and consumers about product safety. New regulations can be created where necessary, and warning notices will be issued when dangerous products are identified.

Sometimes a product is clearly so risky that it has to be banned. This has happened on numerous occasions with toys sold to young children. If a toy contains small parts that could come loose and be swallowed by a small child, the toy may be banned from sale. Many other toys carry clear indications of the age group for which they are designed, and possible risks to younger children.

If a manufacturer or other supplier fails to comply with safety standards or bans, government regulators can take legal action. Fines of more than \$1 million can be applied to any business failing to meet mandatory standards, or continuing to sell a product after it has been banned. A court can also order businesses to provide compensation to any customers harmed by products the business has sold. A business that becomes aware of any harm caused by a product or service that it has sold must inform the appropriate government regulator within two days. Failure to do so can also result in a fine.

FIGURE 5 This toy wooden alphabet train was removed from sale because it contained dangerous small parts.



DISCUSS

1. Do you think the potential fines and bans for failing to meet safety standards are appropriate?
2. Should government regulators be doing more or less to enforce these standards? **[Ethical Capability]**

on Resources

-  **Weblink** ISO standards
- ACCC Product Safety Recalls

1.9 ACTIVITIES

1. Use the **ISO standards** weblink in the Resources tab to visit the International Organisation for Standardisation (ISO) website. Watch the video provided and answer the following questions.
 - (a) What are ISO standards?
 - (b) Outline two benefits of these standards.

Investigating and evaluating
2. Use the **ACCC Product Safety Recalls** weblink in the Resources tab to visit this section of the ACCC website and select three 'Recall categories'. From each of these three categories, select one product that has been recalled and answer the following:
 - (a) What was the name of the product?
 - (b) What was the defect in the product?
 - (c) Why was that defect dangerous?
 - (d) What advice is given to consumers?

Investigating and evaluating

1.9 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

1.9 Exercise 1: Check your understanding

1. **ES2** Describe the role of each of the following in ensuring product safety:
 - (a) industry regulators
 - (b) customs and quarantine
 - (c) local government authorities.
2. **ES1** What action can government regulators take if a person is injured after a supplier fails to remove a banned product from sale?
3. **ES1** Identify two bodies established to maintain product safety.
4. **ES2** Explain how consumers can play a role in product safety.
5. **ES2** Explain the role of education in product safety.

1.9 Exercise 2: Apply your understanding

1. **ES1** What responsibilities do consumers have in relation to product safety?
2. **ES2** Explain the difference between mandatory standards and voluntary standards.
3. **ES1** Give details of two of the methods used by government regulators to encourage safe practices.
4. **ES2** Explain two practices encouraged by regulatory bodies.
5. **ES2** Explain what is meant by ISO and how this body contributes to product safety.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

1.10 SkillBuilder: Questioning and research

online only

What is questioning and research?

Using questioning and research involves identifying and understanding the task you are undertaking and developing a series of specific questions to help guide your research.

Select your learnON format to access:

- an explanation of the skill (Tell me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it).



1.11 Thinking Big research project: Please stop calling

online only

SCENARIO

Call centres are one way businesses get in touch with current and potential customers but they can sometimes irritate people. The government has called for the creation of new guidelines to help regulate the call centre industry. Your task is to assist the government in developing a set of guidelines for how call centres should conduct themselves in their dealings with consumers.



Select your learnON format to access:

- the full project scenario
- details of the project task
- resources to guide your project work
- an assessment rubric.

on Resources



projectsPLUS Thinking Big research project: Please stop calling (pro-0178)

1.12 Review

online only

1.12.1 Key knowledge summary

Use this dot-point summary to review the content covered in this topic.

1.12.2 Reflection

Reflect on your learning using the activities and resources provided.

on Resources



eWorkbook Reflection (doc-31364)

Crossword (doc-31365)



Interactivity Market system and consumer protection crossword (int-7605)

KEY TERMS

Australian Bureau of Statistics a government-owned agency that gathers and publishes a range of statistics to assist government, business and the community with decision making

budget estimates of all government income to be raised by taxes and other charges, and the planned spending of that income, within any given year

capital growth an increase in the value of shares or property over time

cost of living the level of prices paid by consumers for goods and services

disposable income the amount of money that households have available for spending and saving after income taxes have been accounted for

dividends company profits paid to shareholders, either in cash or as more shares

export goods and services sold by local businesses to overseas consumers

financial institution any organisation that takes deposits from those with surplus funds, and makes those funds available to borrowers

household sector a term used by economists to refer to the total of all consumers in the economy

imports goods and services purchased by local consumers from overseas businesses

inflation a general rise in prices across all sectors of the economy

infrastructure the facilities, services and installations needed for a society to function, such as transportation and communications systems, water and power lines

inputs those things that contribute to the production process

interest a charge made for the use of money that has been deposited or borrowed

investment the direction of money into the purchase of equipment or premises for the establishment of a new business, or the expansion of an existing business

labour the human skills and effort required to produce goods and services

minimum wage the legally binding minimum that must be paid to any employee over the age of 21 years

mortgage loan a loan advanced to allow a person to buy a house or other property, with the property itself as security for the loan. This means the bank or other lender can take possession of the property if the borrower fails to make the regular payments.

percentage mark-up a fixed percentage increase to the price paid by a business for goods, to determine the selling price of those goods

privatise to sell a government-owned provider of goods or services to private investors

profit what remains after all business expenses have been deducted from the money that has been collected from selling goods or services

tariff a tax on goods imported from a foreign country

unemployment benefits welfare payments by government to people who are unemployed and looking for work. Such payments in Australia are generally known as the Newstart Allowance.

1.6 SkillBuilder: Contesting and debating ideas

1.6.1 Tell me

When you open a newspaper or watch the news on television, you are exposed to many economic and business issues. These issues are complex and diverse in nature. A study of such issues may require you to examine a range of things including:

- events — such as the Global Financial Crisis (GFC)
- individuals — such as famous entrepreneurs or world leaders
- policies — of Australian governments or overseas governments
- business decisions — of either Australian or overseas businesses
- agreements — such as free trade agreements between Australia and other countries.

When studying such issues, it is important to be able to *contest* and *debate* different ideas related to each issue. These important skills are defined as:

- *contesting* — coming up with opposing ideas on an issue
- *debating* — the process of communicating about these opposing ideas with others.

In order to *contest* an idea, you must examine an issue from many different perspectives, not just from your own point of view. You must also consider the impacts of an issue on all stakeholders.

For example, if a business was considering moving their factories from Australia to Indonesia, you would have to consider the impact of this decision on each of the following stakeholders:

- owners/shareholders
- employees — both in Australia and Indonesia
- suppliers
- the Australian federal government
- the Indonesian government
- consumers.

Each of the above stakeholders may have a different view on the planned relocation. They may engage in *debate* in order to *contest* or challenge the perspective of the other stakeholders.

As a student of economics and business, it is important for you to be able to *contest* and *debate* issues and to express your own ideas clearly, in written, verbal and multimedia form.

1.6.2 Show me

Read the following case study.

Case study: Car manufacturing in Australia

For over ninety years, cars have been manufactured in Australia. The car manufacturing industry has been an important source of employment for Australian people and has contributed to Australia's export earnings. However, in 2017 Toyota, Holden and Ford ceased motor vehicle production in Australia.

There are two main perspectives on this issue:

- Perspective 1: Some people have argued that the federal government should have provided more money to the car manufacturers to help keep them in Australia. These people worry that many thousands of jobs were lost and that the suppliers of these businesses were also negatively affected.
- Perspective 2: Others argue that the car manufacturers in Australia are inefficient and therefore should not be propped up (supported) by the government. These people believe that the high production costs in Australia mean that it would never have been viable to produce cars in Australia.

Consider the facts in **TABLE 1**.

TABLE 1 Key facts relating to the exit of car manufacturers from Australia

Toyota	Holden	Ford
<ul style="list-style-type: none"> Started manufacturing in Australia in 1963 Closed its Australian operations in 2017 Employed more than 4000 people Australia-wide 	<ul style="list-style-type: none"> Began as an Australian saddlery business in 1856 Closed its Australian operations in 2017 Almost 3000 people in Australia lost their jobs 	<ul style="list-style-type: none"> Opened in Australia in 1925 Closed its Australian operations in 2016 Closure of its operations cost 1200 jobs in Australia

Source: Chris Uhlmann and Emma Griffiths, *Car industry funding*, ABC News, 10 March 2015.

The case study relates to a *contested* business and economic issue. Different stakeholders involved in this issue have very different perspectives. The two major political parties in Australia also engaged in lengthy *debate* in relation to this issue.

The following questions allow for a close examination of the case study so that issues can be contested and debated.

- What are the main issues/ideas relating to this economic or business issue?
 - Why did car manufacturers choose to close their Australian operations?
 - Should the Australian Government have provided assistance to the car manufacturers?
 - How were different stakeholders affected by the Australian operations closures?
- Who are the major stakeholders involved in this issue?
 - Employees of Toyota, Holden and Ford
 - Shareholders of Toyota, Holden and Ford
 - Consumers
 - The federal government
 - Suppliers of parts and materials
- What are the interests/perspectives of each of the stakeholders involved in this issue?

Stakeholder	Interest/perspective of this stakeholder
Employees	The main interest of employees is job security and well-paying, challenging work. They wanted production to stay in Australia.
Shareholders	The main interest of shareholders is maximising the return on their investment. Therefore, they may be happy about the closures if they resulted in increased profit for the business.
Consumers	Consumers want good-quality and reasonably priced cars. They may support the closures if it resulted in cheaper cars.
The federal government	The federal government wants businesses to be competitive so would not want to keep providing financial support to inefficient businesses. However, the government would be very concerned about the job losses that resulted from the closures.
Suppliers	Suppliers want to keep their customers, and the closures will have forced them to find new customers or move into new markets.

- What is your view on this issue?
 - Consider where you stand on the issue. Try to consider all the facts that are available before deciding on your view.

5. How does your view compare with the views of others?
 - Compare your view on the issue with that of others. Are there any stakeholders who share or oppose your view?
6. How can you communicate your perspective to other people interested in this issue?
 - It is often useful to debate your ideas and perspectives with friends, family members or as a whole class. Consider whether or not your perspective is influenced by the opinions of others.

1.6.3 Let me do it

Complete the following activity to practise this skill.

1.6 ACTIVITY

Using the example above as a model, select another economic or business issue to investigate. Some examples of issues that you may consider include:

- Australia's involvement in a free trade agreement
- Penalty rates — are they still necessary in our current economy?
- Has technology ruined our 'work-life balance'?
- Any other economic or business issue you are interested in.

In relation to your chosen economic or business issue, answer the following questions (refer to the previous example if you are unsure how to answer any of the questions):

- a. What are the main issues or ideas relating to your chosen economic or business issue?
- b. Who are the major stakeholders involved in this issue?
- c. What are the interests and perspectives of each of the stakeholders involved in this issue?
- d. What is your view on this issue?
- e. How does your view compare with the views of others?
- f. How can you communicate your perspective to other people interested in this issue?

Once you have conducted your research, you could communicate your findings in a number of ways:

- Conduct a class debate so that you and your classmates can challenge and contest each other's ideas.
- Prepare a written report which examines your perspective and other perspectives on the issue.
- Use a multimedia platform (such as iMovie) to create a Q&A-style program. This would allow for debate and contesting of ideas.

1.10 SkillBuilder: Questioning and research

1.10.1 Tell me

The following steps provide a useful guide to carrying out research:

- Identify and understand the general task you are attempting to complete.
- Develop a series of specific questions that will help guide your research in the appropriate direction, and help you determine the information you need.
- Locate appropriate sources of that information.
- Record relevant information from a range of sources.
- Present the information in an appropriate form.

1.10.2 Show me

Imagine you have been asked to investigate the role of your state Consumer Protection or Fair Trading authority's website in providing advice for consumers and businesses.

Your first step is to clearly identify the key task. This could be expressed as follows:

'Prepare a report on the type of advice the state Consumer Protection or Fair Trading authority website provides for consumers and businesses, with examples.'

It is now necessary to break this down into a series of more specific questions. These could include:

1. How is the website organised to provide advice?
2. What types of headings or categories of information are used?
3. How is the material broken down (types of industries, types of products etc.)?
4. If a consumer has a specific problem with a particular product or supplier, what does the website advise them to do?
5. What sort of advice is provided to businesses?
6. What are some relevant examples?

The next step is to locate your sources. Each state authority has a website, so you simply need to use a search engine to find the name and website of your home state's Consumer Protection or Fair Trading authority.

Keep your questions beside you as you navigate through the site, and note the location of material that provides answers. You can select and print some text, and then highlight those sentences or paragraphs that provide answers to your questions. Sometimes a complete answer to a question may be found in several places in a piece of text. Be sure to highlight all relevant text, and indicate with a number which question the information answers.

When you are satisfied you have found the answers to all the questions, you need to write the answers in order, making sure you use your own words as much as possible. You can then use the answers to present your information in the required form. For example, this may be an oral report to the rest of the class, an essay to be marked by your teacher, a PowerPoint presentation, or any other format that is appropriate.

1.10.3 Let me do it

Complete the following activity to practise this skill.

1.10 ACTIVITY

Using the above process as a model, carry out the following research task:

Prepare a report on the type of advice the ACCC gives to consumers in relation to internet and phone usage, including examples.

1.11 Thinking Big research project: Please stop calling

Scenario

Australia is a market economy and businesses and consumers should be free to pursue their goals without too much interference. However, we can't always rely on businesses to operate ethically and so the government assists with the protection of consumers. Call centres are one way that businesses get in touch with current and potential customers, but they can sometimes irritate people. The government has called for the creation of new guidelines to help regulate the call centre industry.



Task

Your task is to assist the government in developing a set of guidelines for how call centres should conduct themselves in their dealings with consumers.

This set of guidelines should consider:

- the rights of consumers
- the rights of call centre operators
- the responsibilities of consumers
- the responsibilities of call centre operators.

Follow the steps detailed in the **Process** section to complete this task.



Process

- Open the ProjectsPLUS application for this topic. Click the **Start new project** button to set up your project group. Working in pairs will enable you to share responsibility for the project. Save your settings and the project will be launched.
- Navigate to the **Research forum**, where you will find starter topics loaded to guide your research. You can add further topics to the Research forum if you wish. When you have completed your research, you can print out the **Research report** in the Research forum to easily view all the information you have gathered.

One student will develop the guidelines for call centre operators and the other student will develop the guidelines for consumers.

- In the **Media centre** you will find an assessment rubric to guide your work.
- Research how call centres operate and the reasons why they operate as they do. Use the weblink in the Media centre to watch a video about a call centre.
- Identify some Australian businesses that use call centres and some of the issues people have with the way they operate.
- Using your research, develop your set of guidelines with clear and direct language.
- Submit your completed guidelines to your teacher for assessment and feedback.



on Resources

 **ProjectsPLUS** Please stop calling (pro-0178)

1.12 Review

1.12.1 Key knowledge summary

1.2 Participants in the market system

- Consumers satisfy their needs and wants by working to earn money, and then buying goods and services from businesses that produce those goods and services.
- The basic circular flow of money is between the household sector and the business sector.
- Financial intermediaries, government and the overseas sector are all involved in the operation of the market system in Australia.

1.3 Different types of markets

- There are a large number of different types of markets that make up the Australian economy. These include the retail market, the labour market, financial markets and the stock market.

1.4 Key economic questions for business

- The interaction between buyers and sellers in the marketplace can influence prices charged for goods and services.
- Markets can also help determine what goods should be produced and in what quantities; how those goods and services are produced; and to whom they are distributed.

1.5 Government involvement in the market

- Government performs a number of roles in the Australian market system including:
 - the provision of welfare and infrastructure
 - economic management
 - regulation of wages and employment conditions
 - provision of some goods and services
 - management of planning and the environment
 - regulation of international trade
 - setting of immigration policies and targets.

1.7 Legal protection of consumer rights

- The Australian Consumer Law prohibits a range of practices that could mislead consumers.
- It is compulsory for sellers to provide all available information to consumers, and to ensure that buyers and sellers have equal rights in any purchase.
- Consumer Law also provides a number of basic guarantees in relation to the quality of goods purchased.

1.8 Business competition protects consumers

- Practices that would lessen fair and open competition between businesses are banned under the Act.
- The ACCC has the power to take legal action through the courts to deal with businesses that fail to comply with the provisions of the Act.

1.9 Keeping consumers safe

- A number of different government regulators monitor product safety throughout Australia.
- These regulators encourage the development of safety standards, and seek to educate suppliers and the public on product safety.
- The regulators can ban dangerous products, or order the recall of products to ensure they are made safe.

1.12.2 Reflection

Complete the following to reflect on your learning.

1.12 ACTIVITIES

Revisit the inquiry question posed in the Overview:

We all play a part in the Australian economy. How do we ensure that everyone involved is getting a fair deal?

1. Now that you have completed this topic, what is your view on the question? Discuss with a partner.
Has your learning in this topic changed your view? If so, how?
2. Write a paragraph in response to the inquiry question, outlining your views.

Resources

 **eWorkbook** Reflection (doc-31364)
Crossword (doc-31365)

 **Interactivity** Market system and consumer protection crossword (int-7605)

KEY TERMS

Australian Bureau of Statistics a government-owned agency that gathers and publishes a range of statistics to assist government, business and the community with decision making

budget estimates of all government income to be raised by taxes and other charges, and the planned spending of that income, within any given year

capital growth an increase in the value of shares or property over time

cost of living the level of prices paid by consumers for goods and services

disposable income the amount of money that households have available for spending and saving after income taxes have been accounted for

dividends company profits paid to shareholders, either in cash or as more shares

export goods and services sold by local businesses to overseas consumers

financial institution any organisation that takes deposits from those with surplus funds, and makes those funds available to borrowers

household sector a term used by economists to refer to the total of all consumers in the economy

imports goods and services purchased by local consumers from overseas businesses

inflation a general rise in prices across all sectors of the economy

infrastructure the facilities, services and installations needed for a society to function, such as transportation and communications systems, water and power lines

inputs those things that contribute to the production process

interest a charge made for the use of money that has been deposited or borrowed

investment the direction of money into the purchase of equipment or premises for the establishment of a new business, or the expansion of an existing business

labour the human skills and effort required to produce goods and services

minimum wage the legally binding minimum that must be paid to any employee over the age of 21 years

mortgage loan a loan advanced to allow a person to buy a house or other property, with the property itself as security for the loan. This means the bank or other lender can take possession of the property if the borrower fails to make the regular payments.

percentage mark-up a fixed percentage increase to the price paid by a business for goods, to determine the selling price of those goods

privatise to sell a government-owned provider of goods or services to private investors

profit what remains after all business expenses have been deducted from the money that has been collected from selling goods or services

tariff a tax on goods imported from a foreign country

unemployment benefits welfare payments by government to people who are unemployed and looking for work. Such payments in Australia are generally known as the Newstart Allowance.

2 Business decisions

2.1 Overview

Awesome name. Check. Cool website. Check. Is there more to running a successful business?

2.1.1 Cosmetics entrepreneur

Jellaine Ross started her business Cherry Blooms at the age of 24. The Brisbane-based company sells cosmetic products, particularly brush-on eyelash extensions. Ms Ross started selling the brush-on eyelash extensions after seeing them used when she was on holiday in Korea. She thought the idea would work in Australia so she repackaged and remarketed the product and created her own brand. Her business earned \$100 000 in its first year and now sells close to \$10 million worth of product a year both online and in retail stores across the world.

