

Analysis of the problem of unemployment



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As a matter of fact, there are a lot of the meanings of unemployment.

Generally, “unemployment” is a state of the people who are without work, seeking jobs or not looking for works. Moreover, we have two ways to express the amount of unemployment, in terms of: a number and a percentage.

Unemployment can be estimated as a rate of two numbers: amount of jobless people in labor force and total number of labor force. Claimant and Standardized are two means of estimating unemployment rates. However, collected information can be influenced by many factors: false claimants, demoralized work-seekers, part-time employees, and underground economy, etc.

In a labor market, wages would adjust to make the supply of labor and the demand for labor would be equal. There are two main types: equilibrium unemployment and disequilibrium unemployment. Moreover, more workers tend to find a job and work so that the demand is not enough to satisfy the needs. As a result of that, unemployment occurs in the market. Equilibrium level of unemployment happens when the number of workers who ready to take their jobs is lower than the total number of the labor force.

There are three types of disequilibrium unemployment: real wages unemployment, demand- deficient unemployment and growth in the labor supply. Demand - deficient is one of the most factor which influences on the economy growth quickly because of the recession. The recession just happens in a short time but in fact, It will change many factors such as workers are difficult to get a job or the country's GDP fall rapidly.

Equilibrium unemployment has three types: Frictional unemployment that occurs as a result of imperfect information in the labor market. Structural unemployment arises from changes in the pattern of demand or supply in economy. Seasonal unemployment associated with industries or regions where the demand for labor is lower at certain times of the year.

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Introduction

The serious problem which every country must deal with increase their economy is unemployment. Therefore, before going any further we have to define precisely what we mean by “unemployment”. It depends on how narrowly it is defined. Actually, the general meaning is no job. Each country almost wants have a low amount of unemployment because if we have a high unemployment amount, our economy will gradually decrease our income. As a result, our economy will go down a lot. In order to understand easily we can examine how the economy flows as below:

Unemployment f_{un} \rightarrow No income \rightarrow No consumption

—

Lay off workers \rightarrow Productions f_{Y} \rightarrow Aggregate demand f_{Y}

So, this flow chart keeps happen continuously over and over. That’s why our GDP is getting lower and lower as well as jobless people are getting higher and higher.

II/ Unemployment:

The meaning of unemployment

As a matter of fact, almost countries experienced the recession. Moreover, the unemployment figures bring the recession into an even sharper focus. However, the average of unemployment has different levels in different countries. There are many different definitions of unemployment. As a result,

we will focus on the meaning of 'unemployment' and the ways express the amount of unemployment.

Firstly, we have to address the meaning of 'unemployment'. Generally, 'unemployment' simply means that a person is jobless. Nevertheless, this meaning is not exactly right because children and retired people will be not essential for the statistics. Regardless of the fact that Michael Todaro defines it in two ways as voluntary and involuntary unemployment. The definition of voluntary unemployment is that the people do not find employment, and want to stay at home in order to take care of their families. Conversely, people are able and willing to work but there are no jobs available for them. Therefore, we can understand that 'unemployment' is a state of the people who are adequate standards of health as well as ages and able to work, but they are without work, seeking jobs or not looking for work.

Secondly, we should concentrate on the ways express the amount of unemployment. As a rule, there are two ways so as to represent the unemployment, in terms of: a number and a percentage. The number unemployed is used when people are unable to find a job even so they are reading and waiting to work at the prevailing wage. Alternatively, the economists can be expressed the unemployment rate as a percentage if they represent the percentage of total labor force which includes all persons in employment and unemployment. In other words, the prevalence of unemployment usually express as the unemployment rate which is defined as the percentage of the labor force. For instance, if there were 30 million people in employment and 2 million people in unemployment in a country, we could find the unemployment rate by:

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All things considered, unemployment is one of the most important problems in the economy. The level of unemployment usually shows the economic situation in a country. Furthermore, it also changes over time because it depends on the economic conditions and other circumstances.

B) Official measures of unemployment

Unemployment is the serious problem in every country. It is one of the primary factors that has effected to the increasing or the decreasing Government income. The main objective of every economy is always attempt to cut down a percentage of unemployment rates as low as possible, because it can be “ a charge of social”, “ an ineffectiveness of human resources” or “ a reduction of national revenue”.

In order to resolve these crisis effects we need to estimate the unemployment rate to boost the national economy. There are two general measures of unemployment: Claimant unemployment and Standardized unemployment rates.

Claimant unemployment:

According to this measure unemployment rate will be calculated as percentage between the number of claimants and the total of labor force. It has several important advantages. For example, it is not too difficult to resume information, and it is the fastest method so far.

