

Discussing
unemployment in a
theoretical
perspective
economics essay



**ASSIGN
BUSTER**

Unemployment is a phenomenon which happens when we find people available without work. It is a big social and economic problem which is very common nowadays in developing and developed countries; Unemployment is usually measured using unemployment rate. Unemployment in Abu Dhabi is a phenomenon which has many rates, reasons and results.

Before the independence of the U. A. E., The economy was under basic economic control. Fishing and little agriculture were in use as the main activities in UAE. With the breakthrough of oil UAE's economy extended and the oil sector represented more than 35% of UAE's GDP. In 2005, the U. A. E. produced about 2.4 million barrels per day, 85% of it was Abu Dhabi's own product. The oil income permitted the government to spend charitably on infrastructure, education, and job creation. The ascending of oil prices in the 1970s provided the Gulf Cooperation Council (GCC) countries with the financial funds which made vast economic development programs that required invasion of non-national labor available. However, the slump in oil prices in the mid 1980s and the inhabitants' expansion made unemployment an issue in GCC countries. This project assesses unemployment in the UAE and measures the unemployment rate in Abu Dhabi; the capital of the United Arab Emirates.

As for the beginning, Unemployment is the incapability for workers who want to find profitable employment. The extent of unemployment in a nation is an indicator of the economic strength of that country. Many causes can negatively affect the unemployment rate counting corporate downsizing, mergers, implementation of automation technologies, and job outsourcing to other nations.

<https://assignbuster.com/discussing-unemployment-in-a-theoretical-perspective-economics-essay/>

UAE unemployment generally

Unemployment in the UAE is seen one of the lowest in the world (Kawach 2002). It was initiated to be 2.4 percent by the end of 2001, where the estimated labor force was around 2.1 million and 2.0 million were employed. Due to the increase in population and the expansion in the number of national graduates from universities and higher education schools, unemployment along with nationals turned into a sensitive problem in latest years.

Unemployment in the UAE has severe harmful effects on the society and the economy as well. The government will be under political force. It will spend more on social repayments. The economy will be wobbly and wealth misallocated. As a result, the government set a new labor policy to situate nationals in civic and private division jobs, which were up until that time overflowing by non-Emiraties. This policy alerted on a fussy sector, such as finance, in order to accomplish an aim of 30 percent nationalization.

According to the Ministry of Planning, the number of working nationals did not surpass 9 percent of the total labor force in 2003. This shows the lack of the proper credentials of nationals to compete labor market requirements. In order to defeat this structural crisis in the 2 labor market, the government requested the educational foundations to put up the shutters of the breach between academic series and labor market through convenient and specialized schooling. Unemployment in UAE is determined in the middle of youth, where more than 50 percent of whole unemployment is involving those with an intermediary level of education and low level of expertise.

Unemployment

Labor Force

We should know which people want a job and which don't in order to evaluate the scope of the unemployment problem. A lot of people don't have a job but people such as those are not part of our problem. Students which study in full-time bases are not among the labor force which is defined as People between 16-65 who are actually working plus all those who aren't working but actively looking for a job. For example, old people who live through their retirement are not considered as part of a labor force. Moreover, prisoners who are condemned in jail are not among the labor force. Housewives are not a part of the labor force except if they seek a job. Nevertheless, children under the age of 16 who are actually concerned about their play station are also not considered as parts of the labor force. So, actually labor force is about people who look for a paid job outside their houses which also means that people working voluntarily are not considered as part in the labor force.

In the other hand, people who are neither employed nor actively looking for a job are called nonparticipants. In labor force we count both the employed and unemployed people who seek jobs.

LABOR FORCE PARTICIPATION RATE:

The amount of the total of non-institutionalized and citizen population over 16 years old, we count them as citizen labor force.

The labor force participation rate is basically equal to the ratio of citizen labor force to the total of non-institutionalized citizen population over 16 years

<https://assignbuster.com/discussing-unemployment-in-a-theoretical-perspective-economics-essay/>

old. To estimate the labor force participation rate we used the data that obtained along with other labor force data from the monthly current population survey conducted by the Bureau of the Census for the Bureau of labor statistics.

