

External influences

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Three ways in which an increase in unemployment might affect Hacker PLC are Organisation, Payments, and Government spending.

Organisation – Unemployment can have a number of effect on the internal organisation of a business. It may mean that the firm can no longer afford to recruit new members of staff because of low demand for its products. New, often young, recruits to a firm will no longer be coming through. In addition, new posts which arise may be filled through retraining of existing staff rather than recruitment. This can lead to significant changes in the age profile of an organisation's employees.

Redundancies are also a common feature of a period of high unemployment. Whilst the work of some who are made redundant will not be replaced, the responsibilities and roles of others may be added to the job description of those who remain within the firm. This can lead to increasing demands on existing employees.

During periods of high unemployment, some firms reorganise their internal structure. This may mean the loss of a whole tier in the hierarchy or the changing of individual's job description.

Payments – Businesses may be faced with making redundancy payments to workers. These tend to vary between firms depending upon the average length of service of the employee.

The cost of reorganisation caused by redundancies will also have to be borne by firms. Such costs may include lost productivity after a reorganisation as employees struggle to cope with new responsibilities.

It may be easier for firms to recruit new employees during a period of high unemployment. This is because there is a large pool of people to choose from, with more applicants for each available post. In addition, because of the increased competition for new jobs, people may be prepared to work for less money. In this way firms can lower their labour costs.

Government spending – High levels of unemployment mean that government spending on social security will be high.

Also, the government will lose revenue from tax and National insurance contributions which people would have paid had they been in employment. To make up for this the government may borrow, increase taxation or reduce other items of spending.

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Structural unemployment can offer UK businesses the opportunities of new methods of productions and competition from overseas. The business benefits from the changing of pattern of demands because this means that because the business may make use of modern technology/machinery, there will be less human intervene required. This is a benefit has the business is reducing its labour costs and total costs. This is a benefit because although this means that redundancy will be made and high labour turn over will be made, at least the business will be able to keep the money spent on labour and enjoy greater profits.

Secondly, the business may be gain an opportunity from this because an encouragement can be made to foreign producers to establish their businesses in UK. This will benefit the firm because it means the firm can negotiate with the government to receive grants and support with the establishment of the business, as the firm can provide employment to people and possibly to those people as well with skills not needed by domestic businesses.

15.

The likely implications for the government trying to reduce the unemployment are that in Cyclical employment the business may suffer from the falling sales. In the short term, the businesses may be able to add any surplus production to stocks. Alternatively, businesses may seek new market, perhaps overseas.

However, not all businesses may suffer from the changes in unemployment, whilst suppliers of luxury products could suffer substantial reduction in sales.

Secondly, in structural unemployment the effects on the businesses can be severe because it's often highly localised and very persistent.

If there is need to a reduce output, then rationalisation and redundancy might follow and factories and offices may be closed. Research and development plans may be abandoned or postponed as firms seek to reduce their costs to match their reduced revenues. The predicted fall in the level of demand may encourage the firms to diversify.