

# Economic preliminary research task

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Caused by a contraction in economic activity or aggregated demand.

Downturn in the business cycle, derived demand for labor) When there is a downturn in the business cycle, demand for goods and services falls, forcing firms to reduce production and reduce number of workers to maintain profit level. Structural unemployment Caused by the mismatch between the skill demanded and the skill possessed. (Increased by restructuring of the economy and the introduction of new technology) Workers unemployed from pre-restructure (old) companies, do not find the skills they possess not appropriate in the newer industries.

Causing the situation where the company requires labor, but still cannot employ that group of unemployed (Xx long-term unemployment unemployed for a period of 12 months or more. The longer a person is out of work, the harder it becomes for them to get a job. Long-term unemployment can start out originally as cyclical unemployment. Eg. A downturn causes a person to lose his/her job. During the later recovery, the economy may not grow quickly enough to eliminate all cyclical unemployment.

Resulting the person to find him/herself to be unemployed for more than 12 months (changing into long-term unemployment), this long-period of time may cause the person to lose their job-related skills, so employers will be more reluctant to hire someone who has been out of work for a long time.

Seasonal unemployment Caused by the seasonal nature of some jobs (changes in the labor market which occur regularly each year, independent of the business cycle) For example: tourist related jobs and jobs associated with holiday seasons such as a plump older man working as a shopping centre Santa Clause at Christmas .

This unemployment rises during the December-March period of the year when school-leavers are seeking jobs and enter the labor force (year 12 graduates, or year 10) frictional unemployment occurs as people change jobs (from one job to another). What is required to change jobs: Time, employment opportunity, attendance of job interviews administrative details. There will always be a small level of frictional unemployment into the labor market, although improving the efficiency of job placement services can reduce the level of frictional unemployment.

Regional unemployment reduces its demand (for reasons of undergoing large scale structural change and adjustment) for labor causing widespread unemployment. Hard-core unemployed because of personal characteristics, such as: mental or physical disability anti-social behavior drug abuse hidden unemployment Refers to those individuals who are not counted in the official unemployment figures because they have given up actively seeking work or have gone back to school. Rises during a prolonged economic downturn.

Slower growth in aggregated demand means that the prospects of finding a job are very low, and some individuals become discouraged from seeking work. They are not officially employed as they are no longer actively seeking work, but they are still considered to be a part of the unemployment problem since they would work if labor market conditions were better. A rise in hidden unemployment will be reflected in a fall in the labor force participation rate rather than as an increase in the official unemployment rate.

Underemployment (technically not unemployed) Referring to the individuals who have part time or casual jobs, but would like to work more hours per week are said to be underemployed. They are a significant problem in the

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labor market, since they represent under-utilized labor resources. (As the worker are willing to work more hours, but the conditions of the labor market prevent them from doing so) Estimates of Australia's underemployment have risen dramatically in recent decades. A increasing share of Jobs have been creased on a part-time or casual basis. Causes of Unemployment deficiency in aggregated demand ( $AD = C + I + G + X - M$ , major cause of cyclical unemployment) cyclical changes in the domestic and international economic activity may lead to changes in the demand for labor. Since the demand for labor is derived from the demand for final output, any decline in aggregated demand may lead to a rise in cyclical unemployment. Structural changes in consumption and production (causes the level of structural unemployment to rise. Ole of wage expectations in pushing up the price of labor to capital (causes a rise in the laundry unemployment or wage induced unemployment) Rapid rises in real wage costs will reduce the demand for labor and provide employers with the incentive to substitute capital for labor. A lack of efficiency in the labor market in matching labor skills with the Jobs available can influence the level of frictional unemployment Rigidities in the labor market like government regulations (egg. Super, taxation) can also reduce the hiring intentions (through higher 'on costs' of labor) of employers, causing unemployment.

