Free essay on statistics of unemployment in europe

Business, Marketing

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Introduction

Unemployment means a state of being jobless whereby an individual looks for a job with no vain. Lack of employment has been a serious problem not only in Europe but all over the world. Europe has been experiencing high unemployment rates since 1970s because of the supply side shocks. The 2008-2012 economic recessions accelerated the unemployment rate in Europe to rise over 10% and have since shown no sign of going down. In fact as we talk today, the unemployment rate in Europe has gone up to 20%. According to the Guardian News paper on Friday 31st May 2013, European youths held demonstrations over the high unemployment rates in the country that hit 24. 4% from 24. 3% in March this year. The following discussion focuses on this news article trying to get more statistics on high unemployment in Europe and the main causes.

Discussion

According to the guardian, unemployment in Europe is in the crisis since the statistics show that in May 2013 the rate rose up to 24. 3% with quarter of jobless being youths below 25 years. The demonstration had entered the second day as the youths claimed that they could not stand the Greece condition where two-thirds of under-25 was unemployed with the rate hitting 62. 5%. The increasing unemployment rates in Europe are a threat to the social fabric in the Euro zone. Policy makers and economists say the greatest concern to the unity of Euro zone is the social breakdown from the financial crisis, and not market driven factors. France being Europe’s second largest economy recorded the highest number of jobless in April 2013, while in Italy; the unemployment rate has been the highest for the past 36 years, with almost 40% of youth jobless (Eurostats 1-2). Figure 1 shows the rate of youth unemployment in Europe.

Figure 1: Youth unemployment by March 2013 (Source: Eurostat 2013)

The high respond to youth unemployment lead into the development of new job plans although, the labor market experts claimed that such measures would take time to be effective after a rise of jobless levels in 24 months consecutively. In addition, the market experts warn that people should be ready for the worse before the 19. 4 million jobless people in the Euro Zone secure jobs. According to Martin Van Vliet, the ING Financial Market expert, the end of euro zone labor market downturn is not the solution because even with the existence from recession later in the year, the labor market will remain in recession until 2014. The wider European Union (EU) areas saw an 11% rise in all countries apart from 9 compared with 2012 rates. The biggest rises were seen in the following countries; Greece, Cyprus, Portugal and Spain. However the HIS Global Insight economist observed a sign of downward trend in unemployment rate in the euro zone during the previous months. The increase in unemployed is at an average of 82, 000 a month compared to 158, 000 in the year 2012 (The Guardian 2).

Causes of high unemployment rates in Europe

The high unemployment rates in Europe occur due to technological changes and expansion of international trade. The advancement in technology leaves more people unemployed as machines replace human workforces. In addition, introduction of technology in organizations leads to more workers being laid off since the main aim of modern technology is to reduce manpower cost by replacing human workforce with machines. Europe is a developed country and most activities are automated leaving little room for human labor to occur. Mechanization has affected many people with high populations of young people leaving colleges being forced to stay at home. Moreover, the stringent laws that ensure job security make companies prefer machines to personals, or outsource labor from other countries (Chinadaily 3).

On the other hand, Germany and Australia having the strongest economies in Europe record low rated too. The mid-sized companies in Germany avoid training apprentices putting more people at risks of acquiring professional jobs. The above action shows some limitations of using economic models applied at times of hard economic circumstances. The Euro zone expects fiscal consolidation to work in reducing economic growth rates. Government policies also have a stake on the high unemployment rates in Europe. The social welfare policies reduce the employment incentives. In addition, minimum-wage laws eliminated low-productivity workers from job market (ChinaDaily 2).

The European sovereign debt crisis has created a lot of impact on employment. The impact of savages caused by debt situation in Italy and Spain created a lot of fear on most organizations who could not hire employees. The increased taxes and growing opposition creates a big recession on the European financial markets since the shutdown of Greek bailout. The crisis was also as a result of welfare policies in social security, employment promotions, and labor protections. On the other hand, the European debt crisis threatened United Stated equity market forcing it lay down employees from Europe. This led to an increase in population of unemployed in Europe as many countries fear hiring people from this region. The debt crisis has resulted into fall of the European economy because many financial institutions lay off their employees. The unemployment figures continue to increase as the equity markets decrease their returns. The effect on the European Union during the 20th century has created a lot of impact on the continent’s economy (Greenblatt 12; Kelly 14-15).

Solutions to high unemployment in Europe

The European Union has put in place measure to cope the high unemployment rates in the region. Firstly, organizations are urged to extend their employees’ benefits during recession in order to cover a longer time. In addition, the labor markets have introduced laws that prohibit organizations from firing more than 20 employees without any legal process. The following measures ensure the employed work until a person reaches the retirement age. Moreover, the measures take care of employee’s rights at work place whereby an employer has no right to intimidate an employee unless the action requires a legal action.

Secondly, the European Union has introduced incentives aimed at creating job opportunities among the youths. The big population of unemployed in Europe consists of youth under the age of 25. The Country-specific recommendations held in July 2012 proposed that youths should be considered in employment policies because of dramatic youth unemployment rates. The European Commission supporting the program came with solutions to tackle youth unemployment through job creating, education and training. The packages proposed included; a recommendation from council to introduce youth guarantee, quality framework for traineeships, and European Alliance for Apprenticeships. The Youth Guarantee Recommendation ensures that every young person up to the age of 25 receives quality offer of a continued education, job, and apprenticeship. The member states are responsible for funding youth guarantee with costs depending on national circumstances (Europa press Release).

Another approach to minimize unemployment rates in Europe is by introduction of unemployment reduction policies. Fiscal policies help in reducing unemployment rates in Europe by increasing rate of economic growth and aggregate demand. Some of the fiscal policies adopted by European Union include cutting taxes and increasing government spending.

For example, the reduction of Value Added taxes (VAT) helps increase consumption, thus increasing the aggregate demand (AD). An increase in AD increases the Real Gross Domestic Product (GDP). When firms produce more, an increase in demand for workers come occurs thus more people are employed to cope with high productivity. Moreover, higher AD and a strong economic growth reduced chances of organizations becoming bankrupt leading to fewer job losses. Elimination of recession leads to a more productive and economically stable country because recession makes resources (capital and labor) idle (Snower 1-3).

Conclusion

The high level long-term unemployment in Europe is a serious problem that affects millions of European citizens who leave from hand to mouth lives. The proportion of unemployed found in Europe is much higher than from any other country. The main cause of high unemployment rated was the financial crisis that hit European Union causing the countries to undergo economic recession. Even though the current global financial crisis is natural, the debt crises experienced in Europe have gone to an extreme. The crisis has led into real shocks in the labor markets because of the external competitiveness and market trade unions. This paper has tried to analyze the main causes of high rate of unemployment in Europe citing various sources for evidence. In addition, the paper discusses the steps EU has taken to reduce unemployment rates and ensure more people secure jobs by the year 2020.

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