Although the method has the advantages listed above, it also has some disadvantages such as false information or overstate of people just wants to get allowance but not really looking for a job. In addition, this number excludes jobless people that cannot satisfies the qualified for benefits.

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Standardized unemployment rates:

This is the modern formula set up by two international organizations: The International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD). Based primarily on them the rate will be collected by national labor force examination. Basically, work forces are enough old to go to work and also active to looking for a job right now. It is an improved measure but it still has the limit in somehow. First, we can observe it on the effective factor. For instance, providing the more exactly figure than Claimant unemployment because it include people who highly want to find out a job but cannot be eligible claimant at the meantime.

In contrast, several bad factors of this method make it has some less effective. It is taking much time to survey and statistic. Moreover, it cannot count discouraged workers who have given up looking for a job after long-term unemployment. And people work for underground economy, which have illegal job for example drug dealer, mafia and etc. can be consider as unemployment while part-time workers who would like to get the full-time job but they cannot get any suitable jobs are excluded from unemployment numbers.

To illustrate this let examine the unemployment rate in Australia with the method of Standardized unemployment rates from source of CIA world factbook:

Source of CIA world factbook.

Based on above column chart- the numbers of Australian unemployment rate survey from labor force- we can observe the lowest rate in 2009 and the

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peak in 2003. However, the percentage from 2009 to 2010 increases dramatically with percentage of +1.5% because of the influence of global economic recession. In order to avoid economic recession, Australian government has solutions by injecting a lot of money as well as pushing their citizens to spend money to expand more jobs for Australians. However, this situation still does not seem effective in this time. To sum up, Australian government should have the right policies to improve this unemployment situation.

C) Unemployment and the labor market

In a labor market, wages would adjust in order to make the supply of labor and the demand for labor equal. The reasons for unemployment can be divided into two main types: equilibrium unemployment and disequilibrium unemployment.

In a perfectly competitive labor market, the intersection of demand and supply curves determines the wage rate and level of employment.

According to Sloman (2007), the aggregate supply of labor curve (AS) is fairly inelastic and it may become less inelastic when new labor enters the labor market or unemployed workers rather start to work than search for a new better job. It indicates the number of workers who are willing to accept the work at different real wage rates. Besides, the downward slope is the aggregate demand for labor curve (AD). Firms will spare employees and replace some factors of production when the real wage rate is getting higher.

If the minimum wage is set above the equilibrium wage in the labor market, a surplus of labor will occur and create disequilibrium unemployment.

Moreover, more workers tend to find a job and work so that the demand is not enough to satisfy the needs. As a result of that, unemployment occurs in the market.

Besides, not every worker can get a job even when they try to search for it. Workers tend to think that they may find appropriate jobs given their tastes, skills and reasonable wage. Equilibrium level of unemployment happens when the number of workers who really ready to take their jobs is lower than the total number of the labor force.

D) Types of disequilibrium unemployment:

1. Real wage unemployment:

Firstly, we focus on the real-wage unemployment which is the form of disequilibrium unemployment. It occurs when real wages for works are forced above the market-clearing level leading to an excess supply of labor. As a matter of fact, trade unions are one of the most important causes of real-wage unemployment because they control the wages by their power. However, their power has diminished significantly over recent years. Moreover, it is popularly believed that the minimum wage is also the reason for real wage unemployment.

2. Demand-deficient

It also calls cyclical or Keynesian unemployment. If the economy slides into recession or inflation, this thing will happen. Besides, aggregate demand is a caused of demand deficient. If demand for goods and services decrease, it

leads to the surplus of output and consequently, the firm are forced to dismiss amount of labor they employ before. Furthermore, the recession lasts more seriously and the higher will worst case. In addition, the people who out of work will be de-skilled or de - motivated. As a result, it is hard to find a new job in the future or perhaps they earn a few money in lowing - job. Cyclical unemployment will increase during the recession time otherwise will go down when the economy recover. Moreover, demand - deficient may be happen in the long - term because of many reasons. The first thing is if the company cut wages of worker, it dues to it will influences on aggregate demand and consumer spending. Next reason is the higher of unemployment will make the customer limit their spending and it makes the GDP of one country will reduce

Demand deficient unemployment is associated with the theory of J. M. Keynes who developed his General Theory of Money against a backdrop of the Great (. December 2nd, 2009 | economics)

Unemployment caused by a fall in total demand with no fall in the real wage rate. Why real wage would not fall ?

