

# [Unemployment in jamaica - cause and effect](https://assignbuster.com/unemployment-in-jamaica-cause-and-effect/)

This project is consisting of information on unemployment in Jamaica and what can be done to improve employment. Unemployment is macroeconomics There are different types of unemployment such as frictional unemployment ‘ this is a type of voluntary unemployment that arises because of the time needed to match job seekers with job openings’, structural unemployment ‘ this happens when a large amount of unemployed workers (labor force) isn’t qualify for a large amount of labor force demand’. seasonal unemployment, ‘ this is when persons are employed temporary for reasons such as a hotel or supermarket needing extra help because of a season (Christmas, summer) but will cut loose those workers when that season period is finish’ and cyclical unemployment ‘ this is used to refer to the fluctuation in unemployment that is incurred by business cycles, more specially, the unemployment caused by economic recessions’. In this project you will find information on this problem and why it is consider being an economic one, the theories and model pertaining to unemployment, recommend economic concepts and inventions that can be employed to correct unemployment and the benefits of applying these concepts and inventions.

#### What is the economic problem?

Unemployment in Jamaica

Unemployment Spikes to 14. 1% with 23, 000 Jobs lost

Unemployment is one of the main problems affecting Jamaica. According to Streetdirectory, ‘ Unemployment refers to the condition and extent of joblessness within an economy, and is measured in terms of the unemployment rate, which is the number of unemployed workers divided by the total civilian labor force.’ (Sinha, 2012)

According to The Gleaner, published Friday May 18, 2012, ‘ Some 23, 000 jobs were lost last year after the current survey was done.’ In January 2012, The Labor force Survey release in May put the unemployment rate at 14. 1 per cent compared to last year, which was at 12. 9 per cent. The labor force has grown to 177, 200 and the latest survey shows that some 9, 300 people dropped out of the labor force, cutting the pool from 1. 27 million to 1. 26 million.

The Gleaner also stated that ‘ The result for the January 2012 survey, which was conducted over the period December 18-24, estimate that there are 686, 900 males and 573, 700 women in the labor force.’ The employed pool totaled 1. 08 million, of which was 56. 7 per cent or 614, 800 are men and 468, 600 or 43 per cent are women. The Gleaner also states that, ‘ The spike in unemployment is heavily skewed towards females among whom the unemployment rate is 18. 3 per cent, while for men it is 10. 5 per cent. Sectors with the largest jobs cuts over one year included construction, 10, 900 jobs lost, and professionals, senior officials and technician, 10, 200 cuts.

Statin estimates that the persons seeking work in the January 2012 survey as increased by 4. 3 per cent.

#### The effects unemployment has on Jamaica

Unemployment affects majority of our Jamaicans especially the inter city areas and in particular the youth of this area. Unemployment creates many problems such as crime and violence, lowering of one’s self-esteem, and poverty. Etc. Crime and Violence comes to present because when unemployed person are in need and cannot assist themselves or other, they turn to robbing and killing others to satisfy their needs and wants.

The lowering of one’s self-esteem may occur when they see another working and being able to assist themselves while he/she can’t do the same. This can lead to crime and violence.

Poverty is a big issue in today economy and most unemployed person are the one facing this situation. When person can’t work and afford things, this lead to financial problems, divorce, children losing their education and health, hunger, fights and more which then can lead to poverty.

#### Why consider unemployment to be an economic problem?

1. Unemployment is an economic problem due to the fact that when the economy is not doing well, businesses begin to lay off workers

2. It affects consumer confidence in terms of consumers that are employed will start to devote their money more in savings than to spend it on unnecessary items because of the fear of them losing their jobs.

3. High unemployment creates pressure on the government budget. High unemployment reduces the total taxation receipts the government receives because people without an income won’t be able to pay their income tax. This will then place a drain on the government funds as the unemployed claim the job search allowance.

4. Unemployment reduces the output of goods and service that could otherwise have been produced by unemployed labor force. If unemployment rate is very high, an economy will produce below its potential. Etc

#### Question 2

#### Economic Theories and model pertaining to this problem

##### Classical economic theory

1. According to the lead authors, Global Development and Environment Institute, Neva R. Goodwin, Julie A. Nelson, Frank Ackerman, Thomas Weisskopf ‘ classical economic theory, ‘ unemployment is seen as a sign that smooth labor market functioning is being obstructed in some way’. The classical approach assumes that markets behave as described by idealized supply-and-demand model. The labor market is seen as though it were a single, static market, characterized by perfect competition, spot transaction, and institutions for double auction bidding (Global Development and Environment, 2006).

Resume help for Unemployed

Assess the Gap

2. According to Teena Rose, director of resume-writing firm ExpertResume. com, ‘ the best way to address an employment gap depends on how long one has been out of work’.

