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Economics IA Commentary Coversheet Economics Commentary Number: | HL Number 1 | Title of Extract: | UK Unemployment | Source of Extract: | HRM — Human Resource Management | Date of Extract: | 11th of November 2009 | Word Count: | 661 | Date Commentary was written: | 28/11/2009 | Section of Syllabus that the Commentary relates to: | Section 3. 5 - Unemployment | Candidate Name: | Yuriy Boldyrev | Candidate Number: | 001124003 | \*Note: Commentaries should be read in chronological order (from 1 — 4). This mainly to not repeat definitions and explanations that were already state in commentaries prior to the one being read\* UK Unemployment Labour Market Statistics November 11 2009 - The unemployment rate stands at 7. 8% - up 0. 1% over the quarter and 2. 0% on last year. Nearly 29 million people were in work in the period July to September according to the labour force survey (LFS). The number of people employed was up by 6, 000 this quarter but down by 490, 000 on the last year. The working age employment rate is 72. 5% - down 0. 1% on the last quarter and down 1. 9% on the last year. ILO-defined unemployment in July to September was 2. 46 million (7. 9%) - up by 30, 000 unemployed on April-June and 629, 000 from this time last year. The claimant count for key out-of-work benefits was 1. 6395 million in October - up by 22, 900 on last month, and up 632, 700 on last year. Earnings growth over the year to August (including bonuses) was 1. 6%, down 0. 2% from the previous month. Secretary of State for Work and Pensions, Yvette Cooper said: " The figures show more people in work and a lot more young people taking up our offer of full time education and training, which is welcome news. " The fact that unemployment is significantly lower than everyone forecast at the beginning of the year shows the support for the economy is making a real difference. But we know things are still tough for a lot of families, and unemployment is expected to increase further next year. That's why we're determined to do more with an extra 35, 000 youth jobs, more apprenticeships and education places so we can guarantee no young person gets stuck in long term unemployment." The figures out today also reinforce the fact that the UK labour market is performing better than most major economies. They show UK unemployment at 7. 8%, compared to an EU average of 9. 2% and lower than 14 other EU countries including France (10. 0%), Ireland (13. 0%) and Spain (19. 3%), as well as the US (10. 2%) and Canada (8. 6%)." Commenting on the latest statistics, John Philpott, Chief Economist and Director of Public Policy at the CIPD, said: " UK unemployment is continuing to rise but at a much slower pace than earlier in the year. While this is not unexpected the fact that the unemployment total remained below 2. 5 million in the quarter ending in September is encouraging. However, the relative improvement should not be interpreted as evidence that the labour market is returning to health, with male unemployment and long-term unemployment continuing to rise and youth unemployment now at a record rate despite a surge in the number of young people staying on in education to avoid the dole. " Unemployment remained below 2. 5 million in the three months to September primarily because there was a rise in part-time employment, temporary employment and contract working, the latter boosting self-employment. This more than offset a continued marked deterioration in full-time jobs for employees. Such a pattern is common in a labour market where overall demand for staff is weak and - as the Bank of England reiterated today in its latest quarterly Inflation Report - the economic outlook uncertain, with the road to recovery likely to be slow. At such times employers who need to recruit remain wary of hiring full-time staff and it is significant that today’s ONS figures do not show an improvement in the level of job vacancies. This pattern is also normally accompanied by a high rate of involuntary part-time working - there are now almost 1 million people working part-time because they can’t find a full-time job. " Women continue to be the main beneficiaries of a labour market where opportunities for part-time employment are increasing, while men lose out as full-time jobs are being lost. As a result the CIPD expects the rate of male unemployment to rise well above 10% in 2010, with the proportion of men in work set to fall to a record low. " The current pattern of demand for labour is also doing nothing to ease the plight of young people. The latest quarter saw a further large fall in the number of under-25s in work, with the unemployment rate for 18-24 year olds now at a record high. There is little consolation in the fact that the number of unemployed young people remained below 1 million. This is explained by a quarterly surge in the number of young people classed as ‘ economically inactive’, which the ONS figures indicate is mainly due to more young people staying on at school or college, almost certainly as an alternative to the dole." This article deals with unemployment in the UK. A person can be considered unemployed when he is involuntarily out of work, however is willing to work at current wage rates. One of the government’s main goals is to achieve full employment, where all people who are able and willing, are working. This is extremely beneficial for the economy because it can be considered working at maximum efficiency, which causes growth and development. A good way to illustrate a countries economy taking into account unemployment would be to use a PPF. The production possibility frontier is the orange line where the economy is working at full efficiency (full employment), using all of its resources. Point X is when the economy is not using all of its resources, and has people unemployed. http://i. investopedia. com/inv/dictionary/terms/ppf. gif Structural unemployment is a possible reason for the large decrease of workers. This specific type of unemployment focuses mainly on the loss of jobs under the condition that the demand for a certain product falls, or there is a shift of production abroad. In the category of disequilibrium unemployment, Demand deficient (Cyclical) Unemployment is most likely the number one cause for the UK's labour force being downsized. Due to the global recession, consumers can afford less goods and services, therefore the aggregate demand decreases significantly (hence the name — demand deficient). If the demand for production has substantially fallen, then naturally the demand for labour will also fall. Demand deficient unemployment can be illustrated using a diagram. Due to the fall in the D of goods and services, demand for labour shifts inwards from D1 to D2. With this, disequilibrium unemployment occurs with the number of workers shifting from Q1 to Q2. When demand for labour is strong, companies don’t hesitate to rise wages, although when demand for labour falls, and wages need to be cut, workers will resist wage cuts, therefore it is very hard for the company to cut wages for a large amount of workers without causing some kind disturbance or complications within the firm. If the company does chose to do this, the labour force will become angry and will want to retaliate somehow, perhaps going on strike. Due to a situation like this, parts of the company will not be producing/working, resulting in inefficiency. Aside from that, it will be very hectic, attracting negative attention from consumers and media, which is of course the company’s last need. In conclusion, the company will not be in control, when this is in fact their main priority, to sustain the stability and optimal working functionality. That is why the company prefers to downsize workers, and keep themselves running as best and as efficiently as possible. In order to deal with demand deficient unemployment the government should impose fiscalor monetary policies to raise aggregate demand and thus raise the demand for jobs. In the short run, when the AD shifts to the right (from AD1 to AD2) this causes and increase in real GDP (shift from Q1 to Q2 and P1 to P2). If AD would continue to grow in the short run, the country would reach a maximum supply. This constant struggle for the country to meet AD by increasing output would cause inflation instead of growth. However if the pressure is relatively small in the SR (short run) then it would be much easier to deal with AD in the LR. Supply side policies are government policies designed to increase output, and should also be imposed in order to cope with unemployment. Using a LRAS (long run aggregate supply) diagram is a good way to show the effects of supply side policies. If the Government were to impose supply side policies, the LRAS curve would shift right from LRAS1 — LRAS2. The price would then fall from P1 to P2 and the quantity (output + jobs) would increase from Q1 to Q2. Conclusivley the Government should investigate the best strategy to decrease unemployment. By imposing appropriate regulations and policies.