In this topic we will look at the different ways to own and run a business and how to recognise and respond to opportunities.

FIGURE 1 Founder and Chief Executive Officer of Cherry Blooms, Jellaine Ross



on Resources

 **Video eLesson** Different forms of business ownership (eles-1813)

LEARNING SEQUENCE

- 2.1 Overview
- 2.2 The three main ways to own a business
- 2.3 Alternative ways to own a business
- 2.4 Opportunities for businesses
- 2.5 Responding to opportunities in the market
- 2.6 **SkillBuilder:** Cost-benefit analysis
- 2.7 **Thinking Big research project:** Pitch a business idea
- 2.8 **Review**

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2.2 The three main ways to own a business

2.2.1 Structures of business ownership

There are a number of structures, or forms of ownership, that a business owner can choose from when starting a business. The three most common forms of ownership are **sole proprietorship**, where an individual runs a business on their own, a **partnership**, where a group of people will run a business together, and a **corporation**, which is owned by shareholders. Each form is discussed below.

2.2.2 Sole proprietorship

A sole proprietorship, or sole trader, is a business that is owned and operated by one person. A sole proprietor business can operate in almost any field. Usually, however, they are small businesses such as cafés, newsagents and hairdressers and trades such as plumbers and electricians. A sole proprietor may employ other people to work for the business, or to operate and manage the business.

The sole proprietor receives all the **profit** that the business makes, but is also responsible for any losses. He or she has **unlimited liability**. This means he or she can be forced to sell personal assets such as a house or car to pay off business debts. A sole proprietor business usually has only one person's name in the business name; for example, *Maria's Café*.

Individuals who establish a sole proprietor business are often referred to as entrepreneurs. Entrepreneurs are those people who assume the financial and personal risk of establishing a business with the hope of making a profit. These people normally exhibit enterprising behaviours.

You may know somebody or you yourself may be the kind of person who demonstrates enterprising behaviours. Some of these enterprising behaviours and characteristics include:

- demonstrating initiative
- having good problem-solving abilities
- being creative and innovative
- being able to plan and complete complex tasks
- being a reflective thinker
- being willing to take measured risks
- predicting the consequences of a decision
- communicating clearly and effectively with different types of people
- analysing alternatives and selecting appropriate courses of action.

FIGURE 1 A sole trader is a business that is owned by one person, even though it may employ other people to operate and manage the business.



Advantages and disadvantages of sole proprietorship

A sole proprietorship is a good form of ownership for a person who is just starting a business because it is a simple and low-cost way to start. It allows the owner to maintain full control of the business, make all the decisions, set the tone for the business and to keep all the profits. There will be no disputes with any partners and there are minimal government regulations. However, the owner does have unlimited liability. It can be difficult for the sole trader to find finance to start or expand the business and the owner must perform a wider variety of tasks. The owner also often works long hours, as they may have no-one else working for them.

2.2.3 Partnership

A partnership is a business usually owned and operated by two or more people, called partners. The partners share their profits and losses, usually equally. Together they decide how best to operate the business. It is common for people with similar skills, such as doctors, accountants, solicitors and dentists, to form a partnership. Partnerships tend to have the names of the partners in the business name; for example, *Kennedy & Lee Lawyers*. As with sole proprietors, partnerships also have unlimited liability.

A partnership can be formed with a verbal agreement, but using a formal written partnership agreement is worthwhile. This usually outlines who is in the partnership, how profits will be shared, how decisions will be made, how disputes will be settled and what will happen when the partnership ends.

FIGURE 2 A partnership is a business usually owned and operated by two or more people, called partners.



Advantages and disadvantages of partnership

A partnership is an inexpensive and simple form of ownership. It allows the partners to share the responsibility for decision-making, the risks and the workload. The partners can pool their finances and their expertise and there is minimal government regulation. On the other hand, a partnership has unlimited liability. It can be difficult to find suitable partners and disputes between the partners can arise. If one partner decides to leave the business, the future of the business can become complicated.

2.2.4 Corporation

A corporation, or company, is owned by **shareholders**. In Australia, all corporations undergo a process known as incorporation. This involves creating a business as a legal entity in its own right and treating it as a separate entity from its shareholders. In other words, the corporation (rather than individual shareholders) is liable for the debts created through its operation.

Corporations have **limited liability**. This means that if the business cannot pay its debts, a shareholder loses only the money she or he has invested in the business. A shareholder cannot be forced to sell personal assets to pay the corporation's debts.

However, there are some exceptions to this situation. In some instances, the directors of the corporation will be asked to give a personal guarantee when seeking a loan from a financial institution. In such cases, the person who offered the personal guarantee might lose their own assets to pay the debts of the business.

If directors of the corporation engage in misleading behaviour or recklessly borrow money, they can be held personally responsible. Criminal charges may follow, and lawsuits may also be brought under the code of civil law.

Corporations can be organised as either public or private. The general public may buy and sell shares in public corporations and these corporations may be listed on the Australian Securities Exchange (ASX). Private corporations cannot be listed on the stock exchange and tend to be family-owned businesses. They have restrictions on who can buy their shares. A public corporation must have the word 'Limited', or the abbreviation 'Ltd', after its name. A private corporation must have the words 'Proprietary Limited', or the abbreviation 'Pty Ltd', after its name.

Advantages and disadvantages of a corporation

A corporation is a good form of ownership to attract finances, also known as capital. Corporations can obtain capital by selling shares. Corporations have limited liability, which means that the owners can only lose the value of their investment if the corporation goes into debt. The life of a corporation can continue if an owner of the business sells their shares. However, corporations are very complex and expensive to set up. There are very strict laws regulating corporations including how they are registered, how they need to report their financial results and how they are closed down. Corporations can grow very large, resulting in inefficiencies.

FIGURE 3 A corporation is owned by shareholders and can be structured as either a public or private company.



DISCUSS

In the aftermath of the Global Financial Crisis (GFC) of 2008, many large corporations in the banking industry were ‘bailed out’ by their governments, with large amounts of taxpayers’ money helping them to stay afloat. Some people have argued that these companies should not be ‘too big to fail’, and that by bailing them out it could encourage more reckless behaviour in the future. What do you think? **[Ethical Capability]**

2.2 ACTIVITIES

- Working with a partner or by yourself, visit a shopping centre. Record information about the businesses you find there in a chart like the one below.

Name of business	Nature of business activity	Form of business ownership
Carol's Café	Meals, tea, coffee, snacks	Sole proprietorship

Collect data for at least ten different businesses. Analyse your results to find out the most common form of business ownership. Use a bar graph or a pie chart to present your results. Suggest reasons why this form of ownership is the most popular.

Investigating and evaluating

- Work in groups for this activity. Choose a business that interests you — it may be a local, national or international business. Use research techniques to find out as much as you can about it on the internet and through other means. Share your findings with your group.
 - What type of business is it, and how is it structured?
 - What are some of the business's key products or services?
 - What else about this business is of particular interest?

Investigating and evaluating

2.2 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.2 Exercise 1: Check your understanding

- ES1** Define the following terms in your own words:
 - unlimited liability
 - limited liability
 - shareholder.
- ES1** Identify the correct form of business ownership for the following businesses:
 - National Australia Bank Ltd
 - Dinah's Mobile Dog-washing
 - McCartney and Daughters
 - Visy Industries Australia Pty Ltd.
- ES1** Outline the difference between a sole proprietorship and a partnership.
- ES1** In what ways does a private corporation differ from a public corporation?
- ES2** If someone wants to buy out a corporation, what will they need to do?

2.2 Exercise 2: Apply your understanding

- ES6** List the possible consequences of the partners of a business having a dispute.
- ES5** Summarise the advantages and disadvantages of each form of business ownership using a table such as the one below.

Form of ownership	Advantages	Disadvantages
Sole proprietor		
Partnership		
Corporation		

- ES5** Suggest an appropriate form of business ownership for the following people. Explain why you made your suggestion.
 - Brynn is very interested in setting up a manufacturing business to sell coffee to supermarkets around Australia, and possibly internationally.
 - Gemma wants to start a new pet shop business where she is responsible for making all of the decisions.
 - Muhammed is considering whether he should open a fish-and-chip shop. He is worried that he has very little finance, and would like to invite other people to help him start the business.
- ES6** 'Public corporations allow access to greater finance but can lead to a loss of control of a business.' Discuss this statement.
- ES2** Operating as a sole trader allows a business owner to set the tone for the business. Explain what this means.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.3 Alternative ways to own a business

2.3.1 Are there other ways to own or operate a business?

Sole proprietorship, partnership or corporation are not the only forms available to create a business. A business can also be structured as a **cooperative** — a business owned and controlled by the group of people it serves, and a **trust**, where another person or company holds property or carries out business on behalf of the members of the trust. Additionally, after choosing a form of ownership, a business owner may decide to run their business as a **franchise**.

2.3.2 Cooperative

In a cooperative, a number of people combine resources for a particular purpose. Typical cooperatives involve farmers, community education centres and credit unions.

The benefit of a cooperative is that people who work in one industry can join together to manage their own affairs, drawing on their combined expert knowledge of the specialist aspects of their work. They also reduce costs by streamlining their operations to ensure maximum efficiency in delivering goods and services.

An example of a cooperative is the Best Western International hotel chain whose members are hotel operators. The members own and operate their own businesses but work together and pool funds and resources through Best Western, which operates as a non-profit organisation. Pooled funds are used to advertise their businesses and the Best Western brand, and to generate greater buying power.

Many different types of cooperatives can be used for many purposes, including cooperatives for housing, building, consumers, workers and credit unions. Retailers' cooperatives buy in bulk on behalf of their members to obtain discounts from manufacturers and to pool marketing. This type of cooperative is common for locally owned grocery stores, hardware stores and pharmacies. However, their members are businesses rather than individuals.

FIGURE 1 The Best Western hotel chain is an example of a cooperative.



2.3.3 Trust

A trust is a form of business ownership where a **trustee** holds property or assets for the benefit of another person or a group of people. These other people are known as **beneficiaries**. They are often members of a family. Setting up a trust can be expensive and complex because a formal deed needs to be created and there are administrative tasks that the trustee is required to complete annually. Trusts are often used to preserve family assets and to reduce tax. Family businesses can be set up as trusts so that every family member can be made a beneficiary without having direct involvement in the running of the business.

FIGURE 2 A family business can be set up as a trust so that family members can be made beneficiaries.



2.3.4 Franchise

While it is not actually a form of business ownership, operating a business as a franchise is becoming increasingly popular. A **franchisor** is the individual or organisation that grants, under certain conditions, the

right to use a business name and the right to produce or distribute the franchisor's product. The **franchisee** is the person who purchases the franchise, usually by paying a fee to the franchisor. Franchisees can operate their business as a sole proprietorship, partnership, corporation or trust.

The benefit to the franchisee is that he or she is granted an instantly recognisable business name; for example, Subway or Hungry Jack's. The business owner can immediately start to benefit from the reputation of the franchise. The franchisee also receives training in the technical aspects of operating the business from the franchisor, as well as assistance with business management principles. In return, the franchisee provides the start-up fees and labour, and agrees to uphold the terms and conditions of the franchise agreement. This can mean, for example, that a franchisee is obliged to market and sell the products specified under the franchise agreement. The franchisee may also need to conform with any required production and distribution processes and requirements.

Just as there are many advantages for businesses operating as franchises, there are also disadvantages for both the franchisee and franchisor.

Operating a business as a franchise limits the freedom of the franchisee. The franchisor controls the operations, the product and the marketing. For example, when you enter a McDonald's restaurant, the décor looks the same, the staff wear the same uniform and the food tastes the same as in any other McDonald's anywhere in Australia. Operating a franchise limits the owner's ability to innovate and individualise their stores.

All advertising and promotional campaigns are determined by a centralised office and must be run in all franchise stores in exactly the same way. An owner of a franchise may not agree with a particular advertisement or a 'Scratch and Win' promotion, but they must do what the franchisor tells them.

The responsibility is on the franchisee to follow the instructions set by the franchisor or they may be reprimanded, receive a fine or even lose the rights to their business.

FIGURE 3 Some franchise operations in Australia include Pie Face, a café and bakery business specialising in pies, and Harvey Norman, which sells products for the home and office.



DISCUSS

In 2016 Nando's Australia Pty Ltd used security guards to take over two of the company's largest franchise stores. A Supreme Court battle has followed with the franchisor arguing franchisees are breaking their franchise agreement by not refurbishing their stores as required by head office.

The company wants the franchisees to spend almost \$1.2 million to refurbish the Narre Warren, Wareca and Braeside businesses, to keep them in line with current company standards.

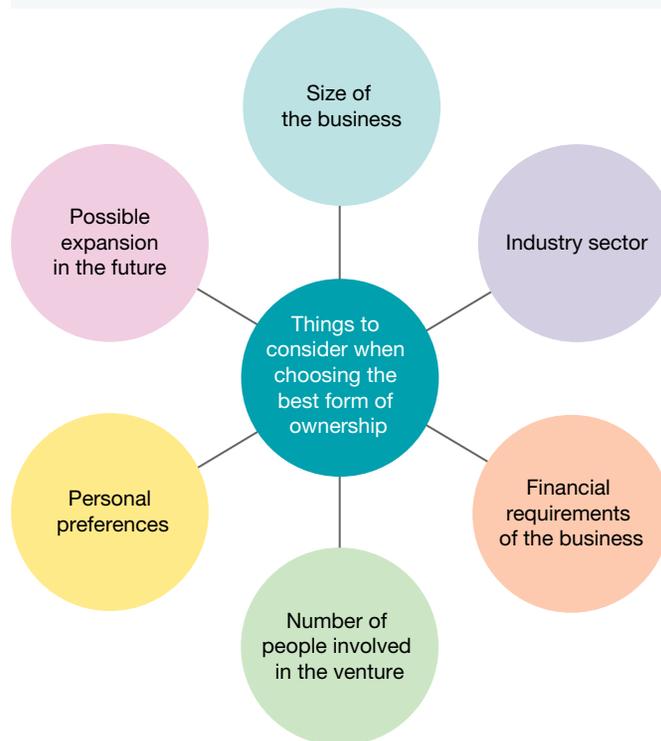
The case has become a key test in head office's ability to force franchisees to invest in their business. As yet this case has not been resolved. Who do you think is doing the right thing here?

[Ethical Capability]

2.3.5 Choosing the best form of ownership

As we have seen, a business owner can choose from several structures, or forms of ownership, when starting a business. When choosing the most suitable structure, the business owner needs to consider their personal preferences, as well as the advantages and disadvantages of each type of business. For example, someone who prefers to work alone and is wishing to start a business that is easy to set up might choose a sole proprietorship. A person who wants to raise the finance to grow a business selling products around Australia, and perhaps overseas, might consider a company structure. A person wishing to preserve the assets of their family and reduce tax might choose a trust. The form of ownership used by the business can change over time. It is quite possible that after a business is started, it will grow. As the business grows, its goals might change, which means the owner might need to review the most appropriate structure as well.

FIGURE 4 Business owners must consider a range of factors when deciding which form of ownership best suits their business.



on Resources

 **Weblink** Business structures

2.3 ACTIVITY

Use the **Business structures** weblink in the Resources tab to find out more about different types of business ownership. Choose two business structures and write down two new things that you did not already know about these structures.

Investigating and evaluating

2.3 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.3 Exercise 1: Check your understanding

- ES1** In what ways is a cooperative different to other forms of business ownership?
- ES1** Why do people create trusts?
- ES3** List five different franchises that operate in your area.
- ES1** Answer the following questions.
 - What do the franchisor and the franchisee receive under a franchise agreement?
 - What is each party required to provide?
- ES2** What are the benefits to farmers of joining a cooperative?

2.3 Exercise 2: Apply your understanding

1. **ES2** Outline the main advantages and disadvantages in establishing a business through a franchise agreement.
2. **ES3** Consider the following businesses that are just starting up. What form of business ownership would be the most appropriate? For each case, explain why a person or group of people would choose to establish that form of ownership rather than another.
 - (a) An accounting practice providing financial and taxation services
 - (b) A café offering freshly baked breads and cakes, and specialty coffee
 - (c) A milk processing plant owned and operated by a group of one hundred dairy farmers
 - (d) A fashion retailer aiming to expand nationally within twelve months
 - (e) A family that has property held in trust by another person
 - (f) A business selling phone and internet connections hoping to raise \$250 million in capital to commence trading
3. **ES2** Outline two key factors to consider when choosing the best form of business ownership.
4. **ES5** Suggest whether other groups (other than farmers, community education centres and credit unions) could benefit from operating as a cooperative.
5. **ES4** Provide one benefit and one disadvantage of operating as a trust.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.4 Opportunities for businesses

2.4.1 Factors influencing opportunities

Businesses are always searching for opportunities, including ideas for new products, ways to attract new customers and more efficient methods of running the business. Many factors influence opportunities for businesses, including demographics, competition, location and target market. Successful businesses seize opportunities quickly.

2.4.2 Demographics

Being aware of **demographics** can create opportunities for businesses. Demographics are characteristics or statistics relating to the population, including age, gender, ethnicity, employment, income and education. Businesses can use this information to work out what products consumers prefer or to determine their buying behaviours. Let's have a closer look at some of these characteristics.

Age

The age of a country's population can influence business opportunities. The products that a business sells will usually appeal to a certain age group. The Australian population is ageing, which means that there is more demand for, for example, health services, further education and training, and travel. Some businesses may choose to focus on these opportunities or to target their products at younger consumers. People aged under 35 are more likely to be the first to purchase the latest versions of technologies such as mobile phones, games consoles and televisions.

Gender

Men and women demand different products. Businesses sell different hygiene and clothing products based on the gender of consumers. Women make the majority of the buying decisions in Australian households. This presents an opportunity for businesses. For example, businesses might target women with new home-improvement products.

Income

Income can affect business opportunities. The products that a business sells will usually appeal to a certain income group. A premium product, such as designer clothing, will normally appeal to higher income groups. Lower income groups tend to purchase discount products. A business owner may decide to focus on higher income groups by starting a fashion boutique, or focus on lower income groups by opening a discount fashion store.

FIGURE 1 Demographics are the characteristics or statistics relating to population, including age and gender.



2.4.3 Target market

By focusing its efforts on the most appropriate demographic, the business can begin to determine its **target market**. This is a specific group of customers with similar characteristics, that a business will produce goods and services for. A business working out its target market will do so by ‘segmenting the market’. People can be grouped according to demographic characteristics, geographical characteristics (where people live; for example, in urban, rural or suburban areas, or the country they are located in), behavioural characteristics (the way that customers purchase products; for example, are they a regular user or a first-time user of a product, do they have loyalty to a brand?) and psychographic characteristics (people’s personalities, values, attitudes, interests, and lifestyles).

A business selling car products may determine that its target market is males, aged 30–50 and living in urban areas, who like cars and who have time and money to spend

FIGURE 2 By identifying a target market, a business may be better able to satisfy the demands of its customers.



working on them. A business selling make-up may have a target market of customers who are female, aged 25–50, living in the city and who like to buy ‘brand name’ products. Defining a target market allows a business to decide who will demand their products, what products they want, and if there are actually enough potential customers to make the business profitable.

2.4.4 Competition

Competition can make life difficult for a business. Depending on the market the business is operating in, they may have several competitors or very few competitors. Competition can drive prices down and can restrict the opportunity to make profit.

However, competition can also create opportunities for businesses. It can force a business to improve the way they do things or to innovate, either through using technology, altering the product or by improving customer service. Competition can force a business to examine their target market closely to make sure that they are selling to the right consumers and perhaps to change the group of customers they are attempting to sell to.

