

The youth unemployment rate in south korea



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The unemployment rate among youth has reached 10.0%, the highest record to be posted in a decade. The unemployed surpassed one million for two consecutive months and unemployment rate has come close to mark 5%. As time passes, the economy is showing more distinct signs of recovery but the employment index continues to be dismal.

According to February's employment trend released by Statistics Korea on Wednesday, people without jobs increased 244,000 compared to last year to total 1.169 million. As a result, February's jobless rate stood at 4.9%, a 1.0% point month-on-month increase.

The unemployment rate of those aged 15-29 marked 10.0%. This is the first time in 10 years since February 2000 (10.1%) for South Korea's youth unemployment rate to hit double digits. Considering February is the graduation season, the seasonal effect seems to have played a crucial role in bringing up the rate.

However, the number of the employed also increased at the same time. Employed people in January increased 125,000 against the same period last year to tally 22.867 million. This is the highest increase to be posted since August 2008 (159,000).

The unemployed increasing in tandem with the employed is a phenomenon witnessed when an economic recession turns to recovery.

Eun Sun-Hyun, head of the employment statistics department at Statistics Korea said "February is the graduation season and thus, at this time of year, unemployment rate reaches its peak. The upturn in economy, a growing

interest in job creating businesses and students rushing to find work in private sectors after graduation have all resulted in bringing up the jobless rate.”

[Written by Han Yea-Kyung- Minjeong Song/ edited by Soyoung Chung]

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Commentary Number 1

Youth Unemployment Rate Exceeds 10%

A low unemployment rate is one of the main macroeconomic[1]goals of every government. However, Korea has been suffering from economic problem which affect Korean economy most harshly by increasing unemployment rate. This commentary will focus on unemployment which is relates to section 3. Unemployment is defined as “ people of working age who are without work, available for work and actively seeking employment”. By the definition, the unemployment rate is the number of people who are unemployed expressed as a percentage of the total labor force[2]. However, people who are choosing not to work or not able to work would not consider to the part of the labor force, because they are not actively seeking employment.

There are two main categories of unemployment - equilibrium and disequilibrium unemployment. Disequilibrium unemployment has two types, real-wage and cyclical unemployment, both occur when there are any conditions that prevents the labor market from “ clearing[3]”. Equilibrium unemployment occurs when jobs exist but the people are either unwilling or unable to take these chances. There are three main types of equilibrium
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unemployment, which are frictional, seasonal, and structural unemployment. In this case, those connected to frictional and seasonal unemployment because the seasonal effect and graduation season seem to have affected to increase the unemployment rate.

However, the unemployed would face several costs. When they received less income, this leads to have a lower standard of living and affects to have costs of unemployment to the unemployed people themselves. Also, unemployment will damage society, because it is affecting the rate of domestic violence, crime and drug, etc. Furthermore, there would be the opportunity cost^[4] of the government's spending on unemployment benefits^[5], because the government may have to spend more money to solve the social problems created by unemployment. Thus, unemployment poses great costs on an economy therefore the governments try to reduce the level of unemployment.

This article shows February's jobless rate increased as they were looking for jobs after graduation and also because of the seasonal effect that February is at the end of winter. Labors leaving or losing one job would mostly set out to find another. This is related to seasonal and frictional unemployment, which occurs when people are in between jobs or they have left education waiting for taking up their job and this period is mostly short-term. This is natural for people to leave jobs by having hopes to find better places, thus this is not a serious problem in an economy because of its short-term nature. However, according to the article, the main issue is that unemployment rate increased for consecutive months, so if it has not solved, then it will be continue to reaching into the level of long-term unemployment.

There are ways that government can reduce this level of unemployment. If unemployment benefits were reduced, then the reduction in unemployment benefits lead to have a lower standard of living, so the unemployed workers might become more willing to work. Thus, shift the aggregate supply of labor (ASL) to the right, ASL_1 to ASL_2 .

Average (real) wage rate

Number of workers

ADL

ASL_1

ASL_2

W_1

Q_1

W_2

Q_2

The y-axis on the diagram represents the price of labor, as measured by the average real wage rate. The aggregate supply of labor curve (ASL) illustrates the total number of an economy's workers that are willing and able to work in the economy at every given average wage rate.

However, the article mentions the number of the employed also increased at the same time, when the unemployment rate increased. This is because an economic recession turns to recovery, thus consumers receive more income

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that leads to have a higher standard of living, so this affects on shift supply curve to the right as shift the demand curve to the right, and then supplier would expand employment. But it seems like it is difficult to find their jobs and there are not enough jobs for all the unemployed due to increases in unemployment rate. Therefore there should be creating more jobs and also improving the flow of information from potential employers to all the unemployed through the Internet job sites, newspapers, and employment counselors.