There are two reasons to explain this question

Efficiency wages: The first thing is the traditional one of balancing the demand and supply of labor. The second is motivating workers. Efficiency wages means we will attract the qualified employees by pay higher salaries than the market - clearing. Furthermore, the surplus labor market can make the employer work less hard and make substandard goods. Another ideas is that it can make the number of unemployment increase rapidly because they

will hire a group of people who can work effectively, as a result, they will get a lot of profits from employment.

Insider power: the people are members of unions and they also have many special skills or their knowledge can attract employers while the outsiders do not have influence on the firm. As a result, the outsiders can drive down the real wage rate even eliminate demand-deficient unemployment. To examine more details about this problem, if the real wage really falls, perhaps we cannot solve this problem and might make it worse because they will cut in workers' wages, it leads to the worker's income also go down.

Consequently, labor force have to reduce their consumption of goods -> remain demand deficient unemployment. In addition, although the economy can overcome again, the demand deficient still falls steadily because of business cycle.

3. Growth in the labor supply

The labor supply and demand need to balance together. If the supply of labor increases, it means there are many workers will seek the firm, but in fact there is not enough demand of labor, it may be a cause of unemployment. Moreover, the real wage will fall and it is also a disadvantage of things with employers. Finally, the woman or the children have over 16 years old can get a part-time job despite the lower average wage rate.

CASE STUDY

Figure: Rates of unemployment among youth (15-24) and older workers (55-64): 1995-2005

I will show you more details about unemployment among youth (15-24) and older workers (55-64) 1995- 2005. It is difficult to measure of youth unemployment from full- time student to full time worker. In Australia, the trends of young people combine education and employment in many different ways. For instance, many teenage schools always find a part- time job to support their tuition fees such as waiters or waitress in the restaurant or Vietnamese students help their host selling foods in the supermarket

Young people " try on" different types of post- school education just as they try-on different jobs (Wynn, 2005). Moreover, it is hard to find a full-time job in 2005 because of recession. As a result, 20% teenagers who look for full-time work are unemployed (Parliamentary Library, 2005). In figure 4 show unemployment among youth has fallen by a relatively large 5%, otherwise, the older workers also go down strongly in 2005 with 2%. Due to, a rise in participation rate of this group.

Recent unemployment is a second group which is facing high unemployment. There three reasons, first of all are youth people, they have to spend a lot of time to find out information to get a suitable job. It is difficult for person who cannot speak English and they also shock by many varieties of culture even lacking of good- skills. Finally, the discrimination is one of the most important things because it always happens everywhere such as sexual, national origins or age (Richardson et at 2004). Data for 2005 show that migrants with these characteristics quickly find employment

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six months after arrival, 83% of skilled primary applicant had a job, while 12% were looking for work(5% were not in the labor force)*. In general, higher unemployment and non- participation in the labor force than for skilled primary applicants.

Sloman, 2007, Unemployment, inflation and growth, Essentials of Economics, England: Peason Education Limited, pp. 312-313.

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Besides, not every worker can get a job even when they try to search for it. Workers tend to think that they may find appropriate jobs given their tastes, skills and reasonable wage. Equilibrium level of unemployment happens when the number of workers who really ready to take their jobs is lower than the total number of the labor force.

E) Equilibrium unemployment is the economic situation in which aggregate demands for and supplies for labor at the current real wage rate are equal.

There are three types of equilibrium unemployment:

1. Frictional unemployment:

Can be understand like this example, a first-time job seeker may lack the resources or efficiency for finding the company that has the job that is

available and suitable for him or her. As a result this person does not take other work, temporarily holding out for the better-paying job.

Basically to understand that frictional unemployment is the place which helps unemployment to search or find jobs for them, even they are voluntarily. Even though after the unemployment try their first job and they can't be suitable with that, they can continue to ask the frictional unemployment to help them again to search a new job.

In this place, so many available unemployment for workers search and neither for unemployment.

2. Structural unemployment:

As you know, the computers may have eliminated jobs but they also opened up some of new positions for those who have the skill to operate.

As we know, the structural unemployment is the place for company to changes their economy. There are 2 main reasons:

A change in the pattern of demand

b) A change in the method of production

3. Seasonal unemployment:

Unemployment expected at a given time of year. Resort areas, for example, can expect to experience seasonal unemployment during the off-season.

Unemployment statistics provided by the government are seasonally adjusted.

CONCLUSION

Unemployment is a serious problem with each country which has an important effect of society as well as economy. Firstly, we need to estimate a detailed amount of unemployment rate of each careers and ages. Moreover, from this estimate, the government needs to release the type of unemployment which will be necessary to improve. From this point, it should put forward a lot of suitable strategy or policy about society and jobs. To improve this situation, we should have job information, which is provided by government job centers, by private employment agencies, or by local and national newspapers.