2.4.5 Location

The location a business chooses can create opportunities or restrict them, according to the nature of the business. A business needs to consider how important passing trade will be, whether visibility is important, how important access to resources will be, or whether cost will be the most important factor. For example, a business that is hoping to sell to young people or young families would find limited opportunities if it was located in an area whose population has an average age of over 60, a boutique fashion store would struggle to find customers if it was located in an industrial area and a business that manufactures goods might encounter difficulties if it was in an area that its suppliers could not access easily.

2.4.6 CASE STUDY: GameZone

Two friends, Jake and Ashley, decided to start a small business, GameZone. They didn’t have much money of their own, but they managed to convince their parents to lend them enough to get started.

Their first problem was the location. Rents were very high in the local shopping centre. They opted for a disused shop in a local street. Next door was an abandoned warehouse, and on the other side was the Pensioner World shop. They thought they might do all right in the area though, because another computer games store, eGames, was located just around the corner.

Ashley thought it would be best to sell to anyone and everyone who would buy their games. He put a couple of advertisements in the local newspapers, and left some leaflets in the Pensioner World shop.

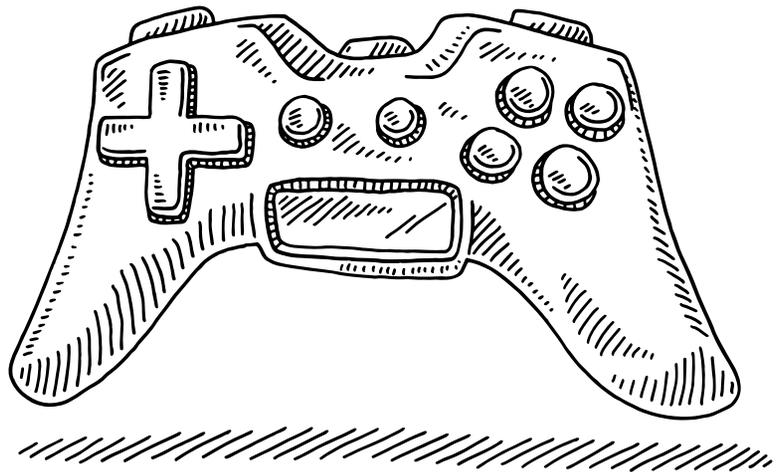
On the opening day, the stock had arrived and games were piled high on the shelves. One elderly customer walked up to the counter.

‘Do you have any touch-typing programs please?’ asked the customer.

‘Dunno about that,’ said Mez, the shop assistant. Jake emerged from the back office and stubbed out a cigarette on the counter. He told the customer that the store sold games, not computer programs.

‘Well then, could you please order a copy for me?’ asked the customer.

‘Maybe, but until our internet is fixed, nothing’s happening. Sorry,’ replied Jake.



GameZone in action — how not to play the business game!



- A Bad location for business
- B Wrong demographic for products
- C Uninterested staff
- D Inappropriate store layout
- E Disorganised paperwork
- F Workplace hazard

2.4 ACTIVITY

In a magazine, newspaper or online, find images that show examples of target market characteristics. Paste the pictures onto a page under appropriate headings (demographic, geographic, behavioural and psychographic) and add labels explaining why each picture represents that characteristic.

Investigating and evaluating

2.4 EXERCISES

Economics and Business skills key: ES1 Remembering and understanding ES2 Describing and explaining ES3 Examining, analysing, interpreting ES4 Questioning and evaluating ES5 Reasoning, creating, proposing ES6 Communicating, reflecting

2.4 Exercise 1: Check your understanding

1. ES1 Briefly outline the four characteristics of a target market.
2. ES6 List some business opportunities.

3. **ES2** Explain how the following factors influence business opportunities:
 - (a) target market
 - (b) competition
 - (c) location.
4. **ES6** What would happen to a business that fails to seize opportunities?
5. **ES2** Explain how a competitor can create opportunities for a business.

2.4 Exercise 2: Apply your understanding

1. **ES6** For each of the target market groups below, think of an opportunity (a product or a business idea) that would cater for their needs.
 - (a) High income earners
 - (b) New parents
 - (c) Diet-conscious consumers
 - (d) Well-educated people
 - (e) Young and active students
2. **ES5** Select a business in your local area. Describe whether the business has an advantage or disadvantage in its location in regard to:
 - (a) how visible it is to potential customers
 - (b) cost (including the likely rent or costs of transportation)
 - (c) how close it is to suppliers and customers
 - (d) how close it is to competitors.
3. **ES5** Answer these questions about the GameZone case study.
 - (a) What evidence is there that Jake and Ashley did not spend enough time carefully locating their business for its target market?
 - (b) How will competition affect GameZone? Did Jake and Ashley make the right decision in locating it close to a competitor? Why or why not?
 - (c) Give three examples of poor customer service at GameZone.
 - (d) The business has not enjoyed the start the owners wanted. If they called you in as a manager, what steps would you take to improve operations? Explain.
4. **ES2** Explain what is meant by demographics and how they can create opportunities for a business.
5. **ES2** 'Business location opportunities have changed due to the development of technology.' Explain this statement.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.5 Responding to opportunities in the market

2.5.1 Developing a new product

After identifying opportunities in the market, a business owner will need to respond to those opportunities in some way. This may involve developing new products to satisfy demand or changing the way the business delivers its products or services to consumers.

A business might respond to opportunities in the market by developing a new product to satisfy demand. **Product development** can involve modifying an existing product or the way in which it is presented, or creating an entirely new product that meets the demands of a newly defined customer or market. Starting with an idea for a new product, or an idea to modify a product, a business will go through a series of steps to bring the product to market.

The product will need to undergo a design process and then a prototype or mock-up will need to be created. The product will then go through beta and market testing. The testing will confirm if the product is on the right track or if improvements need to be made. After the technical needs of the product are planned for, including materials needed, suppliers sourced, and final production requirements met, the product will be launched onto the market.

FIGURE 1 The process for new product development.

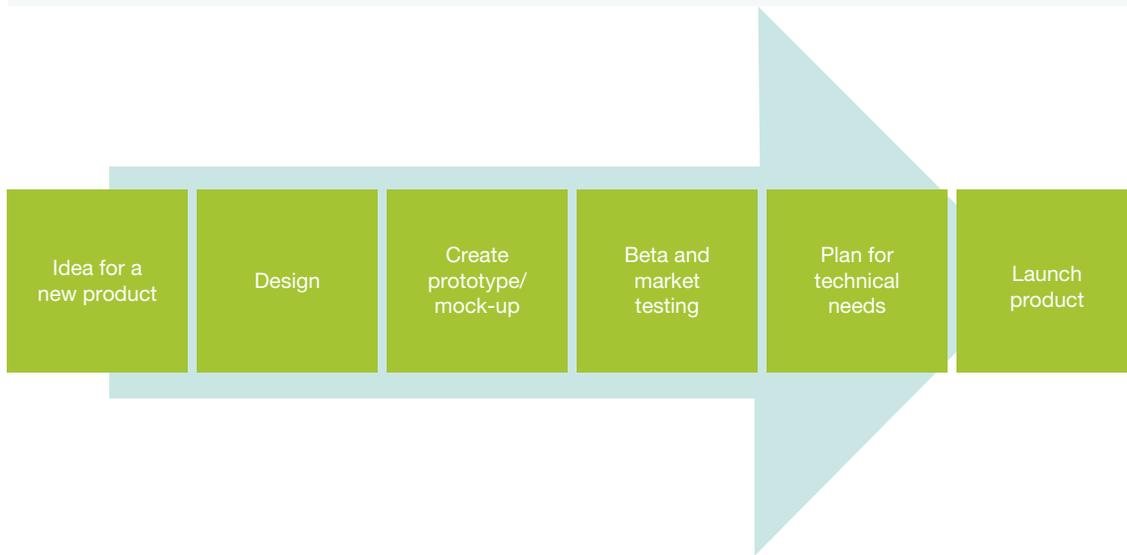


FIGURE 2 Gelato Messina, a Sydney-based gelato maker, introduced a ‘whitebait’ flavour — a combination of salmon and white chocolate with lemon cream cheese, dill and caper jelly. Co-owner Donato Toce said that the business would not have introduced the flavour if they did not think it would work.

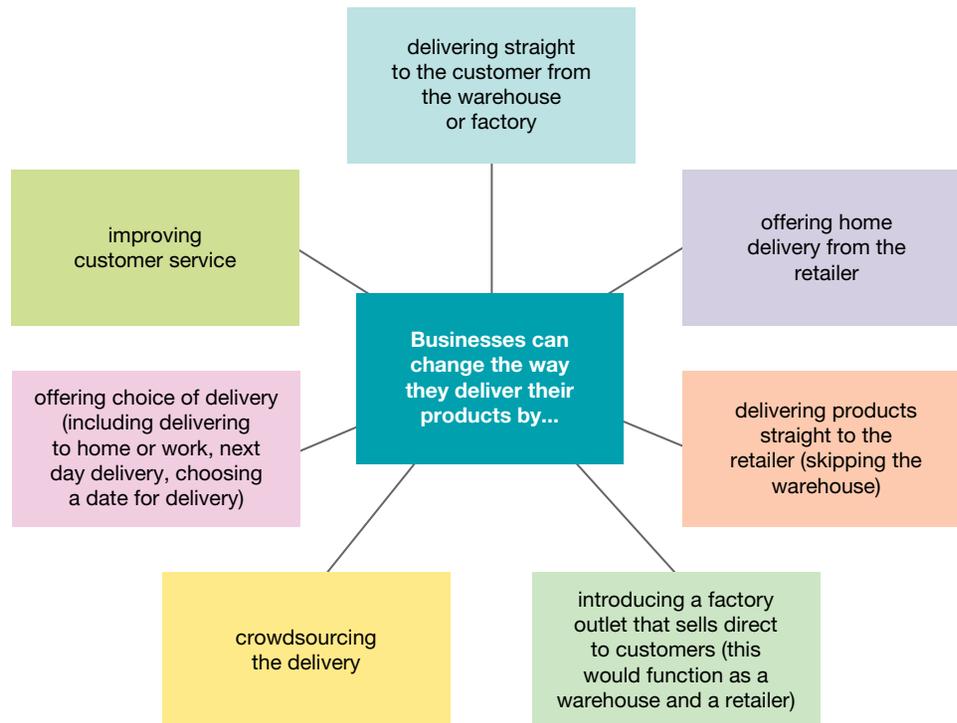


2.5.2 Changing the way products are delivered to consumers

A business might respond to opportunities in the market by changing the way they deliver their products to customers. Products can be delivered in many ways, including by road, rail, ship, pipelines, power lines and computer networks. Most goods are produced at a point of production, for example a farm or factory. They are then distributed to warehouses and moved to points of sale, such as retail stores, where customers will then purchase them. A business can change the way it delivers products to customers by modifying this process.

Online shops have drastically altered the way that products are delivered to customers. Instead of going to a physical store, millions of customers around the world visit businesses such as Amazon and eBay. After purchasing a product, customers can specify delivery, often direct to their home. Some of the ways in which a business can change the way in which it delivers its products can be seen in the interactivity.

FIGURE 3 How a business can change the way it delivers its products



Crowdsourced delivery

Online networks and marketplaces, including Zipments and Deliv in the USA and PluckNGo in Australia, connect couriers with customers who want to have goods delivered. A business owner wanting deliveries can make the request on the **crowdshipping** service's site or app. Those wanting to deliver products can browse available delivery orders, then pick up and make the delivery. Couriers range from professionals to students to people looking for some extra income.

Improving customer service

A business can improve its customer service by seeking feedback from customers, such as via a survey, and responding to their suggestions. Another way businesses improve their service is to use customer loyalty programs, providing discounts and giveaways to reward loyal customers. Loyalty programs also allow businesses to build a database of their customers and to stay in contact with them. Another way that businesses can improve their service is by ensuring staff are trained to provide helpful and responsive customer service.

FIGURE 4 Blake Davies, a barista employed by Casualties Espresso in Port Macquarie, delivers coffee and food to customers on his skateboard.



2.5.3 CASE STUDY: Apple responds to an opportunity

Apple pioneered a hands-on, immersive in-store technology experience when it first opened a retail store in 2001. When the first store opened, people were skeptical. The US economy was in recession and Apple had been reporting losses. But Apple saw an opportunity to improve its relationship with its customers and better present its brand. Led by then Chief Executive Officer (CEO) Steve Jobs, Apple took a risk in opening Apple Stores. It now has more than 400 retail stores located around the world, and rivals including Microsoft and Samsung have since emulated the retail stores.

Apple's stores allow the company to connect with customers in ways that other technology companies cannot. Customers, both new and existing, can experiment with Mac and iOS products. Apple learns lessons from what customers do in their stores and applies these lessons to its product development, including its iTunes and Mac OS applications stores, as well as its hardware. Having retail stores allows Apple to take further risks with its products. It knows that if its products break down, customers can simply pop into an Apple Store and have the fault repaired or replaced by a technician. This excellent customer service builds a positive relationship between the consumer and Apple so that customers keep coming back and tell other people about their products. Apple also uses its retail stores to support the launch of its new products, so that they become events. The launch of a new iPhone or iPad becomes a media frenzy because of the lines of people waiting outside Apple Stores.

FIGURE 5 Apple saw a business opportunity to improve its relationship with customers and build its brand by launching Apple Stores.



on Resources

 **Weblink** Business innovation

2.5 ACTIVITIES

1. Use the product development process to launch an imaginary new product. Complete a report by responding to the following questions.
 - (a) Outline your idea. What is your product and who do you think would be interested in buying it?
 - (b) Design your product. Draw or sketch rough plans for your new product.
 - (c) Create a prototype or mock-up. You could draw a final sketch, make a model or produce a video or animation showing what the product will look like.
 - (d) If you were to test the product on the market, what would be the results? Write a paragraph suggesting what beta and market testing might reveal about your product.
 - (e) What technical needs will your product have? Write a paragraph outlining what will be needed to manufacture your product, including materials, employees, factory, plant or warehouse, transport, packaging and any other needs.Launch your product by presenting your report to the class. You could do this in the form of a PowerPoint, Keynote, video or a combination of presentation technologies. **Constructing and proposing**
2. Use the **Business innovation** weblink in the Resources tab to find out more about businesses that have responded to market opportunities. Choose one business case study and read it. Write down one innovation that the business has introduced in response to a business opportunity. **Investigating and evaluating**

2.5 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

2.5 Exercise 1: Check your understanding

1. **ES1** Define the term 'product development'.
2. **ES1** List the steps in the product development process.
3. **ES6** Suggest five ways that a business can change the way in which it delivers its products.
4. **ES5** Read the case study 'Apple responds to an opportunity' and answer the following:
 - (a) What business opportunities was Apple responding to?
 - (b) In what ways did Apple respond to these opportunities in the market?
 - (c) How did the introduction of Apple Stores improve Apple's products and customer service?
5. **ES2** Explain one stage of product development.

2.5 Exercise 2: Apply your understanding

1. **ES6** List the possible consequences of the decisions that the following small business owners are making:
 - (a) Charlie runs a plant nursery and has decided to sell his products online to expand locally and overseas. He intends using crowdsourced delivery to make sure that the products get to customers.
 - (b) Customer surveys at Bulete Ltd, a transport and logistics corporation, have revealed that customer satisfaction is very poor. The CEO, Murgon Conray, has decided that all staff will be trained in customer service.
 - (c) Karley is planning to introduce a new product line to her swimwear importing business. She has sent her designs to the manufacturer in Asia which produces her products and she has promoted the new fashions on her website.
2. **ES6** Imagine that one of the shop spaces in your local shopping centre has become vacant. Recommend a new business idea that could be located in that space and explain the new product or products that it might sell. Draw the new shopfront and label the ways that the store has provided a new product to satisfy demand or changed the way that its products are delivered to consumers.
3. **ES2** Explain what is meant by crowdsourcing.
4. **ES5** 'Customer service is almost as important as price.' Discuss this statement.
5. **ES3** 'Businesses that don't develop their products can get left behind.' Analyse this statement.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

2.6 SkillBuilder: Cost–benefit analysis

online only

What is a cost–benefit analysis?

A cost–benefit analysis is a detailed examination of the strengths and weaknesses of different alternatives in order to see whether the benefits outweigh the costs. A cost–benefit analysis helps to determine if an option will be a good decision or investment.

Select your learnON format to access:

- an explanation of the skill (Tell me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it).



2.7 Thinking Big research project: Pitch a business idea

online only

SCENARIO

New businesses start every day. Some of them end up being very successful while others don't fare quite as well. Often, businesses fail because poor decisions have been made in the initial planning stage. Careful planning can avoid mistakes, prepare a business for hard times and allow a business to take advantage of unexpected opportunities. Your task is to plan a unique business and then prepare a business pitch.



Select your learnON format to access:

- the full project scenario
- details of the project task
- resources to guide your project work
- an assessment rubric.

on Resources



ProjectsPLUS Thinking Big research project: Pitch a business idea (pro-0179)

2.8 Review

online only

2.8.1 Key knowledge summary

Use this dot-point summary to review the content covered in this topic.

2.8.2 Reflection

Reflect on your learning using the activities and resources provided.

on Resources



eWorkbook Reflection (doc-31366)

Crossword (doc-31367)



Interactivity Business decisions crossword (int-7606)

KEY TERMS

beneficiaries the people who are entitled to the benefit of any trust arrangement

competition the outcome of two or more businesses attempting to supply their products to the same group of customers

cooperative a business that is owned and operated by the group of people that it serves

corporation a business owned by shareholders

crowdfunding a method of delivery where couriers are obtained from a large group of people, especially from online communities, and connected with customers

demographics characteristics relating to population, especially age, gender, ethnicity, employment, income and education

franchise the situation where a business sells the rights to distribute its products under its name to other individuals or businesses

franchisee the individual or organisation that purchases a franchise

franchisor an individual or organisation that grants the right to use a franchise

limited liability where shareholders cannot lose more than their investment in the event of the failure of the business

partnership a business owned and operated by two or more people

product development the creation of products with new or different characteristics that offer new or additional benefits to customers

profit what remains after all business expenses have been deducted from the money that has been collected from selling goods or services

shareholders the part-owners of a corporation

sole proprietorship a business that is owned and operated by one person

target market a group of customers with similar characteristics towards which a business has decided to aim its marketing efforts and its products

trust a business created to hold property or assets for the benefit of another person or a group of people

trustee a person or company that holds property or assets for the benefit of another

unlimited liability where a business owner is personally responsible for all the debts of their business

2.6 SkillBuilder: Cost–benefit analysis

2.6.1 Tell me

Using a cost–benefit analysis

A cost–benefit analysis is a detailed examination of the strengths and weaknesses of different alternatives in order to see whether the benefits outweigh the costs. The principle behind a cost–benefit analysis is that you should only decide to act on an alternative if the benefit from taking it is greater than the cost.

Why is a cost–benefit analysis useful in economics and business?

A cost–benefit analysis helps to determine if an option will be a good decision or investment. It is also useful for comparing alternatives or projects, as well as estimating the resources needed to complete the alternative or project.

A good cost–benefit analysis:

- identifies opportunities
- proposes alternative ways to take advantage of these opportunities
- calculates the costs and benefits
- compares the costs and benefits to determine if the benefits outweigh the costs
- makes a decision about the best alternative to recommend.

2.6.2 Show me

We can apply the five elements of a good cost–benefit analysis to a case study, to see how this works in practice.