Labor force

participation rate

=

civilian

labor force

total no institutionalized

civilian population

Labor force growth

Figure: P1. a (NOT real just assumption to make it easier to be understood for a reader)

Since the labor force continues to grow each year and the population increases with continuing immigration as well, this will expand the production possibilities which cause us to produce more job vacancies in every year. That is such a bad news because then we will have to produce almost millions of jobs more every year to close up the gap. Once the economy finds itself unable to provide jobs to the increasing population UNEMPLOYMENT will be faced as a serious issue. UNEMPLOYMENT has

<https://assignbuster.com/discussing-unemployment-in-a-theoretical-perspective-economics-essay/>

several definitions; one of these definitions is the people who are searching for a job and can't find it through a precise sum of time. Unemployment can be weighed up through dissimilar ways. One of them is taking in thought the amount of people who are employed and those who are fired.

([http://en.wikibooks.](http://en.wikibooks.org/wiki/Macroeconomics/Definitions_of_Unemployment)

[org/wiki/Macroeconomics/Definitions_of_Unemployment](http://en.wikibooks.org/wiki/Macroeconomics/Definitions_of_Unemployment))

Measuring Unemployment.

Measuring Unemployment is one of steps which help us to study, analyze, evaluate and put solutions for this occur, economics are the most people who focus on the unemployment rate. A main reason for this occurs is the normal increase in the number of people employed due to population and labor force increasing. Statistics of the unemployment serve many different purposes, we need some information which essential to macroeconomic and human resources development planning and policy formulation , this information like measures of labor supply, the structure of employment and the extent to which available labor is actually utilized.

Data Sources of Measuring Unemployment :

Administrative Records

Statistics of unemployment can be drawn from administration records , in this way we can registration data which derived from records are based on complete counts, so they will not affected by sampling errors , in addition they are cheap to obtain. But also this way is limited because it only cover

small part of the population which uses employment exchanges or is qualified for unemployment insurance benefits.

2. Household Surveys

In this source statistics of unemployment can also be obtained from household or labor force surveys, this survey composed sample of household and asking people of working age about their employment activities and also about availability for work by using standard questionnaire. This way also was limited because it depends only on nature replies of people in the household survey , so it will contains many different kind of errors .

Reasons of unemployment.

Discouraged workers

In economics, a discouraged worker is someone between 16 and 65 years old who is not keenly looking for employment. This usually happens because the person has given up searching or has had no accomplishment in finding a job, which is why he is called “ discouraged.” His belief may be obtained from a mixture of factors counting: a lack of jobs in their area or line of work; apparent discrimination for reasons, for example, age, race, sex and religion; a lack of required skills, training, or experience; or a disability.

Discouraged workers, who are categorized as “ marginally attached to the labor force”, “ on the margins” of the labor force, or as part of “ hidden unemployment”, are not regarded as to be element of the labor force and are consequently not counted in most official unemployment rates, which persuades the exterior and explanation of unemployment statistics.

<https://assignbuster.com/discussing-unemployment-in-a-theoretical-perspective-economics-essay/>

(http://en.wikipedia.org/wiki/Discouraged_worker)

Underemployment

The expression underemployment has three different separate meanings and functions. All meanings involve a state where a person is working, unlike unemployment, where a person who is searching for work but cannot find it. All meanings involve underutilization of labor that critics say [weasel words] is neglected by a large amount of official (governmental agency) classifications and measurements of unemployment.

Underemployment can mean:

The employment of recruits with high skill levels in small wages occupations that do not require such abilities, for example a trained medical doctor who works as a taxi driver.

“ Involuntary part-time” workers who would like to be working for a full time work but can only hit upon part-time occupation.

“ Overstaffing” or “ hidden unemployment”, the practice in which businesses provide work for people who are not fully occupied—for example, workers at present not being used to produce goods or services due to legal or social limitations or because the work is highly seasonal.

(<http://en.wikipedia.org/wiki/Underemployment>).

The Human Cost of Unemployment

<https://assignbuster.com/discussing-unemployment-in-a-theoretical-perspective-economics-essay/>

The unemployment causes the human cost, and there are many kinds of human costs.

Because we are part of this world , we must accept that there are casualties caused by unemployment and should be affected by losses.

All the people going through these problems , but not all of them have a way to solve it.

For the Psychological Study of psychological problems and disorders multiple passes by individuals as a result of these negative experiences and some of these psychological studies to mention talk that the psychological symptoms continue even after the economy improves which leads for men and women's problem to start getting worse.

