

Economics and labor



An economy is made up of various sectors that generate income for the economy and employment for the population. A simple economy is made up of consumers, firms and government. These groups are interdependent on each other. They run the economic activity of a country and are affected by the way an economy is run. Similarly, the policies adopted by each of these sectors are of great importance and determine the unemployment rate of a country. An ideal economy should have only 3 percent unemployment rate because of frictional and voluntary unemployment. Any rate higher than 3 percent means that the economy is not being administered efficiently and there's a room for improvement in the economic and business administration of a country. It is understandable that the demand for labor is a derived demand. Labor is not demanded, but the demand for labor comes from the demand of goods and services that the labor can produce. Therefore, a good way to decrease unemployment is to increase the demand of goods and services. All stake holders can play a good part in this and in time unemployment rate would diminish if the demand for goods and services rise. Governments can increase this by discouraging the use of imported goods. They can discourage their use by charging heavy import duties on these goods or by levying embargoes and other taxes on imported goods. This will make the imported goods more expensive and people would demand local goods. As a result of rise in the demand for local goods, demand for labor would rise and unemployment rate would fall. Similarly, government can open up training centers for workers in order to make them more productive and efficient so that their average cost would fall. This would encourage the local entrepreneurs to hire skilled labor and unemployment rate would eventually come down. Local businesses can also

play their part in diminishing unemployment rate of a country. They can set up their industries in areas of high unemployment. This would encourage more people to take up work and leisure would become more expensive. This will also reduce frictional and voluntary unemployment as people would actively seek work. Other measures that local businesses can take to decrease unemployment are by increasing the demand of their good through marketing and other awareness campaigns. This would increase the demand for local goods and in turn will also increase the employment rate of a country. Similarly some responsibility of unemployment falls on workers themselves. Workers are very resistant to change and technology. They are also unwilling to retrain or improve their skills. It is the duty of government to provide them free training and incentives for improving their skills. This would encourage them to retraining and improve their skills according to the needs of time. References: Lipsey, Richard and Chrystal, Alec. (2003). Economics. Oxford University Press.