CASE STUDY: Orlando's opportunity

Step 1

Identify opportunities in the market.

Orlando is the general manager of a large soft-drink manufacturer. He and his team are looking at the market to identify opportunities.

The manufacturer has spent a great deal of time looking closely at its business and the local market it sells to. By asking a wide range of questions they have determined there are two business strategies that could meet the changing needs of the soft-drink market.

Orlando's team believes that there is an unmet need in the Australian market for low-sugar alternatives to cola flavours. There are currently some products available, but customer feedback suggests some frustration with the lack of widespread access to these options. These options also suffer from poor quality.



Step 2

Propose alternative ways to take advantage of these opportunities.

The company thinks that there are two possible alternatives. Firstly, they can introduce a new range of low-sugar soft drinks based on the unmet need. The other alternative is to select suitable products that other companies are selling overseas and offer these, or copies of these, to local customers. This would involve buying the rights to distribute these soft drinks.

Step 3

Calculate the costs and benefits of each alternative.

Olando's team conducts a cost–benefit analysis of the alternatives proposed. This means that they add up all the costs and all the benefits of each alternative, and then they compare them to decide if the benefits outweigh the costs. A summary of the costs and benefits of each alternative can be seen in **TABLE 1** and **TABLE 2**.

TABLE 1 A summary of costs and benefits for a new range of low-sugar soft drinks

	Costs	Benefits
Monetary	Total (including raw materials, factory overheads, transportation, packaging, research and development, salaries): \$20 million	Total (including sales): \$30 million
Non-monetary	Extra workload for staff	New research and development that could benefit the business in the future A positive image built up among customers and potential customers

TABLE 2 A summary of costs and benefits for selling or imitating overseas products

	Costs	Benefits
Monetary	Total (including raw materials, factory overheads, transportation, packaging, salaries): \$15 million	Total (including sales): \$20 million
Non-monetary	Staff dissatisfaction with using ideas from overseas; customer dissatisfaction with using products designed for overseas markets	Research and development team will be free to look at other products

Step 4

Compare the costs and benefits to determine if the benefits outweigh the costs.

The team calculates that the benefits outweigh the costs when analysing the first alternative, introducing a new range of low-sugar soft drinks. The monetary costs are \$20 million, while the monetary benefits are \$30 million. This means that the monetary benefits outweigh the monetary costs by \$10 million. They also consider that the non-monetary benefits considerably outweigh the non-monetary costs.

When analysing the second alternative, selecting or imitating overseas products and selling these to local customers, the team calculates that the monetary benefits outweigh the monetary costs by \$5 million. The team feels that, even though the non-monetary costs of this alternative are high, the non-monetary benefits still outweigh the non-monetary costs.

Step 5

Choose the best alternative.

The team determines that the best alternative is the first one, introducing a new range of low-sugar soft drinks. This is because they believe that the benefits of this alternative far outweigh the costs when compared to the second alternative.

2.6.3 Let me do it

Complete the following activities to practise this skill.

2.6 ACTIVITIES

You can now carry out this five-step process to complete a cost–benefit analysis using the case study below.

CASE STUDY: Uncle Bill's

Uncle Bill's is a global manufacturer of cereal products and snacks. Its marketing department recommends that the business should respond to opportunities in the Australian market to produce products that meet different dietary needs, including low-salt, yeast-free and gluten-free products. It has proposed two alternatives. The first alternative is to introduce a new range of gluten-free cereals. The second alternative is to modify existing products already being used in other markets and sell these in the Australian market.

Bridie is the Australian regional manager for Uncle Bill's. She has asked you to be part of the team that will undertake a cost–benefit analysis of the alternatives proposed. Bridie has provided the team with a breakdown of the costs and benefits of each alternative (see **TABLE 3** and **TABLE 4**).

TABLE 3 A breakdown of costs and benefits for Uncle Bill's: Alternative 1 — new gluten-free products

	Costs	Benefits
Monetary	Raw materials (ingredients): \$12 million; factory overheads — salaries, insurance, power, repairs and maintenance: \$8 million; transportation: \$1 million; packaging/labelling: \$2 million; selling/distribution: \$3 million; research and development — salaries, other overheads: \$4 million	Improve market share by 5%; sales of \$50 million
Non-monetary	Extra workload for staff	New research and development that could benefit the business in the future; building a positive image among customers and potential customers; empower staff (as they are involved in the development of the new product) and improve corporate culture

TABLE 4 A breakdown of costs and benefits for Uncle Bill's: Alternative 2 — modifying existing products

	Costs	Benefits
Monetary	Raw materials (ingredients): \$12 million; factory overheads — salaries, insurance, power, repairs and maintenance: \$8 million; transportation: \$1 million; packaging/labelling: \$2 million; selling/distribution: \$3 million	Improve market share by 4%; sales of \$40 million
Non-monetary	Some staff may be dissatisfied with using ideas from other countries when local ideas could have been used. Loss of customers who may be dissatisfied with products that are designed for overseas markets	Research and development team will be free to look at other products

1. Construct your cost–benefit analysis by completing the following steps:
 - Step 1:** Identify the opportunities for Uncle Bill’s.
 - Step 2:** Identify the alternatives proposed to take advantage of these opportunities.
 - Step 3:** Add up the costs and benefits of each alternative. Write down the total costs and benefits for alternative 1 and the total costs and benefits for alternative 2.
 - Step 4:** Compare the costs and benefits for each alternative. Do the benefits outweigh the costs for one alternative or both? In your opinion, which alternative has more benefits than costs?
 - Step 5:** Make a decision about which alternative to recommend.
2. Complete the following questions.
 - (a) How did you decide which alternative to recommend?
 - (b) Compare your decisions to the decisions made by other people in your class. How do the decisions differ? Can you explain the variation in decisions?
 - (c) What aspect of completing a cost–benefit analysis did you find relatively easy and what did you find more challenging?
 - (d) Reading the Orlando’s opportunity case study, identify the opportunities in the market for Orlando’s soft-drink manufacturer.
 - (e) How did Orlando’s company respond to opportunities in the Australian market?

2.7 Thinking Big research project: Pitch a business idea

Scenario

New businesses start every day. Some of them end up being very successful while others don't fare quite as well. Many businesses fail within the first three years.

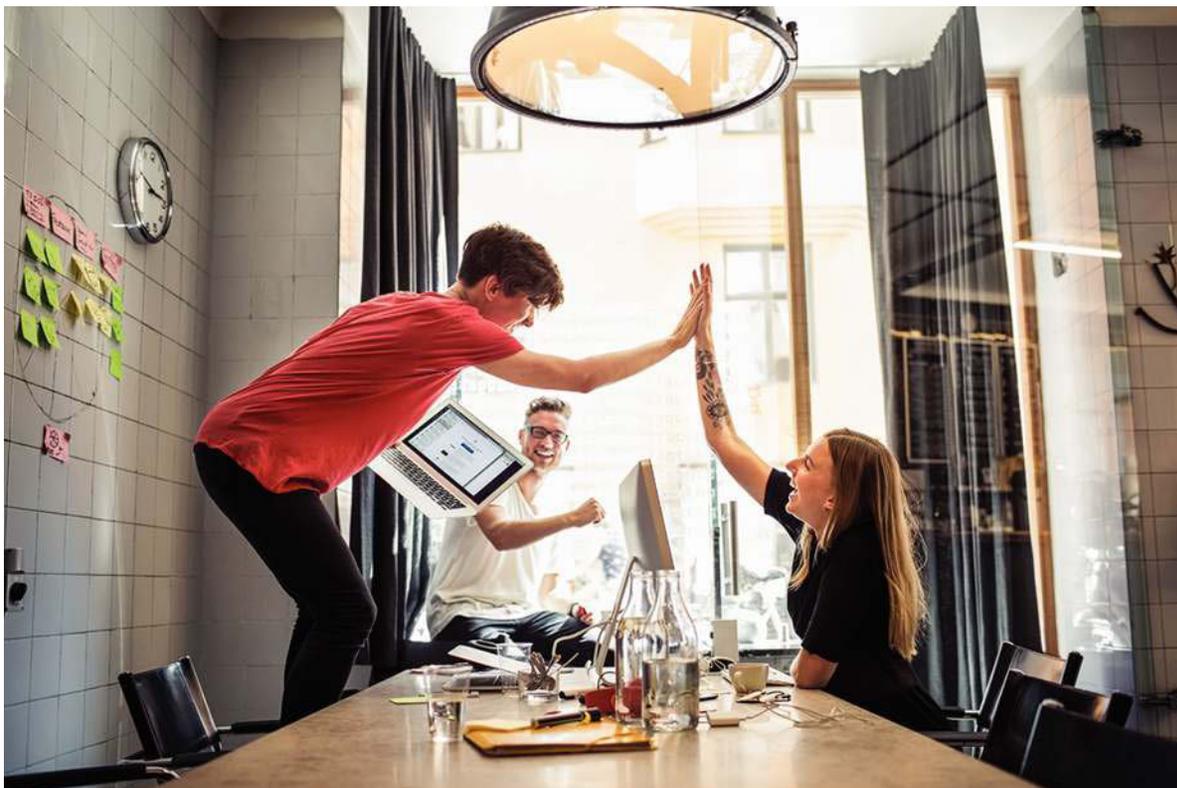
Often, businesses fail because poor decisions have been made in the initial planning stage. Careful planning can avoid mistakes, prepare a business for hard times and allow a business to take advantage of unexpected opportunities.

Task

Your task is to plan a unique business using the parameters provided below and then prepare a business pitch. You will be able to work by yourself or with a group. Your teacher will determine the maximum and minimum group sizes.

To determine the business you will run, consider the following people to work with:

- One of your friends or family members is a very good tennis player. They have always wanted to work in that area.
- One of your friends or family members has a passion for gardening.
- One of your friends or family members is a talented musician and currently is studying to be a teacher.
- One of your friends or family members is a talented artist and has undertaken courses in art, signwriting, spray painting and other similar types of courses.
- One of your friends is really good at computers and another friend is a very talented gamer.
- One of your friends is talented in some other area not shown on this list — the talent you choose must be approved by your teacher.



Process

- Open the ProjectsPLUS application for this topic. Click the **Start new project** button to enter the project due date and to set up your project group if you wish. Working in groups will enable you to share responsibility for the project. Save your settings and the project will be launched.
- Navigate to the **Research forum**, where you will find starter topics loaded to guide your research. You can add further topics to the Research forum if you wish. When you have completed your research, you can print out the **Research report** in the Research forum to easily view all the information you have gathered.
- In the **Media centre** you will find an assessment rubric to guide your work and some weblinks that will provide a starting point for your research.
- You are to prepare a 'pitch' to the friend and/or family member. The 'pitch' is to convince them to go into business with you, using your business knowledge and skills and their specific talent. The pitch should convince them to join you in a unique business venture — something that is new or innovative or needed in your area. Your pitch could include:
 - name of the business
 - business logo
 - description of what the business will do
 - type of business ownership
 - location of business
 - target market information.
- Provide a list and explanation of the qualities you possess and that your partner may possess that will make your business a success.
- In addition, you will provide explanations and justifications for each of the decisions you have made.
- Source any images that may help illustrate your points and make your pitch enticing.
- The pitch should be delivered as a written report but could also be given as an oral presentation.
- Submit your business pitch to your teacher for assessment and feedback.



Resources



ProjectsPLUS Pitch a business idea (pro-0179)

2.8 Review

2.8.1 Summary

2.2 The three main ways to own a business

- Entrepreneurs assume the financial and personal risk of establishing a business with the hope of making a profit. These people demonstrate abilities such as risk-taking, initiative, problem-solving, creativity, innovation, communication and planning.
- A sole proprietorship is a business that is owned and operated by one person.
- A partnership is a business owned and operated by two or more people.
- A corporation is a business owned by shareholders.

2.3 Alternative ways to own a business

- A cooperative is a business that is owned and operated by the group of people that it serves.
- A trust is a business created to hold property or assets for the benefit of another person or a group of people.
- A franchise is the situation in which a business sells the right to distribute its products under its name to other individuals or businesses.

2.4 Opportunities for business

- Business opportunities are influenced by factors including demographics, target market, competition and location.

2.5 Responding to opportunities in the market

- A business can respond to opportunities by following a process to develop new products to satisfy demand or by changing the way products are delivered to consumers.

2.8.2 Reflection

Complete the following to reflect on your learning.

2.8 ACTIVITIES

Revisit the inquiry question posed in the Overview:

Awesome name. Check. Cool website. Check. Is there more to running a successful business?

1. Now that you have completed this topic, what is your view on the question? Discuss with a partner. Has your learning in this topic changed your view? If so, how?
2. Write a paragraph in response to the inquiry question, outlining your views.

Resources

-  **eWorkbook** Reflection (doc-31366)
Crossword (doc-31367)
-  **Interactivity** Business decisions crossword (int-7606)

KEY TERMS

beneficiaries the people who are entitled to the benefit of any trust arrangement

competition the outcome of two or more businesses attempting to supply their products to the same group of customers

cooperative a business that is owned and operated by the group of people that it serves

corporation a business owned by shareholders

crowdfunding a method of delivery where couriers are obtained from a large group of people, especially from online communities, and connected with customers

demographics characteristics relating to population, especially age, gender, ethnicity, employment, income and education

franchise the situation where a business sells the rights to distribute its products under its name to other individuals or businesses

franchisee the individual or organisation that purchases a franchise

franchisor an individual or organisation that grants the right to use a franchise

limited liability where shareholders cannot lose more than their investment in the event of the failure of the business

partnership a business owned and operated by two or more people

product development the creation of products with new or different characteristics that offer new or additional benefits to customers

profit what remains after all business expenses have been deducted from the money that has been collected from selling goods or services

shareholders the part-owners of a corporation

sole proprietorship a business that is owned and operated by one person

target market a group of customers with similar characteristics towards which a business has decided to aim its marketing efforts and its products

trust a business created to hold property or assets for the benefit of another person or a group of people

trustee a person or company that holds property or assets for the benefit of another

unlimited liability where a business owner is personally responsible for all the debts of their business

3 The changing work environment

3.1 Overview

Go to work. Go home. Get paid. Repeat. The way we work hasn't changed at all. Has it?

3.1.1 The rapidly changing world of work

In many **industries**, the routine of a working day starting at 9 am and finishing at 5 pm is long gone. This routine has been replaced with almost 24/7 access to everything and everyone. Computers, the internet and smart phones have made it possible for people to stay connected with their social and work networks no matter what the time. With increased connectedness comes benefits such as greater flexibility to **work** the hours that suit individuals' lifestyles and the possibility of working remotely, such as from home or while travelling. However, it is also not uncommon for **employers** to expect workers to be available to deal with work matters outside of their normal working hours. In some fields there appears to be an **employer expectation** that employees will work harder and longer than they have done in the past.

For the Australian **labour force**, like many places throughout the world, **employment** for life is a thing of the past. Employment is becoming less secure, and low-skilled work is less common. It is being replaced by work that requires a greater level of skill and knowledge, especially in light of the rapid technological advances that continue to shape the modern work environment. Technology is just one of the key factors that influence the world of work. Other influences include the health of the economy, employer and employee expectations, consumer demands, and **globalisation**. In this topic, we will explore these various influences on the way people work today and how they may work in the future.

on Resources



eWorkbook

Customisable worksheets for this topic



Video eLesson

The changing work environment (eles-3496)

LEARNING SEQUENCE

- 3.1 Overview
- 3.2 Influences on work today
- 3.3 The significance of technology
- 3.4 Changes to the workforce
- 3.5 Work in the future
- 3.6 **SkillBuilder:** Analysis and interpretation of data
- 3.7 **Thinking Big research project:** Impacts of technology poster
- 3.8 **Review**



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3.2 Influences on work today

3.2.1 Modern technology

The Australian **labour market** has undergone significant change compared to when your grandparents started working. In part, these changes may be attributed to the changing expectations of workers and employers: employers expect that employees will work harder and longer hours, while employees want a greater balance between their work and their non-working lives (**work–life balance**). Arguably, though, the greatest influence on today’s world of work has been the rapid development of technology — a development that has changed the way in which not only Australians, but the people of the entire world, work. We will explore the impact of modern technological advances in subtopic 3.3, but it is important to note that long before the age of computers, the silicon chip and the internet, another significant technological advance began the process of change in the way people work.

3.2.2 Past influences

Before the late eighteenth century, the type of available work was mainly in **primary production**, in areas such as farming crops, fishing or raising livestock. Life was very different to that of today’s developed societies. People produced the bulk of their own food, clothes and other needs. Manufacturing was fairly small-scale and done in people’s homes using hand tools or basic machines. From the late 1700s to the mid 1800s, technological advances associated with the Industrial Revolution — in particular the development of steam power and the steam engine, the mechanised cotton mill and loom and the use of processed fuel to fire and heat the furnaces in iron ore production in England — changed the way that people lived and worked. People who previously worked in the **primary industries** outlined above moved to towns and cities to work in factories (**secondary industries**). The working conditions in these early factories were harsh. Men, women and children had few rights. They were forced to work long hours in noisy, dirty and dangerous workplaces. Accidents often happened around machinery, but there was no compensation or sick leave. If a person was injured, someone else took their job and there were no unemployment benefits provided to those who could not find work.

Substantial workplace reforms in the many decades since this time have greatly improved job conditions for most workers in industrialised, developed countries such as Australia. But in some countries, harsh and unsafe work environments still exist, with workers paid poorly for long hours of labour in difficult conditions. This is one of the ethical challenges of globalisation, discussed further in the sections that follow.

FIGURE 1 Children provided cheap labour in factories and mills. As this 1853 illustration shows, they were often badly treated.



3.2.3 Present influences

In looking at the historical perspective of work, it is evident that the advancement of new ideas, the need for improvements in daily living conditions, new manufacturing processes, and the development of new ways of using resources such as coal, gas and oil, have all had major effects on how people live and work. In modern times, in addition to technological advances, numerous other factors may influence the ways in which people work. These include:

- the health of the local economy and the level of unemployment
- government regulations and workers' unions
- the impact of globalisation, the decreasing cost of distance, and the **outsourcing** and **offshoring** of jobs
- the decline of employment opportunities in some industries and the growth of others.

The health of the economy

When an economy is healthy, business tends to thrive, which means work is generally more readily available and unemployment levels are low. Consumers feel more able to afford the products and services they require, and their spending, in turn, feeds business growth. However, during times of economic hardship this is not the case. Businesses that are struggling to keep afloat are less likely to hire staff and, in fact, may attempt to cut business costs through making particular positions **redundant** and **retrenching** some of their workers. Thus, when the economy is in a period of decline, it may be difficult for workers to find employment.

Sometimes employers will attempt to weather a period of economic downturn by reducing employees' work hours rather than retrenching their workers. This can be an effective way of maintaining jobs while allowing a business to continue to operate at a lower cost, but any such changes can only be made in consultation with employees, if they are on permanent work contracts.

Government and workers' union influences

Industrial relations laws govern the relationship between employers and employees and have a significant impact on the ways people work in Australia. These laws have undergone many changes since the inception of the industrial relations system in the early 1900s. Many of these changes have occurred as a result of different government policies over time, and also as a result of the work of *unions* — formal organisations that negotiate with employers and government on behalf of the workers in a particular industry to ensure that their **conditions of employment** are fair and reasonable. Conditions of employment are the arrangements made between an employer and employee; that is, what the employer agrees to give an employee in return for their work. These conditions are usually outlined in a formal agreement, which covers issues such as the number of hours an employee is expected to work, annual leave and other entitlements such as sick leave and long service or maternity leave.