She states that if one is unemployed for a year or less, then the best thing to do is to not say anything. This is not necessary to place on resume (Kim Isaacs, 2012).

3. Short Run Phillip Curve

The short run Phillips curve shows the inverse relationship between unemployment and inflation rate. According to theory, when there is high unemployment, producers can set lower wages and still attract labor. When unemployment level is low, firms will have to pay high wages in order to attract labor as there wouldn’t be much competition between them. This theory contradicts with two of the four main aims of the government low/stable inflation rate and low unemployment level.

#### Question 3

#### Economic concepts or intervention that can be used to correct unemployment

1. According to Kimberly Amadeo and About. com Guide, the solution for unemployment is obviously to create new jobs. They state that a healthy economic growth rate of 2-3% is enough to create the 150, 000 new jobs needed to keep unemployment from rising. (Kimberly Amadeo, 2012)

2. According to Answers, the solution for unemployment can be correct in many ways, such as, a) cutting in real wage, cutting in real wage are a reaction to the view that through their demands for higher wages, some groups of workers have priced themselves out of a job. b) Unemployment agencies could tighten their job search and acceptance requirement. c) Improving the education and training provided to young people, with a greater focus on vocational skills. d) Government support to struggling industries in order to try and save jobs. e) The government needs to try and create demand in economy. This could give grant to businesses to produce goods, have projects such as road building, cut interest rates to encourage spending and cut income tax to encourage spending. f) Countries need to ensure that their welfare systems do not provide disincentives to workers. (Answers, 2012)

3. Phillip curve

It’s a large believe that unemployment could be solve using the Phillips curve. This involves increasing inflation to reduce unemployment by fooling workers into accepting jobsat at a lower rate than they would otherwise have done, due to the declining value of money.

4. Demand side supplies

Monetary policy and fiscal policy can both be used to increase short-term growth in the economy, increasing the demand for labor and decreasing unemployment. The demand for labor in an economy is derived from the demand for goods and services. As such, the demand for labor will increase, increasing employment and wages.

5. Supply side policies

Minimum wages and union activity keep wages from falling, which means too many people want to sell their labor at the going price but cannot. Supply-side policies can solve this by making the labor market more flexible. This includes removing the minimum wage and reducing the power of unions, which act as a labor cartel. Other supply side policies include education to make workers more attractive to employers. Cutting taxes on businesses and reducing regulation, creates jobs and reduce unemployment. (curve)

#### Question 4

#### What are the benefits of applying the economic concept above?

1. Creating new jobs

Creating new jobs accommodates employment, growth in GDP, develop infrastructure, help to reduce depts and more. Having a job is essential in living life and retiring at a comfortable age and this is something that all individual looks forward to and without them having a job this may lead to crime and violence. The concept of creating new job will increase employment and decrease unemployment.

2. A. Cut in wage

Not cutting the real wage can allow persons to keep their job instead of pricing themselves out.

B. Unemployment agencies could tighten their acceptance requirement and job search.

Job agencies tightening their acceptance requirement and job search could lead to more persons that are not fully qualified or have the right requirement to have the chance to be employed instead of them being unemployed.

C. Improving the education and training provided to young people, with a greater focus on vocational skills.

Improving the education and training of young adult will help them to be better equipped for the working world. One way is to train them by actually allowing them to do the work instead of teaching them orally and from them writing. This will help them to better understand and to have gained some experience.

D. The government needs to try and create demand in economy.

Government creating demand in the economy will also workers to produce more goods and interest rate will be cut which will then produce more spending of consumer.

E. Government support to struggling industries in order to try and save jobs.

Government supporting struggling industries and trying to save jobs will help in building the economy, reduce unemployment and more.

3. Supply side policies

Inputting supply side policies will allow wage and union to not fall to a lower price so a lot of person will be able to sell their labor at a going price. This can make the labor market more flexible by removing the minimum wage and reducing the power of union, which act as a labor cartel.

4. Demand side supplies

Monetary policy and fiscal policy can both be used to increase growth in the economy. This can increase the demand for labor and decrease unemployment, the demand for economy is derived from the demand for goods and services so the demand for labor will increase which will increase employment and wages.

#### Recommendation

I would strongly recommend that the government of Jamaica try to find new ways to implement strategies that can produce employment in Jamaica because with so many person unemployed, it is affecting the economy and also affecting the citizens. With so many persons being out of job it affects their daily life which leads to disaster such as robbery, crime and violence, lack of education to children and young adult and more.

#### Conclusion

It has been concluded that unemployment have a major effect on Jamaica economy. With unemployment rate increasing each year, it affects families, students and others. Unemployment is an economic problem due to the fact that when the economy is not doing well, businesses begin to lay off workers, It affects consumer confidence in terms of consumers that are employed will start to devote their money more in savings than to spend it on unnecessary items because of the fear of them losing their jobs and more.