High 'on cost' of labor and a lack of skills, education and training If workers do not have access to education and training they will be less skilled and in lower demand by employers for the Jobs available How hidden unemployment and underemployment distort the official statistics The hidden employment are when people given up looking fro work or receive

income support from a spouse, partner or parent and and not eligible for Job Search Underemployment are people working part-time who want to work more hours or switch to full time employment, the ABS calculated the underemployment rate in 2012-13 as 7. % and the labor utilization rate as 12. 9%, showing separate statistics from the unemployment rate. Which groups in Australia are more likely to experience higher than average rates of unemployment and why. The incidence of unemployment varies between demographic and skill groups in the labor force. Groups accounted for disproportionately high shares of unemployment: Young and less educated labor force participants recent immigrants persons whose job was in blue collar occupations Highest rates of unemployment - teenagers (15-19) 23. % for males and 29. 6% for females Teenagers experience difficulty in securing their first jobs because of lack of experience, education, training and skills. Age employment (%) 15-19 52. 8 20-25 11. 8 25-44 4. 9 45-52 (long-term unemployment) (all 2012-13 data) There is great difficulty for older workers to find full-time or part-time work if they have been made redundant or retrenched due to industrial restructuring or reforms to industries such as car manufacturing.

Other groups: workers with low levels of education attainment experience higher rates of unemployment than those with higher educational qualifications unemployment rates tend to be higher in industries affected by high rates of structural change like manufacturing , building and construction and trades (rates falling as demand rose during housing and resource booms in areas as more labor is demanded) Aborigines and Torres Strait Islanders family status (sole parents, dependent students and non

dependent children) The economic and social effects of unemployment

Economic effect: opportunity cost of lost output and income (primary economic cost of unemployment) lower real GDP and reduced national income (thus reduced living standards) economical and social hardship for the unemployed and their families and dependents (falling level of consumption with their satisfaction of life)povertytraps because of welfare dependency increasing taxation burden erosion of tax due to unemployment and a rise in cyclical expenditure on social security payments (leading to a rise in budget deficit or fall in budget surplus) less equal distribution of income (unemployed will be reliant on income support from loss of human capital, as the unemployed will not be contributing their skills and experience to the workforce and will need to undergo re-training loss of self esteem and dignity rising crime rates increased drug and alcohol dependencyhealthproblems fro the unemployed highersuiciderates breakdown of family relationships ass of self esteem and human dignity

Recent policies the government has used to help combat unemployment

Promoting Higher Sustainable Economic growth In order to educe cyclical unemployment, monetary and fiscal policies can be used to offset cyclical downturns in the economy, increasing levels of unemployment that accompany periods of slower economic activity. Fiscal Stimulus and the easing of the monetary policy potentially can stimulate the aggregated demand or spending and increase the output of services in the economy. Higher levels of output will require increased levels of employment, which in urn will lead too lowering of the level of (output, used it-I 2008-09 during the UDF and recession, to support aggregated demand and employment.

However for the last few decades, monetary and fiscal policies are relatively ineffective in terms of reducing structural unemployment.

Labor market reforms Designed to: make labor markets more flexible encourage more competitive work practices higher levels of labor productivity Giving employers greater incentive to hire additional workers, leading to higher levels of employment. It is a movement towards decentralized wage determination, where firms and employees are able to negotiate wage increases on the basis of improved levels of productivity. Awards Modernization that makes awards simpler instruments that do not impede workplace efficiency and employment growth is another key element of the government's labor market reform Labor market legislations such as the Workplace Relations Act 1996 incorporated measures designed to curb union powers and weaken unfair dismissal laws, directly intervening with the labor market.

Funding for Vocational and school education (including National education framework for schools to raise literacy and innumeracy standards) Australian National Training Authority established (to improve skill development of workers through ongoing education, training and development) Labor market assistance to Job seekers: Job Services Australia (contracted national network of private, community and government organizations to assist the unemployed find jobs) Australian Job search (online Job noticeable, government run) time frame polices 2008-09 Rued government established Education Investment Fund with initial allocation of bob to be spend on higher education, vocational education and training facilities.