FIGURE 2 The health of the economy is an important influence on the world of work — a healthy economy generally means more available jobs and lower unemployment rates.



Government also affects the world of work through decisions regarding taxation and import tariffs, which can affect the ability of certain industries to remain competitive (see subtopic 1.5), and through changes to laws in relation to issues such as retail trading hours and liquor licensing. For example, where it was once illegal for shops to trade on Sundays, this has now become the norm. In Victoria from the time of World War I until 1966, pubs had to close at 6 pm; in 1966 this was changed to 10 pm, and since changes to liquor licensing laws in the late 1980s, many venues that serve alcohol are now able to stay open until the early hours of the morning. Clearly, such changes have had a significant impact on the working hours of people employed in hospitality (hotels, clubs and restaurants) and in retail trade. Changes to work hours are discussed further in subtopic 3.4.

FIGURE 3 Conditions of employment are set out in a formal agreement. In Australia, there are three different types of agreement: awards, enterprise agreements and individual employment contracts.



The impact of globalisation

Advances in technology, in particular communications technology; more effective, lower cost methods of transportation; and largely unrestricted trade between countries have allowed the whole world to become a single, integrated marketplace. The term globalisation refers to this ever-increasing international cultural and economic interaction.

In Australia, globalisation has had, and continues to have, a significant effect on work opportunities and the way people work. One of the key ways in which this effect has been felt is through the increasing practice of outsourcing.

Outsourcing involves engaging individuals or businesses outside of an organisation to fulfil functions previously carried out within the organisation itself. In an attempt to improve productivity, cut costs and increase their ability to compete on a global scale, many Australian businesses now outsource some of their non-core functions. Some functions that are commonly outsourced include recruiting new staff, marketing and advertising, management of finances, and production of goods. Some businesses have taken this a step further, and outsource various functions to workers and organisations overseas — some have even moved their entire production process overseas. This practice is known as offshoring.

Offshoring provides a business with the ability to cut labour costs, which can be as much as ten times cheaper in a developing country such as China, India or Sri Lanka than in a developed country such as Australia. For example, many companies have outsourced their call centres to India or the Philippines; similarly, an increasing number of companies are taking their legal or accounting needs offshore, having

FIGURE 4 Rapid technological advances have facilitated the process of globalisation — allowing the interaction of economies throughout the world.



work completed in countries where labour costs are cheaper but skill levels remain high. Offshoring can also improve the ability of a business to stay competitive and to develop an overseas presence by entering new markets.

We can examine the impact of globalisation on the Australian working environment in relation to the consumer, the worker and the business owner in the table below.

TABLE 1 Examining the impact of globalisation on Australian consumers, employers and employees

Impact on consumers	<ul style="list-style-type: none"> • Ability to choose from a wide range of goods, some of which are imported into the country, e.g. tinned tomatoes, electrical goods, clothing, wine • Access to goods at lower prices • Ability to browse and buy online and have purchases delivered to the door, eliminating the need to travel to stores
Impact on employers	<ul style="list-style-type: none"> • Ability to reduce the costs of manufacturing or providing a service by employing cheaper overseas-based labour • Access to new markets overseas • Increased ability to access new technologies from overseas • Ability to generate greater income through selling more products to a global market, allowing the potential to further build and develop the business through investment in improvements in technology, productivity and quality • Pressure to become more competitive and produce goods and services more cheaply than overseas competitors
Impact on employees	<ul style="list-style-type: none"> • Loss of jobs as some roles are moved to overseas providers • Potential for individuals to travel, work and/or study overseas; taking skills, knowledge and capabilities with them • Potential to work for international companies that bring their business to Australia • New jobs created as a result of business growth through exporting products such as wine, cars, gas and minerals to other countries

Decline and growth of industries

With many companies moving part or all of their operations overseas, the employment opportunities in some industries have decreased. For example, the closure of production plants of the three major car manufacturers in Australia (Ford, Holden and Toyota) meant that workers in this industry had to seek employment in other fields. While ongoing technological advances can lead to job losses in some cases, where tasks that were once carried out by people are now able to be done by machines, they can also present opportunities for new businesses to develop; for example, in areas such as telecommunications and digital technologies. In the 1980s, jobs such as website designers, social media managers, e-commerce consultants and app developers didn't exist. Thirty years later, they are a common part of the business world. Many of the jobs that will exist in the future may be roles that we cannot even imagine today.

FIGURE 5 Just as 'app development' was unheard of in the 1980s, many of the jobs of the future may be in fields that are yet to be developed.



on Resources

 **Weblink** Industrial Revolution

3.2 ACTIVITY

Use the **Industrial Revolution** weblink in your Resources tab to watch a video examining how the Industrial Revolution changed the nature of work. Take some notes while watching the video, then write one or two paragraphs explaining how working conditions have changed from the Industrial Revolution to today.

Describing and explaining

3.2 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

3.2 Exercise 1: Check your understanding

1. **ES2** Describe what work was like before the Industrial Revolution.
2. **ES2** Explain the difference between primary and secondary industries.
3. **ES1** What is outsourcing?
4. **ES1** What is offshoring?
5. **ES1** Explain what is meant by retrenchment.

3.2 Exercise 2: Apply your understanding

1. **ES3** Examine **FIGURE 1**. What do you think working conditions were like for young people then?
2. **ES6** What impact do you think globalisation, outsourcing and offshoring will have on the Australian economy?
3. **ES6** What might be some of the ethical challenges of globalisation and, in particular, the practice of offshoring?
4. **ES2** Technology changes can impact jobs. With reference to Ford, Holden or Toyota, explain this statement.
5. **ES2** Explain the concept of 'work-life balance' and why it is important for workers to seek this balance and employers to encourage it.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

3.3 The significance of technology

3.3.1 Significant technological change

The Australian work environment has changed significantly. Much of this change can be attributed to rapid advances in technology and communications that have altered the way the world does business.

When the desktop computer was developed in the 1980s, the world of work changed dramatically; however, it was arguably the widespread adoption of the internet in the 1990s that has brought the greatest change to the world of work since the Industrial Revolution. The internet, computers and devices such as smart phones and tablets are now part of our everyday life and, for most workers, are integrated into the way that they undertake and complete their work. The ability to communicate virtually instantaneously with anyone almost anywhere in the world has changed the way people do business and has been a major factor in the process of globalisation.

Types of new technology

Technological advances have changed many aspects of business, from administration tasks to internal and external communications and service provision and manufacturing processes. The list of technological advances that have changed the way we work is enormous. It includes:

- *video conferencing and webinars* — using technology to meet or conduct information and training sessions, rather than needing to have face-to-face interactions
- *smart technology (smart phones)* — enabling 24/7 communication through phone, email, SMS and MMS

- *e-commerce* — internet banking, online shopping, microchip credit cards, EFTPOS, PayPal, BPay, PayPass and PayWave
- *software developments* — word processing, spreadsheets, database, accounting and other software programs that streamline administrative tasks
- *robotics* — their use in manufacturing, especially in assembly lines
- *computer-aided design (CAD)* — using computers to design new products, buildings and so on.
- *computer-aided manufacturing (CAM)* — using computers to assist with the manufacturing process of goods and services
- cloud computing — external data storage away from the organisation, allowing access to information from anywhere
- communication — discussion forums, blogs and social networking creating new ways to reach potential customers.

FIGURE 1 Video conferencing allows workers to meet even though they may be in different countries.



How technology has changed working lives

The impact of technological advances has been felt significantly in the workplace. For example, where once it was necessary to post documents (taking several days or even weeks to be delivered, depending on the distances involved), email now makes it possible for correspondence to be sent and delivered within the same minute! Computer software enables once tedious administrative, accounting and other processes to be completed in a fraction of the time that they once required. And computer-operated machines now perform many manufacturing line tasks that once required meticulous human involvement. Similarly, in many cases where once manual labour was the norm, computers and robots now control the lifting and movement of heavy objects. Interestingly, the law has followed this process and various requirements have been introduced that seek to protect workers and ensure that employers provide a safe environment for them. Work (Occupational) Health and Safety laws cover issues such as manual handling, machine operation, safety guards and shut-off mechanisms, acceptable noise levels, and other hazard management of technology in the workplace.

Manufacturing

The use of computers in production has sped up the manufacturing process significantly and, in turn, productivity levels have increased. Assembly lines, computer-aided designs, and computer-driven manufacturing processes (in which computers control and direct the machinery and equipment) have meant that fewer workers are needed to undertake the manual aspects of production. However, the increase in production output, combined with access to new markets through globalised trade opportunities, has allowed the growth of some businesses and a need for increased numbers of workers to meet the demands of expansion. Furthermore, the nature of many roles in computer-assisted manufacturing operations has changed, with workers gaining higher level skills as they are trained to be able to monitor equipment and carry out any adjustments or even repairs that may be required.

FIGURE 2 The types of machinery used in manufacturing processes are constantly changing the way employees work as well as the work that they do.



Rapid communication changes

Technology has changed the concept of communication. For example, the growth of the internet has meant that news events, when they occur, can be instantly disseminated and shared through instant messaging, blogs, emails and websites. This change has had a huge impact on print media such as newspapers. Many people no longer buy the printed newspaper but will instead read the news online — and it is not just local newspapers that they can access, but also newspapers from around the world.

In the workplace, these rapid changes have led to enormous shifts in the way people communicate and work. No longer do people need ‘face time’ to meet and discuss business. As **FIGURE 1** depicts, face-to-face meetings have been replaced by ‘virtual meetings’. Smart devices allow for instant communication and access to workers, employers, suppliers and producers.

Similarly, where once distance may have been a prohibitive factor in applying for and obtaining a job, this is no longer the case. In many fields of work, employees increasingly have the opportunity to work remotely, based from their own homes. The use of technology — such as teleconferencing or videoconferencing, email, cloud computing and so on — effectively eliminates the distance between people, and creates opportunities for more flexible work arrangements that are beneficial for both the employee and the employer.

Staying connected or switching off?

The developments that have occurred in communications technology make it difficult to ‘switch off’. For example, how many people in your class have a smart phone? Do you check your phone or device as soon as an instant message, email or Facebook post hits your inbox? If you do, you are not alone. Many of us are obsessed with our smart phones, tablets, laptops and other devices, along with the social media so easily accessed on them. And while such technologies allow us unprecedented opportunities for social connection and access to information, they also play a role in the gradual blurring of the boundaries

FIGURE 3 You can have access to your working life no matter where you are.



between work and home life. It is now easy to stay connected with the office or work while at home, on holidays, or even while sleeping! Many people now work beyond traditional office hours, using laptops and other devices to access work networks remotely, checking work emails while they have breakfast or during their commute to work on the train, or perhaps, while at home, teleconferencing colleagues working in a different time zone.

DISCUSS

Having 24/7 access to work emails and being able to work in any location has led to many people feeling that they need to work more than the 38 hours a week (for a full-time job) that the federal government recommends. Should more be done to ensure that this 38-hour limit is adhered to?

[Ethical Capability]

3.3 ACTIVITY

Conduct research on the development of the internet. There are many interesting videos online that will provide you with this information. Examine them and then write a short story or cartoon about how the internet was developed.

Reasoning, creating, proposing

3.3 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

3.3 Exercise 1: Check your understanding

1. **ES1** List three technological advances that have altered the way people work, and outline how they have changed the workplace.
2. **ES2** The use of technology in work has a range of consequences. Discuss one positive and one negative consequence.
3. **ES2** Discuss how technology can stop people from ‘switching off’ and the impact this may have on a person’s wellbeing.
4. **ES1** Distinguish between computer-aided design (CAD) and computer-aided manufacturing (CAM).
5. **ES1** Explain what is meant by a virtual meeting.

3.3 Exercise 2: Apply your understanding

1. **ES3** What forms of technology do you use every day? What effect does this have on your life?
2. **ES4** Technology in the workplace can help workers achieve a work-life balance by changing the way people work. Explain how this can occur.
3. **ES2** ‘Technology can cost jobs but it can also improve skills’. Explain both points made in the statement.
4. **ES5** Social networking sites allow customers to provide feedback to businesses almost instantaneously. Do you think this is a good thing or a bad thing? Justify your answer.
5. **ES6** ‘Technology has made work easier and less complicated.’ Discuss this statement.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

3.4 Changes to the workforce

3.4.1 The changing roles of women and men

When your grandparents worked, the majority of the Australian workforce was male. Most of these men were the ‘breadwinners’ — supporting their wives and families until retiring in their sixties. Women often ‘retired’ from the workforce when they married, and it was relatively uncommon for a woman to work if she had young children. Today, the two-income family is more common, with women continuing to work throughout the period of having dependent children. Employment is more likely to be part-time or casual

and there have been significant changes in the types of jobs in which people are employed. People are less likely to do the one job for their entire working lives, instead moving not just from one role to another in the same field, but also undertaking complete career changes, possibly several times, in a bid to find work that continues to provide a sense of purpose and satisfaction in their lives.

With this shift in the way people approach their careers, human resources management has become increasingly important within the business world — emphasising the value placed on finding the right person for a particular role. In this subtopic, we will explore these and other changes to the Australian workforce.

3.4.2 Participation rates

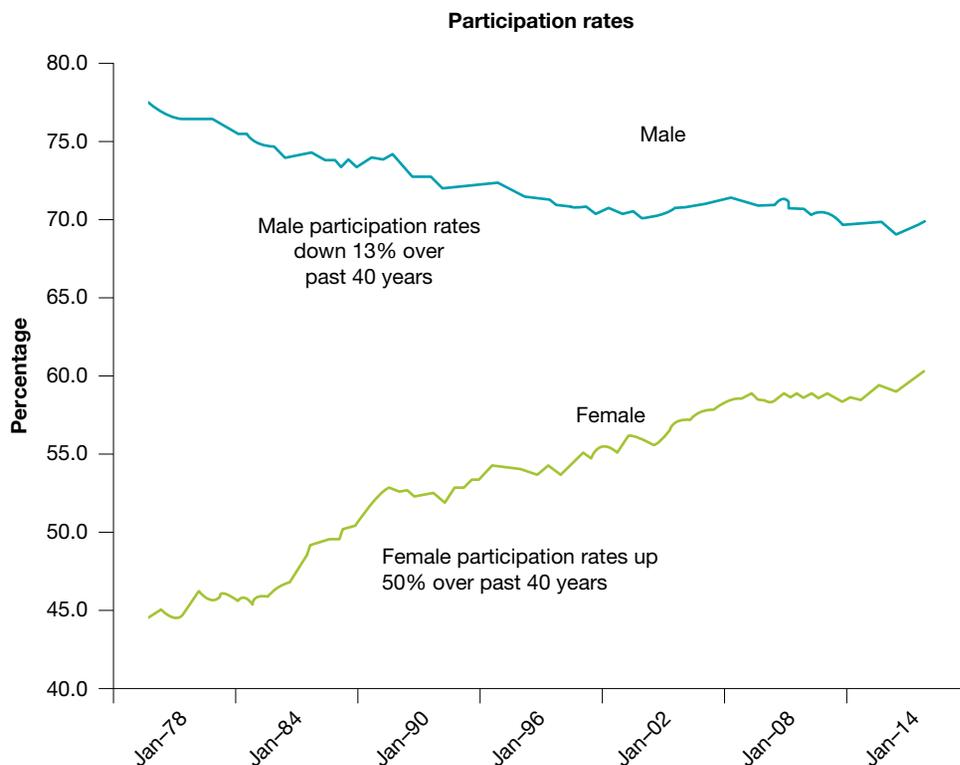
One of the most significant changes seen in the Australian workforce has been the increased participation of women. As mentioned above, in the past it was common for women to leave the workforce when they had children, and often they never returned to paid work. This is no longer the case. **FIGURE 2** shows the change in workforce participation rates from 1978 to 2014 (the most recent data available at the time of publishing).

On average, the labour force participation rate of women is still lower than that of males, but the gap has narrowed slightly over the years 2002–12.

FIGURE 1 The increased participation of women in the workforce has created the need for formal childcare.

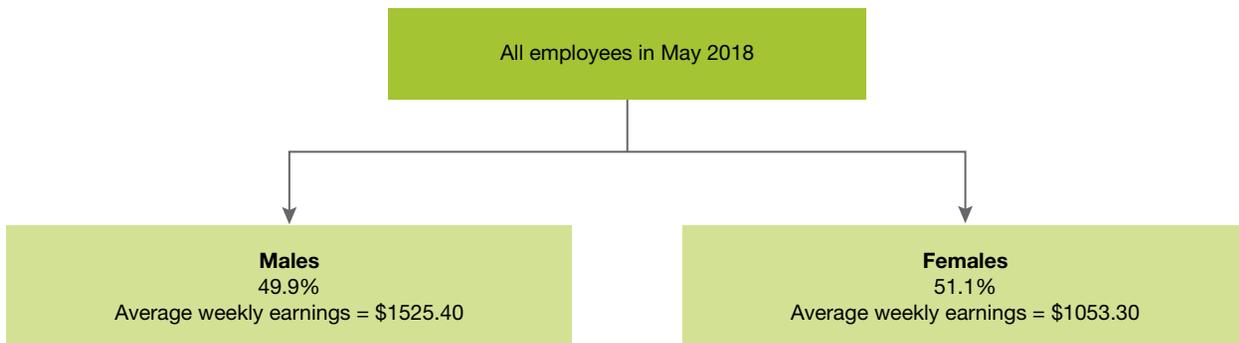


FIGURE 2 Labour force participation rates for men and women



As women have entered the workforce in greater numbers and continued to work after having children, the need for formal childcare has increased. This has led to the growth of the childcare industry and has created significant new job opportunities in early childhood development and childcare. Another significant change has been an increase in flexible work options, offering benefits such as parental leave (for both women and men) and part-time work, which allows greater flexibility to juggle the demands of work and parenthood.

FIGURE 3 Proportion of males and females in the paid workforce in 2018, and their average weekly earnings



Source: Australian Bureau of Statistics, www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0

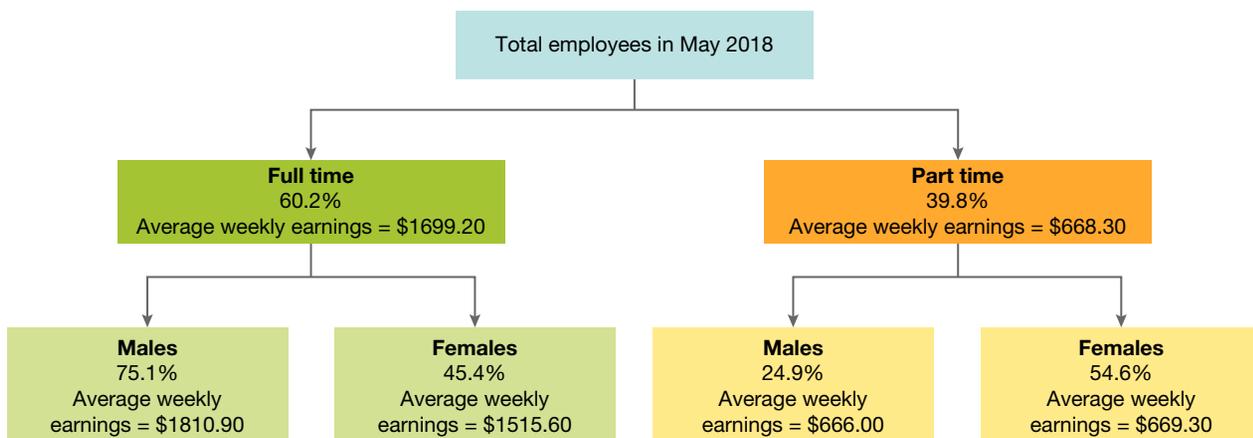
FIGURE 3 shows female employees actually slightly outnumber males; however, as can clearly be seen, women’s average weekly earnings are significantly lower than that of men. This can be explained to some extent by looking at the differences in full-time and part-time participation rates.

