

Theories of unemployment

Sociology, Empowerment



Theories of Unemployment: The article that I took was from the Irish Independent which was printed on the Wednesday 2nd February 2011. 5,700 more jobless signing on The number of people signing on for benefits increased by more than 5,700 in the last 12 months, official figures revealed today. There were 442,677 people on the dole in January, taking the unemployment rate to 13.4pc - a slight fall on the previous month. Separate figures compiled by the Government revealed there were 4,893 redundancies in January. Labour enterprise spokesman Willie Penrose said more than 400,000 people have been on the dole for 20 months. Everyone knows that the figure would be even higher, were it not for the phenomenon of resumed emigration," he said. "Nothing summarises the dismal failure of this Government as much as their record on unemployment." The Live Register - which recorded a fall of 6,900 people signing on last month alone, according to new measurements of seasonal factors - has seen its smallest overall increase for January in three years. Avine McNally, director of the Small Firms Association, said it appeared the unemployment crisis has stabilised. Small firms are the 'engines of recovery' and real and meaningful growth will come from the small business sector, but that is unlikely to happen for some time yet, as many firms are struggling to survive, due to cashflow difficulties, input costs from Government-administered sectors, and restricted access to credit," she said. Umbrella trade union group Congress said the harsh fact was that the true number of people signing on increased by thousands last month. Paul Sweeney, the group's economic adviser, said: "The cold fact is that there are a frightening 273,000 less people at work today in Ireland compared to 2007.

Furthermore, net emigration will be over 60, 000 this year. " Jobs are the biggest challenge for any new Government. " Youth Work Ireland, which represents 22 voluntary youth groups, said unemployment is the number one issue in Irish society. Spokesman Michael Mc Loughlin said: " If young people drift into long term unemployment in substantial numbers it may be hard to rescue that situation when any recovery occurs. " He added: " There must be a dedicated jobs strategy for young people if we are to avoid a return to the massive migration of the 1980s which so decimated communities. " Increased emigration amongst young people is a major economic issue as this group has been very well educated, now a different country will reap the benefit of this investment and Ireland will lack the people and the skills to build a smart economy. " Reetta Suonpera, senior economist with business lobby group Ibec, said: " Although some sectors such as construction will continue to lose jobs during 2011, overall the situation in the labour market is stabilising and unemployment is now nearing its peak. Fine Gael enterprise spokesman Richard Bruton said emigration was acting like a pressure valve on the unemployment figures. " This is a crisis. Ireland's unemployment crisis is crying out for a targeted solution," he said. Mr Bruton claimed Fine Gael was the only party to have put forward a credible jobs plan which it could implement if put into power. " The other political parties just don't have the plans for jobs," he said. " Labour's high-tax approach won't get people working, and Fianna Fail is a busted flush on the economy.

Fine Gael is the only party with a credible plan to get the economy working. " The way in which this article is written is from neoclassical point of view

which is most common in western societies. Even though it is not mentioned the author of the article and some contributors are talking about Full Employment, when the optimum number of people are either employed within the economy. In this article they feel at the moment the Irish economy has Full Employment.

That is due to that at the moment there are not any new jobs available and the fact that due to emigration the Irish work force is getting smaller due to the fact people are leaving the country. As we can see this follows the neoclassical idea as the labour market moves toward full employment automatically. The reason in which that the levels of unemployment are so at this time is due to the fact that consumers are unwilling to spend money on goods and services as a lot of people are having problems with their current so employees need to make less produce so they are been forced to lose their jobs.

This is due to the law of diminishing marginal productivity of labour, when you employ someone it is the how many extra goods they do or don't produce compared to the last employee. If you have 10 employees and your tenth employee makes 9 goods a week but your ninth employee makes 11 goods a week, the tenth employee makes 2 less than the ninth employee so it makes sense to make the tenth employee redundant as you are not making any money off that employee. Another reason for the fall in employment is the cost to an employer to employ his employees.

The neoclassical believe that when wages are flexible then you will get full employment. However a reason for unemployment is that these wages were not flexible but were very rigid. Rigidities were caused by labour unions,

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minimum wage legislation or other anti-competitive practices. Labour unions in the time of economic growth asked for wage raises which they got but in a time of economic recession they are unwilling for their employees take a pay cut but instead this leads to many more employees been laid off.

There is also a similar truth in the minimum wage legislation, it was at a good level during the boom years but when the recession hit it was clear that the government didn't readjust the level to try and help more people on minimum wage to keep their job during the time of economic recession. At the current time some of these rigidities have been removed so we are now approaching full employment. The Irish people have one of the highest rates of unemployment in Europe at the moment with a rate of 13. % and in a twelve month period more than 5, 700 signed on for benefits. At the moment the number of people on the dole is 442, 677. In the article it is said that small businesses will kick start the economy but at the moment it won't happen as there are cash flow problems, excess costs been put on businesses by the government and there is restricted access to credit by the reluctance of banks to lend money out as they cannot afford to write off more bad loans and put them into NAMA as well.

They also state that at the moment certain sectors like construction will still see many more redundancies but sectors like the smart economy will see growth in the coming years. They are also trying in the article to say that the current unemployment is stabilising and hopefully in the next coming months and years there will be an upturn in the levels of unemployment and there will be fall in emigration aswell.