

Investigation into economics-workforce

Women giving up work on starting families could lead to a decrease in the size of the national labour force. However, this in itself would not necessarily lead to lower output since automation and other technical progress could make up for the lost number of workers. In any case, "full unemployment" (often considered as being below 5% since any lower means inflation would be a side effect cancelling out any gain made) is rarely the case. However using economic theory and ignoring any externalities, this loss of labour could theoretically reduce the country's production possibility curve. This would mean that GDP per capita may be reduced. Women raising families is not included in the country's GDP figures, thus GDP per capita could be reduced due to lower numbers contributing to the country's national output. However, as a direct effect, job vacancies may increase allowing more men to find jobs. Structural unemployment, say for example the North of England in the mining industry, may mean tertiary job vacancies may be taken up in place. These tertiary jobs would be the women's old jobs, however we are assuming complete mobility of labour. In reality, a miner is unlikely to be able to take the place of a managerial position in a city firm due to the inability of him to adopt his skills to the new job. As women begin to start families, these families will be eligible for welfare benefits. Some may suggest that this is a long-run investment since in a few years time, the "baby boomers" will start retiring. These will need the younger generation to subsidize them as the ratio of workers to OAP's decreases. However, these increased families will mostly arrive too late, but the long term consequences may be advantageous for the ever increasing numbers of OAP's. In the short run however (which is what most concerns politicians for vote gaining) the welfare benefits allocated to large families would contribute towards increasing the PSBR (or a reduction in the PSDR in the case of budget surplus). This could provide a strain on workers. The male revenue raisers would have to support the family solely on their own incomes since the wives stay at home. The revenue needed to support the increased government expenditure, if raised in direct income taxes, would put strain on the decreased labour force. With lower family incomes, their demand may decrease thus aggregate demand may decrease. The cycle of a recession or a growth slowdown may thus be knocked onto shops etc.

A commercial bank closing 200 branches obviously means a loss of jobs. Those losing their jobs have less income thus they contribute to decreasing aggregate demand in an economy. Nevertheless, from the points of view of both consumers and the bank itself, the loss of branches in favour of other means may prove economical. For instance, the new e-accounts available nowadays yield much greater rates to customers due to the decreased transaction and branch costs. This means both consumers and firms benefit from such automation. However consumers are normally workers as well thus if they lost their jobs after the 200 branch closure then their ability to benefit from high interest returns on savings is reduced. The decreased aggregate demand, caused by the lost jobs and assuming no externalities, thus may cancel out such gains. Having said that, the gains through efficiency via the internet are far greater than the jobs lost, speaking on a macroeconomic basis. Industrialisation leads normally to more jobs and greater productivity through mechanisation. However, automation (as is probably the case for internet services) increases efficiency but reduces jobs. Although the closure of 200 branches for one bank makes no real difference on a macro scale, the process of automation will not be limited just to that bank. Many will follow suite thus jobs may be lost elsewhere. The result may be large scale unemployment in newly automated

industries such as banks. Efficiency to begin with will be significant, but the long term changes may lead to a significant decrease in economic growth due to a low aggregate demand as a result of mass unemployment.

Decreasing subsidies in this sector would obviously contribute to a decrease in the PSBR (or increase in the PSDR). However, as a result, prices may rise for fares thus consumers lose out. However, once the industry has adapted to this situation, competition may be promoted due to a greater need to operate under less subsidised conditions. Efficiency may increase as the operators will strive to maximise profits. A similar situation thus may occur comparable to RPI-X theory. In this situation, the regulator fixes the prices charged for a period of up to five years. The firm can only increase prices by the value given to X. The regulator sets X according to inflation and possible efficiency due to technical progress. The idea is to share the increased efficiency with the customer. The operator will attempt to lower costs below X so as to increase profits. Decreased subsidies may have a similar effect, since the operators will strive to eliminate unnecessary costs so as to make up for the lost subsidies, and increase profits. The decreased subsidies act as incentives for operators to stay in business and maximise profits. The initial increase in fares may promote the use of private transport, most notably cars. This has negative effects on both the environment and the social costs of congestion etc. This "car culture" associated with the conservative party in the 1980's proved to be a political battle in the Greater London Council area, eventually ending in the courts. However, despite the relatively recent political situation, the increased use of cars has negative effects on society.