Full-time and part-time participation rates

An employee is considered to work full-time if their hours of work equate to 35 hours or more per week, or they work the agreed upon or award hours for a person in their occupation or industry, and the work is ongoing. An employee is considered to work part-time if they work less than 35 hours a week in ongoing employment, where the number of hours they work is either fixed or variable.

FIGURE 4 shows that in May 2018 there were more full-time employees (60.2%) than part-time employees (39.8%), and that, as would be expected, average full-time earnings (\$1699.20/week) were significantly higher than average part-time earnings (\$668.30/week). However, 54.6% of females were employed on a part-time basis, compared with only 24.9% of males; that is, the vast majority of male workers (75.1%) were employed full-time, which accounts for much of the disparity in average weekly earnings between men and women.

FIGURE 4 The proportion of full-time and part-time employees in May 2018, and their average weekly earnings

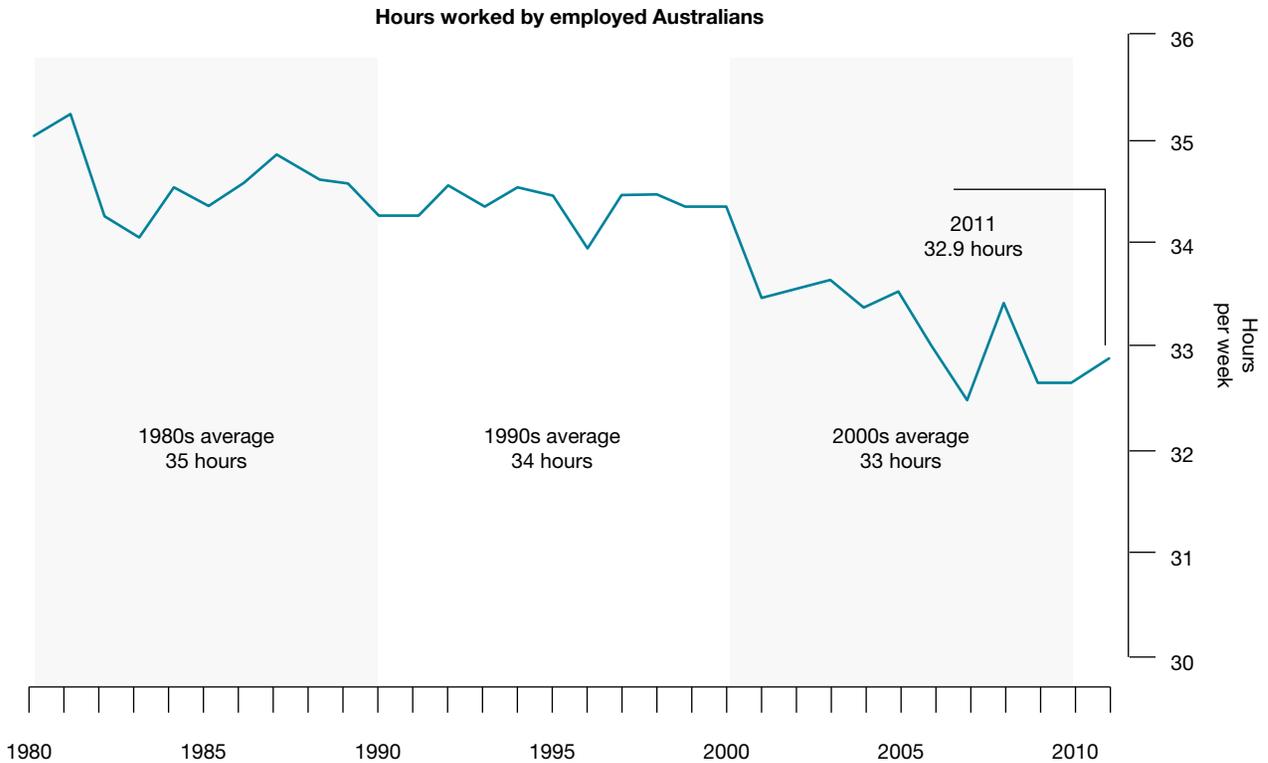


Source: Australian Bureau of Statistics, www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0

3.4.3 Hours of work

In today's work environment, there is a perception that people will be available outside of traditional work hours due to technology-enabled connectivity, and that they are generally working longer hours than ever before. While in some industries this may indeed be the case, Australian Bureau of Statistics figures show that since the 1980s there has actually been a decline in the average hours worked by Australians — from 35 hours average in the 1980s, to 32.9 hours average in 2011. **FIGURE 5** depicts this change.

FIGURE 5 The average number of hours worked by employed Australians shows an overall decrease from 1980 through to 2011.



Source: Adapted from Australian Bureau of Statistics, *As a Matter of Fact, 2012* (cat. no. 1393.0); most recent data available at time of publishing

The change in average work hours can at least in part be attributed to the significant increase in part-time employment during this period. Part-time roles now exist in almost all industries, and are particularly prevalent in the retail and hospitality sectors.

Apart from the change in the number of hours worked, there has also been a significant shift in the times that people work. Where once the world of work was largely framed around the 9-to-5 workday, this is no longer the case. For example, changes to retailing regulations have created a demand for employees to work vastly different hours to those of the past, with weekend and late-night trading now allowing businesses to operate well outside 9-to-5, Monday-to-Friday hours. Similarly, venues such as bars, restaurants and nightclubs are now able to stay open much later, creating a need for staff who are willing and able to work shifts into the early hours of the morning.

FIGURE 6 Changes to trading hours have had a significant impact on the hours of work for many Australians.



Consumer demand has also created a need to provide call centre staff in certain industries from early in the morning until late in the evening. Thus, employees working in such fields may work a range of hours that are significantly different to what was once the case.

3.4.4 Availability of jobs

In the late 1960s, almost half of Australia’s labour force was employed in production industries such as mining, manufacturing, construction, electricity, gas and water, agriculture, forestry and fishing. In 1997, some thirty years later, that proportion had decreased to 28 per cent. During the same period, service industries grew substantially. These include property and business services, accommodation, cafés and restaurants, culture and recreational services, personal and other services, health and community services, retail, education, transport and communication, trade and finance, and insurance. This trend continues today, and is a major factor in shaping the ongoing changes seen in the Australian workforce. We will look at the changes in Australian work industries in more detail in subtopic 3.5.

3.4.5 Career lengths

Recent studies in the United States of America, based on US labour statistics, indicate that the average US worker stays in a job for a period of 4.6 years. In Australia, the national average tenure in a job is 3.3 years.

Anecdotal evidence suggests that members of **Generation X** are likely to change jobs about 11 times during their working life. It is anticipated that this figure may double for **Generation Y** or **Generation Z** and increase even further for **Generation Alpha**.

Research has found that the reason for changing jobs varies from person to person, but may include:

- social reasons — response to life events, such as having children
- economic reasons — wanting to obtain better working arrangements
- career-related reasons — wanting to gain further career experience
- other personal reasons — a desire to gain new experiences.

It is interesting to note that for many workers, there is a reluctance to change. Possible reasons why some workers choose to stay in the same job may include:

- a lack of opportunity to change jobs
- security
- convenience
- feeling valued in a role
- they like the people they work with
- a fast commute (quick to get to and from work)
- the need to build/consolidate retirement (superannuation) funds.

Even for people who do not change jobs, the workplace continues to evolve. In the Career Experience Survey, which was last conducted in November 2002 by the Australian Bureau of Statistics, a number of significant issues regarding the changing nature of work were noted. Approximately 77 per cent of all employees surveyed had been with the same employer for a year or more. Of these, almost 57 per cent reported significant changes to their working life over the past year. The types of change reported are summarised in **TABLE 2**.

TABLE 1 Job tenure by age group in Australia

Age group	Average job tenure
Under 25	1 year, 8 months
25–34	2 years, 8 months
35–44	4 years
45+	6 years, 8 months
Average	3 years, 4 months

Source: The Household, Income and Labour Dynamics in Australia (HILDA) Survey, Department of Employment

FIGURE 7 Workers change jobs more often than they did in the past. This trend is expected to continue.



TABLE 2 Types of workplace change experienced

Type of change	Percentage of employees who experienced the change	Experienced by whom
Promotion: receiving an increase in wages or salary due to an increase in responsibility or the complexity of the work that is undertaken	8.7%	Permanent and full-time workers
Transfer: where a person is moved from their current position into another one without a change in wage, salary, level of responsibility or complexity of task	6.8%	Permanent and full-time workers
Change in hours: this can be either a reduction or an increase in the amount of hours to be worked in a week	31.7%	Part-time workers and casual workers
Changed location: movement involving a change in terms of either work building, or geographical location such as a suburb, state or even country	8.5%	Permanent and full-time workers
New, different or extra duties: where there has been a change in the scope (the range) of activities that need to be completed	40.2%	Permanent and full-time workers
More responsibility: an increase in the level of responsibility you have in terms of your experience and what is expected of you	42.7%	Permanent and full-time workers

Source: Adapted from Australian Bureau of Statistics, *Career experience, Australia, November 2002* (cat. no. 6254.0); most recent data available at time of publishing

TABLE 2 shows that in the majority of cases, the changes did not mean that employees were actually changing their positions. More often, the change involved taking on additional tasks or more responsibility, perhaps as experience is gained in a role.

3.4.6 Human resource management

The term **human resources** refers to the people who work within an organisation. In any business, the human resources are one of the most vital elements. With the world of work undergoing such rapid and ongoing changes, the effective management of a business's employees — **human resource management** — has become increasingly important. Human resource management involves many aspects, such as staff recruitment, negotiation of employment conditions, training, professional development, and carrying out staff performance reviews. The goal of successful human resource management is to ensure an organisation has the right people with the skills and knowledge necessary to meet the needs of the business.

Finding the best employees with the most appropriate skills and other attributes that will suit the organisation and its culture is an important part of the human resource manager's role. This recruitment process has changed significantly as a result of technological advances including software development and, of course, the internet.

FIGURE 8 A business's human resources are among its most important features.



Online sites that act as repositories of potential workers' résumés, such as SEEK.com.au, allow people in search of work to place their details online, enabling employers to find them more quickly and easily. Job ads are posted in these online forums and many employers require prospective employees to complete the application process online, which can significantly streamline the whole recruitment process compared to traditional paper-based job applications.

However, a possible downside for potential employees is the way in which the online environment has also made it easier for employers to 'background check' job applicants. It has become increasingly common for an employer to look on social media sites to find information about the employee they are considering hiring. Applicants need therefore to be mindful of their 'online presence' in order that it does not potentially limit their employment opportunities.

The internet has provided a new way for people to advertise and search for work roles. Employers are now able to reach a whole world of potential employees easily and in a cost-effective manner; and job hunters are able to browse the thousands of jobs advertised around the world in their search for a role that fulfils their needs and ambitions.

FIGURE 9 Through advances in technology, employers can now easily access potential employees from around the world.



FIGURE 10 Human resource managers have become very important to the success of a business. The tasks that they perform can be grouped into the four categories below.

Acquisition

- The main tasks related to acquisition include advertising available jobs, interviewing people and selecting the best person for each job.
- Human resource staff may keep a database of all employees and skills, qualifications and experience that they have.

Training

- Training involves providing employees with the skills needed to perform their job. It begins with an induction process when a person is employed.
- Employees continue to receive training throughout their working life.

Maintenance

- Maintenance relates to all the processes/strategies undertaken to keep workers motivated and wanting to remain at the business.
- It may include carrying out performance reviews, changing pay rates, offering promotions, flexible work arrangements, further training and providing challenging work.

Separation

- When employees leave (or separate) from a business, human resource managers need to gather information about why people leave.
- This information may inform them about the changes they may need to make to their acquisition, training and maintenance of current staff.

3.4.7 The value of work

The value one places on work can be linked to one of the four reasons why people work:

1. **To obtain self-satisfaction**

It is never easy to separate the work you do from who you are. Many workers try to complete their tasks to a very high standard and this reflects the attitude they have towards their work and their employers. These workers take pride in the work they do and this in turn raises their level of work satisfaction. When workers have ownership of their work and are proud of their achievements, they are more likely to work harder and longer to achieve the objectives of the organisation. For example, 200 employees of a factory were asked to write down the most important aspect of their work. Their responses revealed that it was not money that motivated them. Sixty-seven per cent of the employees said that knowing they had done the job well and received some praise from the supervisor were the most rewarding aspects. Thus recognition of a job well done increases the value of the work itself.

2. **To gain status and prestige**

The type of work a person does is often used to measure that person's status and prestige within our society. In other words, their status comes from their occupation. The value we place on a person's job determines his or her income. For example, a heart surgeon's highly skilled work is valued more than a labourer's, so the surgeon receives a higher income. This is partly because of the education and training needed to become a surgeon as well as their high skill level and specialisation.

Historically, society has tended to place a lower value on work in what are referred to as the 'caring professions', such as childcare, nursing and aged care. For this reason, salaries for people who work in these areas have generally been lower than in many other fields. These roles have traditionally been filled by women, and this provides another reason for the disparity that is often seen between the relative wages of men and women in Australia. This attitude is slowly changing, with wage rises being fought for and won in many of these areas. Interestingly, in a 2016 survey that asked Australians to rate professions in terms of their perceived ethics and honesty, nursing emerged as the number one ranked profession. This was the 22nd year in a row that nurses were recognised as number one in ethics and honesty. Doctors were ranked second in the survey and school teachers ranked fifth.

3. **To enjoy social interactions with others**

The social aspects of work increase its value. On average, employees spend more time at work with their co-workers than they do at home with their families (not including sleep time). Work provides the opportunity to meet other people and make friends. Some workplaces have social clubs that employees can join, to participate in organised activities aimed at increasing the sense of staff connectedness and satisfaction.

4. **To help others**

For many people the need to make a difference and contribute to society is an important part of why they work. This may be particularly so in the case of those who work in the 'caring professions', or who choose to work for not-for-profit organisations. Some people place such a high value on the desire to help others that they are prepared to offer their time and skills through volunteer work, seeking no payment for the work they do.

FIGURE 11 Social interaction is one of the key reasons that people work.



on Resources

 **Weblink** Hours of work

3.4 ACTIVITY

Use online resources (such as the **Hours of work** weblink in the Resources tab) to find and examine information on average hours worked by Australians. Describe the changes in working hours from the 1980s to today. Have they increased, decreased or remained the same?

Questioning and evaluating

3.4 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

3.4 Exercise 1: Check your understanding

1. **ES2** Describe one significant change that has occurred in the Australian workforce in the last 50 years.
2. **ES1** List three reasons why people value work.
3. **ES2** Discuss the statement: 'The value of work is a personal thing'.
4. **ES1** Define the phrase 'participation rate'.
5. **ES1** Distinguish between full-time and part-time work.

3.4 Exercise 2: Apply your understanding

1. **ES3** Examine **FIGURE 2**. Discuss how participation rates of women have changed since 1978.
2. **ES5** Review **FIGURES 3 and 4**. Consider the information shown in these figures with other factors discussed in this subtopic and explain why the average weekly earnings for women are lower than they are for men.
3. **ES2** Explain why you think there has been a growth in people working part-time.
4. **ES3** Analyse why you think women have a lower participation rate than men.
5. **ES3** Analyse the role of human resource management in the modern workplace.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

3.5 Work in the future

3.5.1 Predicting future changes to work and possible outcomes

Can you imagine what work will be like in the year 2050? Will new jobs exist that are like the ones we see in sci-fi movies, or will they be much the same as they are now? Although it is very difficult to predict how work will change, what form it will take, what activities will need to be performed and what skills, knowledge and abilities workers will need to have, it is worth noting that one of the challenges of government is to do just that — to attempt to predict some of these changes and to make policies and economic plans that will support the future world of work in Australia.

Work as we know it will slowly change. Exactly how it will change is unknown, but it is likely to depend on a range of factors, which in turn could have particular outcomes. **TABLE 1** summarises some of these potential factors and outcomes.

FIGURE 1 Is this the future of work?



DISCUSS

Many of the jobs that you may hold in your career do not currently exist. How can you prepare for a job that does not exist? Are there transferable skills that are applicable to all jobs, regardless of how the future develops? Should we focus more on developing these skills than traditional skills?

[Personal and Social Capability]

TABLE 1 Potential changes and outcomes in the future world of work

Factor	Outcome
Skills required in the future workplace	Future employees will require more education and higher skills development to participate in the workforce.
Changes in the gender segregation of the workforce	More equal representation of men and women in all types of work across all industries; the gender gap in average wages will continue to decrease
More employment in certain sectors of industry (service) and decreased employment opportunities in other sectors of industry (manufacturing)	More service-oriented roles; more focus on case work that follows a customer from start to finish, multi-skilling of the workforce, to enable the same employee to assist a customer throughout their entire customer experience
Further advances and increased use of technology in the workplace	Employees will need to continue to learn how to operate new equipment and software in order to perform their jobs. Some roles may become obsolete as new technology provides more efficient ways of completing particular tasks.
Changing employee attitudes and the desire for work–life balance	The provision of more flexible work arrangements to accommodate employees’ needs, increase satisfaction and productivity, and retain staff
Changing workplace environments	Creation of more creative, ideas-driven environments that encourage workers to think independently and problem-solve creatively Greater focus on having healthy and happy employees who will work longer and stay with an organisation, rather than frequently changing jobs; employees supported through benefits such as an onsite gym, canteen or café, childcare facilities etc.

Increased education and skill levels

Two interrelated service areas that are experiencing distinct growth and an increase in employment opportunities are professional, scientific and technical services; and education and training. In the future, these areas will continue to grow as the need for high-skilled workers increases. Workers need to be multi-skilled, educated and more technically-oriented to enable them to work with the newest technological advances.

Without appropriate, accessible training and education opportunities, it will be difficult to meet Australia’s future workplace requirements. Thus, the need to provide such opportunities is a constant focus for government.