This stigma makes them away and cautious from the society, and perhaps makes them more faded. This increases the psychiatric unit that is the beginning of a psychological disorder at the other, and resorts of ignorance or desperation to relieve the pain do not like initially, including drugs or alcohol. After a long period of self begins Bloom, hates itself in a way that we cannot imagine. This ball will be circulated again and will be the beginning because the hate of others and resent them .., and the worst may retaliate against them (which means that the idea moved to negative behavior or criminal ... etc.

Moreover, the negative aspects in the behavior for the unemployment people are sleeping for a long times and they become lack of sense in time or social and personal responsibly.

The work make the person feel of his own personality and his impotents in the society and when he lost it he feel that he lost his social life and his personality as well.

Full Employment

It is clear that full employment is one of our major Goals in a country's economy. It is also logical that there is no such a thing as (zero unemployment). That is why the term, Full Employment, is carried by other factors. In fact, There are some reasons why full employment $\hat{=}$ zero unemployment.

Seasonal Unemployment

Seasonal unemployment is defined as unemployment resulting from a fall in aggregate demand in some economic sectors (and not the economy as a whole). It could see some economic sectors (ex. tourism as a sector, agriculture, or fishing), periods of recession, leading to loss of personnel in these sectors to their jobs temporarily.

Frictional Unemployment

It is a temporary cessation of work due to the transition from one job to another, or pause to search for another job or to study and so on.

Structural Unemployment

Economists often use the term " structural unemployment" for employment problems that arise because of a mismatch between the needs of employers

and the skills and training of the labor force. For example, if music schools were to educate many more oboe players than could get positions playing the oboe, we might find that many of them would have to get jobs in other fields. Lacking training for other skilled fields, some oboe players might be unable to get any jobs at all. This would be an instance of structural unemployment.

Structural unemployment raises some questions. If an oboe player were offered a job as a disk jockey, at very good pay, and refused the job because it was not the field for which he was trained, what should we make of that? Is the oboe player really “willing to work at the going wage?” Or should we consider the would-be oboe player as being out of the work force –unwilling to work in the opportunities available to him?

On the other hand, people with little in the way of training suffer more than average unemployment in most of the industrialized countries. This suggests that structural unemployment is really quite an important problem in the industrialized countries at the end of the twentieth century.

Cyclical Unemployment

It is the unemployment resulting from the volatility of aggregate demand in the economy, where economy is facing periods of low aggregate demand, resulting in the loss of part of the workforce functions and consequently; a higher unemployment rate in the economy. But it starts to decline when demand starts to rise again overall.

The natural rate of unemployment

<https://assignbuster.com/discussing-unemployment-in-a-theoretical-perspective-economics-essay/>

scientists have agreed that the natural rate of unemployment or as they call it, full employment, the rate of unemployment between 4 to 6%.

UAE Unemployment

The oil price boom of the 1970s resulted in vast economic development programs in the UAE and a shortage of national labor who are mainly employed in the public sector causes to dependence on foreign labor

In 1980 there were more than 80% employment in the use and all of them were non national.

In 1986, the falling oil made in United Arab Emirates to the high unemployment rate for the non national and it rise the number of the unemployment national people they search for a job.

In doing research in the 2003 show that there are 2. 4 per cent is prepared for total unemployment in the UAE national and non national, either at another level, the unemployment rate among the national people of the State is 10. 4, it's also shown The unemployment rate for women than men, where the percentage of women compared to men, 16. 5 percent and accounted for 8. 4

The unemployment in UAE has a lot of negative effects on the society and the economy

As a result of the ill effects of unemployment in the UAE society government decided to draw up laws that employ citizens in public areas for both.

Based on the lack of sufficient qualifications of national have asked the state government educational institutions n upgrading the level of education among students in order to reduce the high level of riparian State

Estimating Unemployment in Abu Dhabi

The United Arab Emirates has the lowest rate of unemployment of only three percent between its citizens on the Arab words.

Dr. Khalid Al Khazraji, Under-Secretary of the Ministry of Labor and Social Affairs, has said that the unemployment percent between UAE citizens go beyond three percent. On the other hand he noted that the country is almost lacks a lot of statics on the size of the unemployment between UAE citizens. This rate is basically calculated prediction on which the governments build its plans and stratagems for the employment of the UAE nationals in the public and privets sectors. However the fact remnants that the influence of the UAE citizens to the private sector still weak for many reasons, some accredited to the unwillingness of national job seekers, while others to the unwillingness of companies.