Changing attitudes to gender segregation

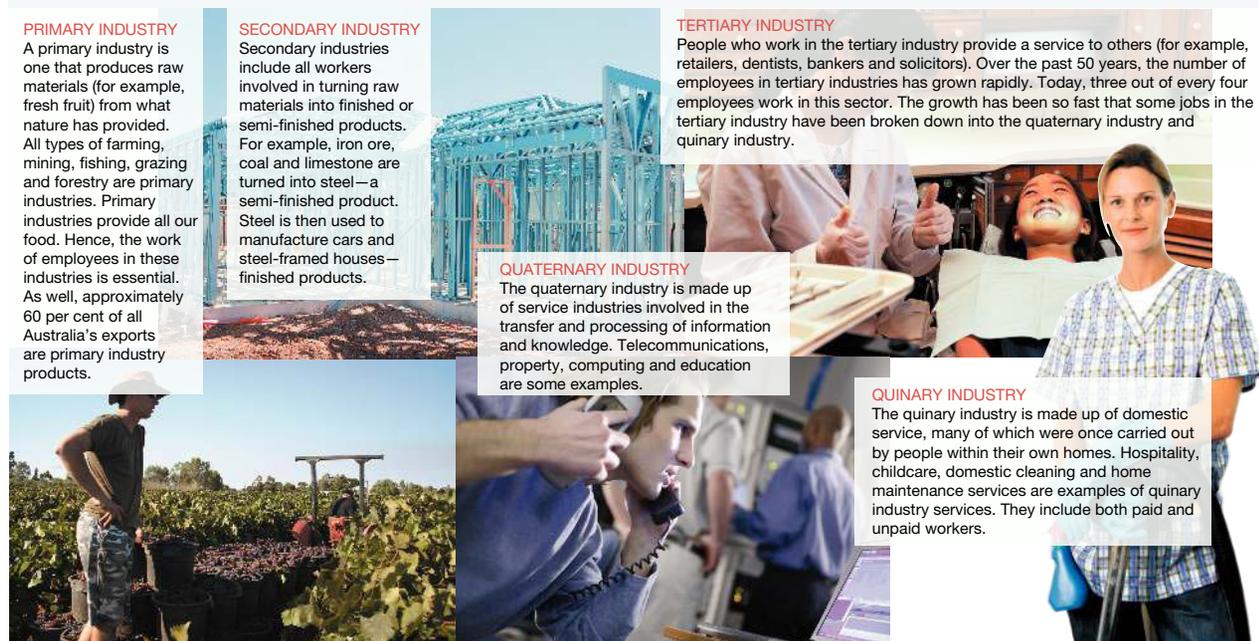
Another possible change is in the area of gender segregation. This is where one gender, male or female, is more likely to be employed in a particular area than the other gender. Gender segregation is common in some industries. This is particularly evident in construction and mining. In 2018, only 17 per cent of employees in the mining industry and 16.7 per cent of employees in the construction industry were women. However, in more traditionally female-dominated occupations such as health care, social assistance, education and training, women continue to occupy the vast majority of roles. What might be the outcome if more men started to work in these typically female-dominated occupations and more women started working in typically male-dominated professions?

Certainly, it would have an impact on the gender gap that still exists in average wages of men and women. It might also lead to an increase in the perceived value (and the higher wages that go with it) of the traditionally lower paid female-dominated industries. Would it also change the way that we view the genders, or perhaps the industries? Or might it simply be a natural progression that comes as part of an ever-changing work environment?

Declining industries and growth industries

Over the past hundred years, the work people do has changed significantly. This is clearly demonstrated by looking at the industries in which they work. The three main employment industries are the primary, secondary and **tertiary industries**. In the past, much of the workforce was involved in the primary and secondary industries. However, in recent years there has been a shift towards greater participation in the tertiary industry, and in what have now been termed the **quaternary** and **quinary** industries. **FIGURE 2** outlines the various features of each of these industry types.

FIGURE 2 The five key industries of the Australian work environment



In Australia, there are numerous sub-industries into which people's work can be classified. These include agriculture, mining, manufacturing, retail, construction, accommodation and food services, transport, education, health and others. **TABLE 2** examines the four main employing industries and compares the proportion of people employed in 2000–01 with the proportion employed in those same industries for the period 2016–17.

TABLE 2 The proportion of people employed in 2000–01 compared to 2016–17, by industry, in Australia

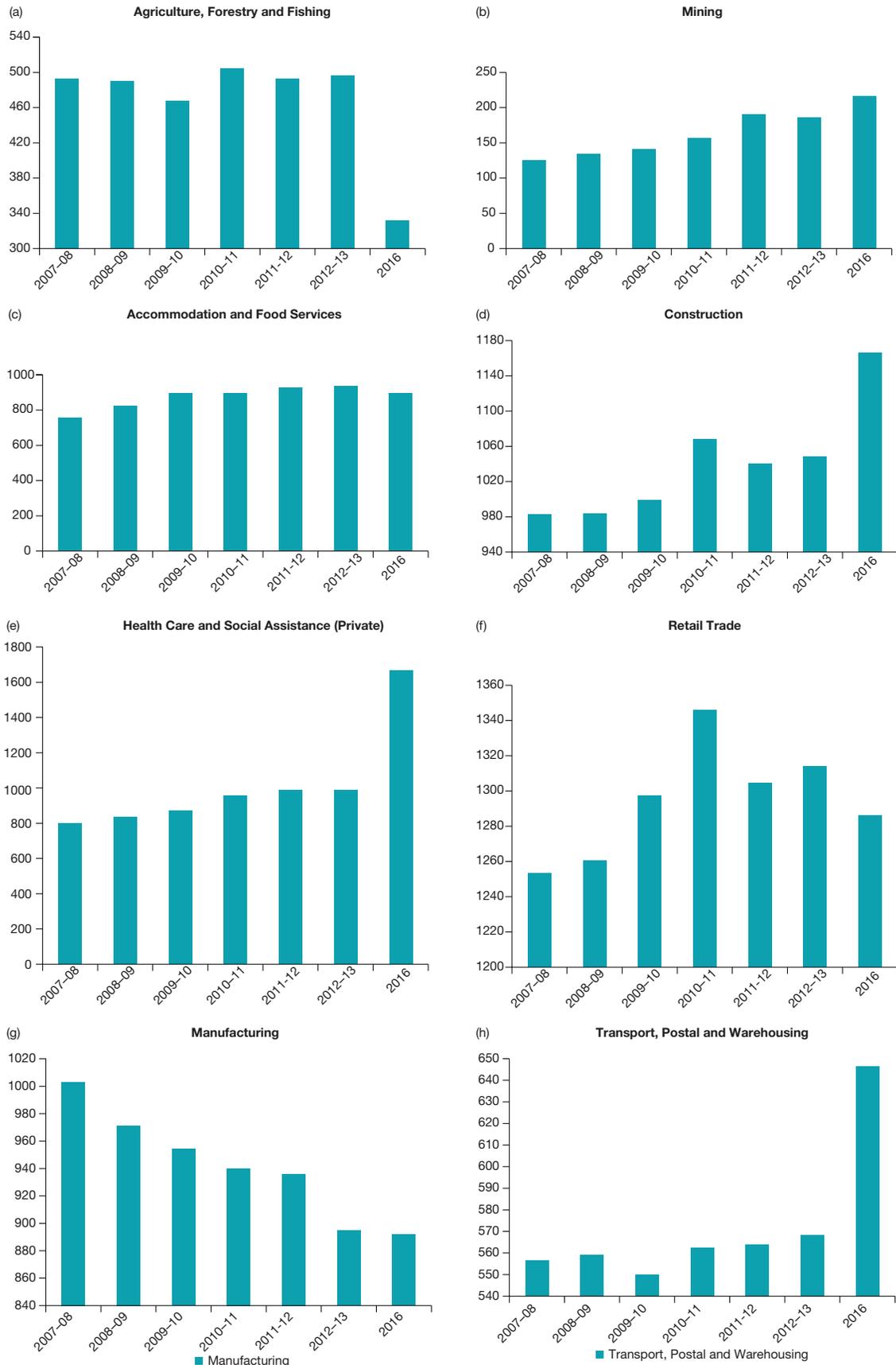
Industry	Proportion of all employed, 2000–01	Proportion of all employed, 2016–17
Health care and social assistance	10%	13.4%
Retail trade	11%	10.4%
Construction	7%	9.4%
Manufacturing	12%	7.1%

Source: Adapted from Australian Bureau of Statistics, *Year Book Australia, 2012* (cat. no. 1301.0) and Department of Employment, *Australian Jobs 2016*.

As **TABLE 2** details, during this 16-year period, while retail trade remained relatively steady as the second-highest employing industry, the health care and social assistance industry and the construction industry saw strong increases in the percentage of people employed in those fields, while the manufacturing industry saw a decrease of 5 per cent. This is representative of the growth and decline of these particular fields of employment.

FIGURE 3 provides another view of the employment figures in certain industries from 2007 to 2014.

FIGURE 3 A series of graphs showing changes in various industry sectors



Source: Adapted from Australian Bureau of Statistics, 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, May 2014

These graphs clearly show the significant growth in a number of industries, such as retail trade, construction and mining, and the distinct decline of the manufacturing industry in Australia during this period.

Further advances in technology

With ongoing technological developments comes the need for workers to continue to up-skill to be able to use new equipment and technology to its full potential. But in some instances, technological advances and automation may cause a decrease in the number of jobs available in particular fields. Many laborious tasks have been made simpler and quicker through the use of technology. Such increased efficiencies mean less people are required to complete the same amount of work; hence, fewer work positions are available.

It is difficult to know how far the impact of technology will reach in the workplace — which jobs of today may become obsolete in the future as a result of new technological developments. But equally, the new areas of work that will emerge through technological development are largely unknown. It is hoped that these new fields will open up increasing opportunities that will be more than adequate to replace the roles that are lost.

Changing attitudes, the desire for work–life balance and changing workplace environments

As new generations fill the workforce, we may see a shift in the style of environments within which people work. Employers may need to create a new style of workplace, one that encourages workers to stay, rather than changing jobs on a regular basis, as is the tendency of younger generations. Flexible working arrangements and benefits that promote staff satisfaction and increase productivity may become an increasingly common feature of the future world of work. An example of this kind of workplace is provided by American company Google, and is described in case study 3.5.2.

3.5.2 CASE STUDY: Google work environment inspires creativity

Google is leading the way in terms of balancing life and work. The company offers its employees a wide range of extra activities such as volleyball, roller hockey, bicycles, yoga classes, sharing spaces (couches and comfy chairs where workers can discuss whatever topic they want), weights rooms, workout rooms, washers and dryers for workers to wash their clothes, massage rooms, ping pong and pool tables, outdoor seating for sunny days, and a wide variety of lunch and dinner places — all free or for only a small charge to its workers.

Google provides its employees with a work environment that has interesting décor to encourage them to be more creative. Even sleeping pods are provided, so employees can catch up on sleep and feel refreshed to continue working. The company also encourages employees to take up to 20 per cent of their work time to develop their own ideas they think might benefit the company. This promotes creativity and encourages new ideas, which can lead to new products, better solutions and a happier workplace.

FIGURE 4 Google is often identified in surveys as the business that people would most like to work for.



FIGURE 5 Another reason the work environment is important!



"We feel it's important to provide our employees with an extremely comfortable work-place environment. Primarily because we don't allow them to ever go home."

on Resources

 **Weblink** GooglePlex

3.5 ACTIVITY

Use the **GooglePlex** weblink in your Resources section to watch a clip that shows various features of the Google work environment. Then write a paragraph describing how Google treats its workers.

Investigating and evaluating

3.5 EXERCISES

Economics and Business skills key: **ES1** Remembering and understanding **ES2** Describing and explaining **ES3** Examining, analysing, interpreting **ES4** Questioning and evaluating **ES5** Reasoning, creating, proposing **ES6** Communicating, reflecting

3.5 Exercise 1: Check your understanding

1. **ES1** Identify the four main industries referred to in **TABLE 2**.
2. **ES1** Which of the four main employing industries in Australia has experienced gradual decline over the past 25 years?
3. **ES2** Explain what is meant by gender segregation and identify how this factor may change in the future.
4. **ES2** Explain why work-life balance has become more important to workers.
5. **ES1** Provide one reason why there is a growing need for improving workers' skills.

3.5 Exercise 2: Apply your understanding

1. **ES5** Examine **TABLE 2** and answer the questions below.
 - (a) What was the percentage change for the following industries?
 - i. Health care and social assistance
 - ii. Retail trade
 - iii. Construction
 - iv. Manufacturing
 - (b) Which industry had a negative change (decline) from 2000–01 to 2016–17?
2. **ES5** Examine **FIGURE 3** and describe the trends you notice in the industries.
3. **ES5** Examine **TABLE 3** below and answer the following questions.
 - (a) Which industry employs the most people?
 - (b) Which industry employs the least people?
 - (c) Which industry had the biggest positive percentage change?
 - (d) Which industry had the biggest negative percentage change?

TABLE 3 Employment by industry, Victoria

Occupation	Employment		5-year change to Nov 2017	
	'000	'000	'000	%
Accounting, banking and financial services	771.9	23.4	3.1%	
Administration and human resources	1194	26.8	2.3%	
Advertising, public relations, media and arts	451.8	59.4	15.1%	
Agriculture, animal and horticulture	411	24.5	6.3%	
Automotive, transport and logistics	892.2	110.7	14.2%	
Construction, architecture and design	985.8	138.2	16.3%	
Education and training	687.9	39.1	6.0%	
Electrical and electronics	256.1	7.0	2.8%	
Engineers and engineering trades	367.4	-23.8	-6.1%	
Executive and general management	115.3	-38.4	-25.0%	
Government, defence and protective services	221.3	18.9	9.3%	
Health and community services	1393.1	285.8	25.8%	
Hospitality, food services and tourism	847.3	119.7	16.5%	
Information and communication technology (ICT)	448.2	55.9	14.2%	
Legal and insurance	138.1	15.1	12.3%	
Manufacturing	365.6	-19.1	-5.0%	
Mining and energy	91.6	6.3	7.4%	
Personal services	472.5	15.5	3.4%	
Sales, retail, wholesale and real estate	1699.6	93.7	5.8%	
Science	114.7	1.9	1.7%	
Sports and recreation	130.3	18.7	16.8%	

Source: Australian Government, Department of Education, Employment and Workplace Relations, *Australian Jobs 2013*, p. 7 (last modified 14 May 2019)

4. **ES3** Examine the information relating to Google. Explain why encouraging creativity is beneficial for both workers and employers.
5. **ES6** 'The work environment of the future is so hard to imagine it is not possible to train for it today.' Discuss this statement.

Try these questions in learnON for instant, corrective feedback. Go to www.jacplus.com.au.

3.6 SkillBuilder: Analysis and interpretation of data

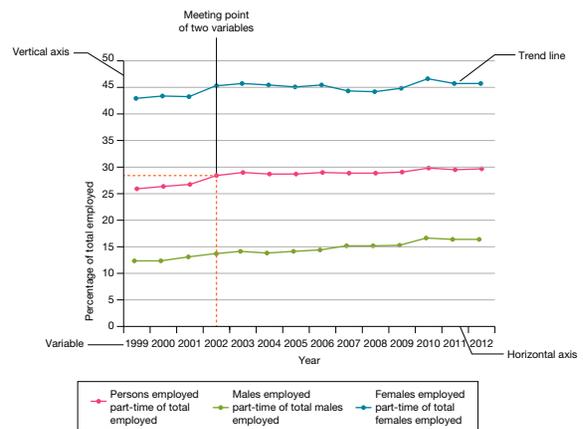
online only

What is analysis and interpretation of data?

Tables and graphs can provide a wealth of information in a clear and concise way; to get the most from them, it is important to analyse them closely.

Select your learnON format to access:

- an explanation of the skill (Tell me)
- a step-by-step process to develop the skill, with an example (Show me)
- an activity to allow you to practise the skill (Let me do it).



3.7 Thinking Big research project: Impacts of technology poster

online only

SCENARIO

Technology has changed nearly every area of our lives. One key area where technological change has had an impact is in the area of work. Over the last 30 years some jobs have disappeared, some have changed and some have been created as a result of technology. Your task is to investigate the changing nature of technology and its impact on jobs.

Select your learnON format to access:

- the full project scenario
- details of the project task
- resources to guide your project work
- an assessment rubric.



on Resources



ProjectsPLUS Thinking Big research project: Impacts of technology poster (pro-0180)

3.8 Review



3.8.1 Key knowledge summary

Use this dot-point summary to review the content covered in this topic.

3.8.2 Reflection

Reflect on your learning using the activities and resources provided.

Resources



eWorkbook Reflection (doc-31368)
Crossword (doc-31369)



Interactivity The changing work environment crossword (int-7607)

KEY TERMS

conditions of employment the arrangements made between an employer and the employee in terms of work requirements and employee benefits

employer the person or business that pays workers for the work they do

employer expectation what the employer expects to receive from employees in return for the money that they pay them

employment working in return for a wage or salary

Generation Alpha people born from 2010 onwards

Generation X people born between 1965 and 1979

Generation Y people born between 1980 and 1994

Generation Z people born between 1995 and 2009

globalisation the process of interacting with markets in other countries around the world, as part of an integrated global economic system

human resource management the process of managing the people who work within an organisation

human resources the people who work within an organisation

industry the way that different parts of the economy are grouped; for example, manufacturing, mining etc.

labour force people aged 15 and over who are able to work and are either employed or unemployed

labour market the availability and the ability of employees to work and for employers to hire them

offshoring moving certain work processes to be performed overseas

outsourcing contracting a person or people outside an organisation to perform certain work tasks (that previously might have been performed by workers within the organisation)

primary industry the group involved in the production of raw materials; for example, farming, mining, forestry

primary production the production of crops, livestock or other basic materials that may then be used by other branches of industry

quaternary service industries involved in the processing and transfer of information and knowledge; for example, IT consultants, education services

quinary domestic service providers; for example, cleaning, childcare, home maintenance

redundant a situation in which a job is no longer required to be performed by anyone; this may be as a result of the reorganisation of a business, the introduction of new technology or a decline in business sales or production

retrenching losing one's job as a result of the position being made redundant

secondary industry the group involved in the processing of primary resources to manufacture other goods

tertiary industry the group involved in the provision of services to others; for example, doctors, accountants, retailers

work human labour that can be paid or unpaid including voluntary labour

work-life balance a feeling of having an appropriate balance between work and non-working time and activities

3.6 SkillBuilder: Analysis and interpretation of data

3.6.1 Tell me

Tables and graphs can provide a wealth of information clearly and concisely; to get the most from them, it is important to analyse them closely.

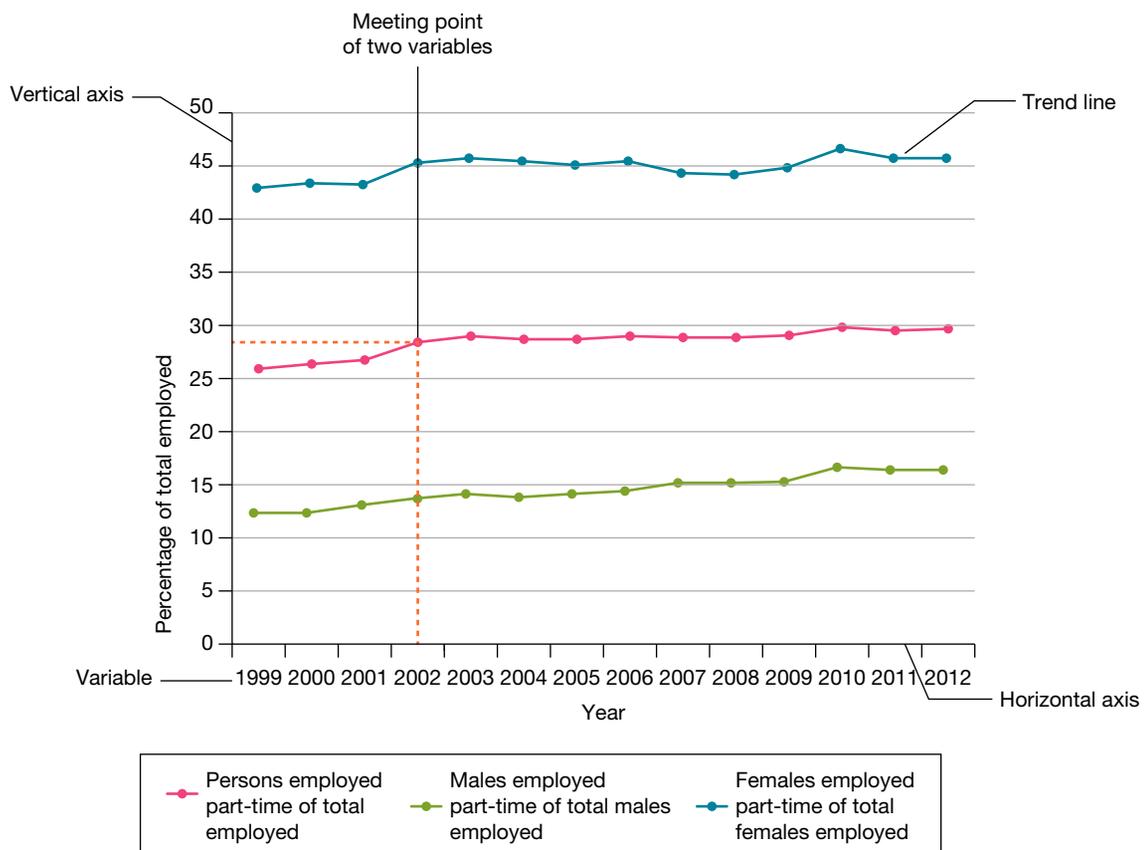
Line graphs are very useful for showing trends (patterns of change over time) and comparing data. When analysing a line graph, first examine the heading — what does it tell you about the data contained in the graph? Examine the key, which identifies what each of the lines on the graph represents. Then look closely at the vertical and horizontal axes, they show you the variables as numbers, percentages, years and so on. When reading line graphs, find points on the graph where two variables meet to obtain specific information. For example, in **FIGURE 1** below, we can see that 28 per cent of all people employed in 2002 worked in part-time roles.

The trend lines on a line graph show an overall picture of what is happening; that is, whether a particular variable has increased, decreased or remained steady over time. Examine these lines closely — what changes do you see? If there has been change over time, has it been steady and gradual, or perhaps sudden and erratic? When examining a line graph, note down any patterns that you identify. You will then be ready to complete your interpretation, which involves writing a paragraph or two to summarise the information you have found in your analysis of the data.

3.6.2 Show me

Examine **FIGURE 1**.

FIGURE 1 People employed part-time, as a percentage of total employed, 1999–2012



Source: Adapted from Australian Bureau of Statistics, *Australian social trends data cube, February, 2013, Work, National summary 1999–2012* (cat. no. 4102.0).

The graph's title tells us that the data we are looking at relates to the proportion of all employed people who were employed on a part-time basis during the period 1999–2012. Looking at the key, we can see that there is information provided about men, women and the total employed population. The red line on the graph shows the percentage of all employed people who were employed part-time; the purple line shows the percentage of all employed men who were employed part-time; and the green line shows the percentage of all employed women who were employed part-time. Looking at these lines on the graph, we can clearly see that the percentage of women employed part-time is significantly higher than that of men.

Looking at specific points on the graph, we can see that there has been a gradual increase in the percentage of all people employed part-time from around 26 per cent in 1999 to 30 per cent in 2012. The percentage of women employed part-time was steady at around 43 per cent from 1999–2001, then increased slightly to around 45 per cent, where it remained through to 2012. The percentage of males employed part-time increased from around 12.5 per cent in 1999–2000 to around 15 per cent by 2003. It remained at this level until 2009 and then rose again slightly to around 16 per cent for the 2010–12 period.

The trend lines show an overall gradual increase (around 3.5 per cent) in the percentage of people who were employed part-time over the period 1999–2012. The increase for females was around 2 per cent and for males around 3.5 per cent. To summarise what we have learned from this graph, we could write a brief paragraph such as:

'The percentage of Australians employed on a part-time basis has gradually increased in recent years. Overall, this figure grew from approximately 26 per cent of the total employed workforce in 1999 to around 30 per cent in 2012. The proportion of women employed on a part-time basis is significantly higher than that of men, and this remained constant throughout the 1999–2012 period. The increase in female part-time employment over this period was around 2 per cent, while a slightly more pronounced change — an increase of around 3.5 per cent — was observed in male part-time participation rates'.

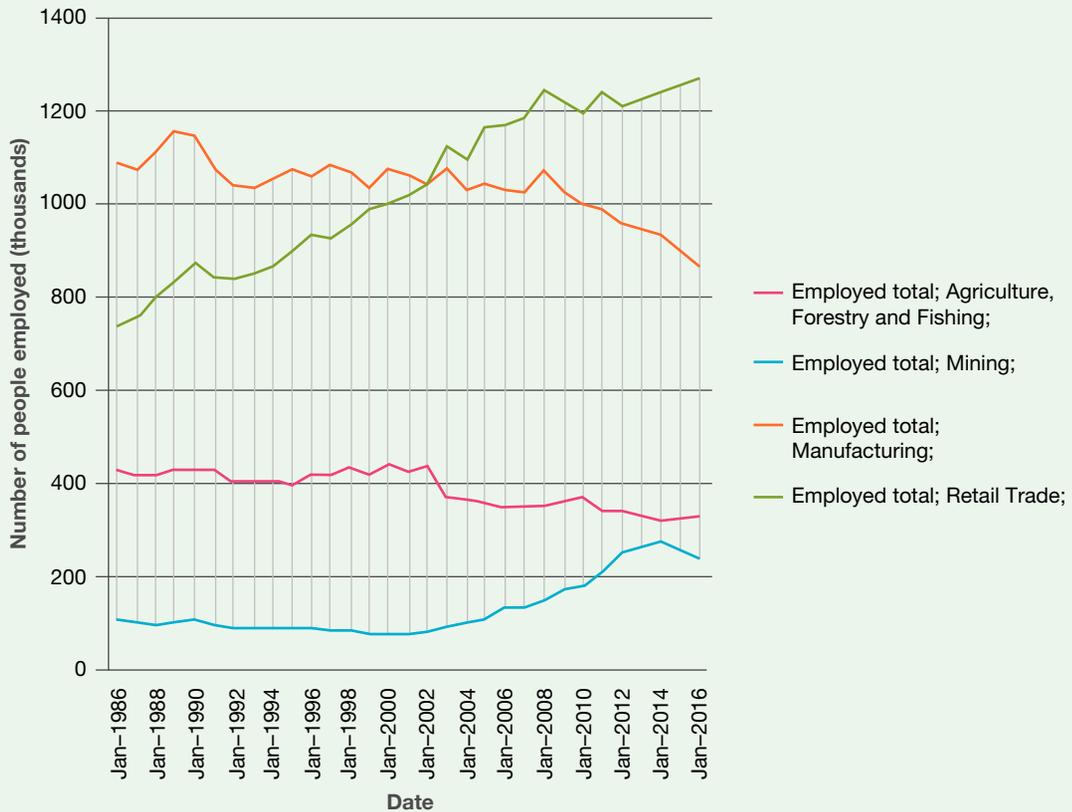
3.6.3 Let me do it

Complete the following activities to practise this skill.

3.6 ACTIVITY

Practise your skills by analysing and interpreting the Figure 2 line graph. Write a paragraph describing the trends shown.

FIGURE 2 Number of people employed in agriculture, forestry and fishing, mining, manufacturing and retail trade, 1986–2016



Source: Adapted from Australian Bureau of Statistics, *Labour Force, Australia, Detailed, Quarterly, May 2016* (cat. no. 6291.0.55.003).

3.7 Thinking Big research project: Impacts of technology poster

Scenario

Technology has changed nearly every area of our lives. One key area where technological change has had an impact is in the area of work. Over the last 30 years some jobs have disappeared, some have changed, and some have been created as a result of technology.



Task

Your task is to investigate the changing nature of technology and its impact on jobs. There are three components to this task:

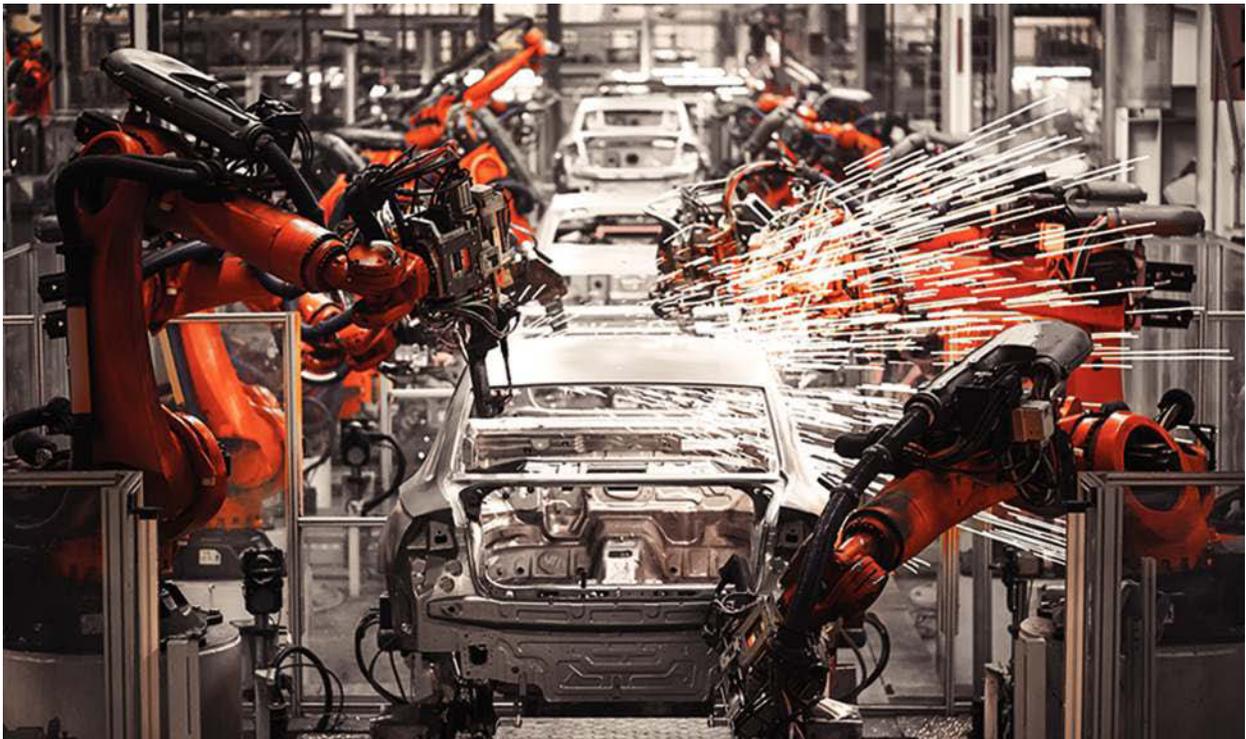
- Historical – develop a list of technological changes that have potentially impacted jobs. This list should include a minimum of 10 technological changes. Prepare a table such as the one below (the first technological change and job affected has been completed for you).

Technological change	Job affected
Automated teller machines (ATMs)	Bank teller

- Teaching – look around your classroom. Prepare a list of the technologies in your classroom and explain what other ‘technology’ they have replaced. Again the table below is one means of presenting the information (the first technological change has been completed for you).

New technology	Old technology
Interactive whiteboard	Chalkboard/blackboard

- Future – consider a job that is currently undertaken by humans. Consider how that job may change or disappear in the future due to technology. Prepare a brief report describing the job you have selected and how technology might operate to change or remove that job.
Follow the steps detailed in the **Process** section to complete this task.



Process

- Open the ProjectsPLUS application for this topic. Click the **Start new project** button to enter the project due date and set up your project group. Working in groups will enable you to share responsibility for the project but your teacher may want you to work individually. Save your settings and the project will be launched.
- Navigate to the **Research forum**, where you will find starter topics loaded to guide your research. You can add further topics to the Research forum if you wish. When you have completed your research, you can print out the **Research report** in the Research forum to easily view all the information you have gathered.

- Interview your parents, grandparents and teachers to fill in the tables.
- Conduct internet research on how technology affects jobs. Weblinks are provided in the **Media centre** to help you get started.
- Create a poster using catchy headings and relevant images. Be sure to list your sources.
- Submit your poster to your teacher for assessment and feedback.



on Resources

 **ProjectsPLUS** Impacts of technology poster (pro-0180)

3.8 Review

3.8.1 Key knowledge summary

3.2 Influences on work today

- Globalisation, offshoring and outsourcing will continue to have an impact on the Australian labour market.

3.3 The significance of technology

- There will be further advances in technology and this will affect the type of work people do, when they do it and where they do it.
- Distance will not be a barrier to obtaining a job in the future.

3.4 Changes to the workforce

- Technology will significantly impact organisations' future human resources needs, and the way in which they find and retain employees.
- The need for training and development will only increase with time.

3.5 Work in the future

- The next generation of workers will need to be more highly skilled and educated, and more focused on technology.
- Employee relations and agreements will need to change even further to enable greater flexibility.
- Changing work environments and the need for work–life balance will be a key feature of the future world of work.

3.8.2 Reflection

Complete the following to reflect on your learning.

3.8 INQUIRY ACTIVITIES

Revisit the inquiry question posed in the Overview:

Go to work. Go home. Get paid. Repeat. The way we work hasn't changed at all. Has it?

1. Now that you have completed this topic, what is your view on the question? Discuss with a partner. Has your learning in this topic changed your view? If so, how?
2. Write a paragraph in response to the inquiry question, outlining your views.



Resources



eWorkbook Reflection (doc-31368)

Crossword (doc-31369)



Interactivity The changing work environment crossword (int-7607)

KEY TERMS

conditions of employment the arrangements made between an employer and the employee in terms of work requirements and employee benefits

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employment working in return for a wage or salary

Generation Alpha people born from 2010 onwards

Generation X people born between 1965 and 1979

Generation Y people born between 1980 and 1994

Generation Z people born between 1995 and 2009

globalisation the process of interacting with markets in other countries around the world, as part of an integrated global economic system

human resource management the process of managing the people who work within an organisation

human resources the people who work within an organisation

industry the way that different parts of the economy are grouped; for example, manufacturing, mining etc.

labour force people aged 15 and over who are able to work and are either employed or unemployed

labour market the availability and the ability of employees to work and for employers to hire them

offshoring moving certain work processes to be performed overseas

outsourcing contracting a person or people outside an organisation to perform certain work tasks (that previously might have been performed by workers within the organisation)

primary industry the group involved in producing raw materials; for example, farming, mining, forestry

primary production the production of crops, livestock or other basic materials that may then be used by other branches of industry

quaternary service industries involved in the processing and transfer of information and knowledge; for example, IT consultants, education services

quinary domestic service providers; for example, cleaning, childcare, home maintenance

redundant a situation in which a job is no longer required to be performed by anyone; this may be as a result of the reorganisation of a business, the introduction of new technology or a decline in business sales or production

retrenching losing one's job as a result of the position being made redundant

secondary industry the group involved in the processing of primary resources to manufacture other goods

tertiary industry the group involved in the provision of services to others; for example, doctors, accountants, retailers

work human labour that can be paid or unpaid including voluntary labour

work-life balance a feeling of having an appropriate balance between work and non-working time and activities

GLOSSARY

- Australian Bureau of Statistics** a government-owned agency that gathers and publishes a range of statistics to assist government, business and the community with decision making
- beneficiaries** the people who are entitled to the benefit of any trust arrangement
- budget** estimates of all government income to be raised by taxes and other charges, and the planned spending of that income, within any given year
- capital growth** an increase in the value of shares or property over time
- competition** the outcome of two or more businesses attempting to supply their products to the same group of customers
- conditions of employment** the arrangements made between an employer and the employee in terms of work requirements and employee benefits
- cooperative** a business that is owned and operated by the group of people that it serves
- corporation** a business owned by shareholders
- cost of living** the level of prices paid by consumers for goods and services
- crowdsourcing** a method of delivery where services are obtained from a large group of people, especially from online communities, and connected with customers
- demographics** characteristics relating to population, especially age, gender, ethnicity, employment, income and education
- disposable income** the amount of money that households have available for spending and saving after income taxes have been accounted for
- dividends** company profits paid to shareholders, either in cash or as more shares
- employer expectation** what the employer expects to receive from employees in return for the money that they pay them
- employer** the person or business that pays workers for the work they do
- employment** working in return for a wage or salary
- export** goods and services sold by local businesses to overseas consumers
- financial institution** any organisation that takes deposits from those with surplus funds, and makes those funds available to borrowers
- franchise** the situation where a business sells the rights to distribute its products under its name to other individuals or businesses
- franchisee** the individual or organisation that purchases a franchise
- franchisor** an individual or organisation that grants the right to use a franchise
- Generation Alpha** people born from 2010 onwards
- Generation X** people born between 1965 and 1979
- Generation Y** people born between 1980 and 1994
- Generation Z** people born between 1995 and 2009
- globalisation** the process of interacting with markets in other countries around the world, as part of an integrated global economic system
- household sector** a term used by economists to refer to the total of all consumers in the economy
- human resource management** the process of managing the people who work within an organisation
- human resources** the people who work within an organisation
- imports** goods and services purchased by local consumers from overseas businesses
- industry** the way that different parts of the economy are grouped; for example, manufacturing, mining etc.
- inflation** a general rise in prices across all sectors of the economy
- infrastructure** the facilities, services and installations needed for a society to function, such as transportation and communications systems, water and power lines
- inputs** those things that contribute to the production process
- interest** a charge made for the use of money that has been deposited or borrowed

investment the direction of money into the purchase of equipment or premises for the establishment of a new business, or the expansion of an existing business

labour force people aged 15 and over who are able to work and are either employed or unemployed

labour market the availability and the ability of employees to work and for employers to hire them

labour the human skills and effort required to produce goods and services

limited liability where shareholders cannot lose more than their investment in the event of the failure of the business

minimum wage the legally binding minimum that must be paid to any employee over the age of 21 years

mortgage loan a loan advanced to allow a person to buy a house or other property, with the property itself as security for the loan. This means the bank or other lender can take possession of the property if the borrower fails to make the regular payments.

offshoring moving certain work processes to be performed overseas

outsourcing contracting a person or people outside an organisation to perform certain work tasks (that previously might have been performed by workers within the organisation)

partnership a business owned and operated by two or more people

percentage mark-up a fixed percentage increase to the price paid by a business for goods, to determine the selling price of those goods

primary industry the group involved in the production of raw materials; for example, farming, mining, forestry

primary production the production of crops, livestock or other basic materials that may then be used by other branches of industry

privatise to sell a government-owned provider of goods or services to private investors

product development the creation of products with new or different characteristics that offer new or additional benefits to customers

profit what remains after all business expenses have been deducted from the money that has been collected from selling goods or services

quaternary service industries involved in the processing and transfer of information and knowledge; for example, IT consultants, education services

quinary domestic service providers; for example, cleaning, childcare, home maintenance

redundant a situation in which a job is no longer required to be performed by anyone; this may be as a result of the reorganisation of a business, the introduction of new technology or a decline in business sales or production

retrenching losing one's job as a result of the position being made redundant

secondary industry the group involved in the processing of primary resources to manufacture other goods

shareholders the part-owners of a corporation

sole proprietorship a business that is owned and operated by one person

target market a group of customers with similar characteristics towards which a business has decided to aim its marketing efforts and its products

tariff a tax on goods imported from a foreign country

tertiary industry the group involved in the provision of services to others; for example, doctors, accountants, retailers

trust a business created to hold property or assets for the benefit of another person or a group of people

trustee a person or company that holds property or assets for the benefit of another

unemployment benefits welfare payments by government to people who are unemployed and looking for work. Such payments in Australia are generally known as the Newstart Allowance.

unlimited liability where a business owner is personally responsible for all the debts of their business

work human labour that can be paid or unpaid including voluntary labour

work-life balance a feeling of having an appropriate balance between work and non-working time and activities

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