Although the unemployment rate in 2004 was about 20. 60%, but this percent of the unemployment doesn't affect the UAE's position.

The Survey

Here is a simple survey analysis which is used to guess the unemployment rate in Abu Dhabi. And the questionnaire is promoted to cover the geographical area of Abu Dhabi.

Actually the survey obtains the needed information on age, sex, level of education, family size, employed and unemployed members of the family, and why they are not employed, duration of unemployment, and types of jobs preferred.

However the survey has been conducted by many ways such as mail distribution, phone calls, and personal interview on 500 families And the face rationality of government officials from the Ministry of Labor.

The sample we selected it was depend on Cranach's Coefficient Alpha(0. 83), the degree of confidence of the sample survey is tested using t- statics which are averaged 2 at 0. 05 level of confidence. For the other statistical displays were measured such as frequency, mathematical average, and percentages.

Results and analysis

The results that are calculated from the returned survey are presented in Table 2. The unemployment rate along with nationals in Abu Dhabi was found to be 16 percent, and that is superior to the official approximations of 10. 4 percent and 6. 5 percent for the UAE and Abu Dhabi in that order. This is because rather to the tiny trial size, and can be also clarified by the diverse schemes used for assessment, and the reality that many families who have members that are at working age were barred from the labor force because they were not actually looking for jobs or were constant economically by social aid from the government or from unmitigated families. As anticipated, the result shows a high percentage of nationals that favor working at public sector managerial jobs, and this will enlarge the unemployment rates. The analysis proposes that unemployment rate is tend <https://assignbuster.com/discussing-unemployment-in-a-theoretical-perspective-economics-essay/>

to boost for many explanations, such as the amplified number of graduates, the quality of education which market demand does not meet with, and the work surroundings at the private sector with value to working hours and close performance dimensions which does locals are not attracted to. Finally, nationals still do not accept certain jobs because of society or that the jobs are not socially tempting.

Conclusion

The examination recommends improving the educational and training system to fit labor market requirements. It is also suggested to produce more exact and modernized data on the labor market including (job seekers, employers, and job opportunities), and for more information to be provided and an educational campaign to be carried out to change the approach of the UAE young people in the direction of working at the private sector. Further research is needed to revise the impact of unemployment on UAE economy, women contribution in the labor force and recognizing jobs favored by them, and measuring nationals' efficiency weighted against to that of the expatriates, and finally restudying the labor law and rules in light of globalization and new scientific expansions.

Resources

Kqwach Nadim (Dec. 8, 2002), " UAE Unemployment one of the lowest" UAE Economic,

Abu Dhabi.

MENA Development report (2004), “ Unlocking the Employment Potential in the Middle East

and North Africa. Toward a Social Contract”. The World Bank, Washington,

D. C.

UAE Ministry of Planning 2004, UAE, Abu Dhabi.

Muwia E. Ibrahim, (Jan. 22. 2004), “ Unemployment Spirals among UAE” Nationals, Khaleej Times Online.

[http://www.tradingeconomics.com/Economics/Unemployment-rate.aspx?symbol= AED](http://www.tradingeconomics.com/Economics/Unemployment-rate.aspx?symbol=AED)

[http://www.ipsnotizie.it/wam_en/news.php?idnews= 1486](http://www.ipsnotizie.it/wam_en/news.php?idnews=1486)

<http://emirateseconomist.blogspot.com/2007/03/unemployment-in-uae.html>

<http://lmi.state.oh.us/laus/laus.html>

<http://www.bls.gov/cps/>

<http://www.bls.gov/news.release/empsit.nr0.htm>

<http://www.legco.gov.hk/yr98-99/english/sec/library/989rp05.pdf>

<http://en.wikipedia.org/wiki/Unemployment>

http://en.wikipedia.org/wiki/Structural_unemployment

<https://assignbuster.com/discussing-unemployment-in-a-theoretical-perspective-economics-essay/>

http://1426.blogspot.com/2009_04_19_archive.html

http://www.ctcdubai.org/images/Charts/infl_n_unempl.gif

<http://www.wisegeek.com/what-is-seasonal-unemployment.htm>

<http://www.ikhwanonline.com/Article.asp?ArtID=326&SecID=391>

<http://www.ikhwanonline.com/Article.asp?ArtID=326&SecID=391>

<https://assignbuster.com/discussing-unemployment-in-a-theoretical-perspective-economics-essay/>