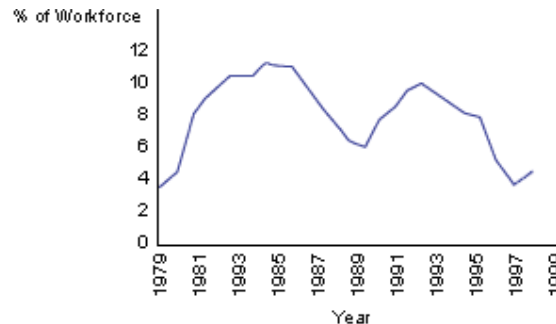


Why Are People Unemployed?

Introduction

Unemployment directly affects people of age's 18-60 year olds. It is usually defined as a condition under which able people of the working age that wish to work for the current wage or salary rates for their skills but cannot get a job. When a member of a family is unemployed, the family feels it in lose of income and a reduced standard of living. There are many possible causes of unemployment, and unfortunately, for the government, it is never easy to identify which is the most important and what to do about it. Unemployment is a big problem for the economy. The graph below shows how awful unemployment has been during the past years.

Unemployment 1979-1998



Types of Unemployment

There are various types or sources of unemployment. These are contributing to the causes of unemployment. The main types of unemployment are:

Frictional unemployment: People who are not working who are simply between jobs. This maybe the result of changes in the technical conditions of work, being hired elsewhere or simply relocating etc. They are not actively searching for a job, but instead they are waiting to begin their next job. In general, frictional unemployment is partial and temporary.

Structural Unemployment: Structural unemployment occurs because a difference between the types of workers wanted by employers and the kinds of workers looking for that job. The differences may be caused by inadequacy in skills, location, or personal characteristics. An example of this type of unemployment is if a robot dismisses a welder or if a nuclear engineer is simply no longer needed in a lab, these workers become unemployed. This type of unemployment is called structural unemployment because the arrangement of the job is incompatible with the skills offered by the worker.

Cyclical Unemployment: Many people are have qualifications for jobs but cannot get a job. This is because as the economy begins to slow down basically there is not

enough demand to employ all these workers. This type of unemployment is part of why there is a change in output, due to the cycles of the economy.

Seasonal Unemployment: It occurs when industries have a slow season, such as construction and other outdoor work in winter. It also arises at the end of the school year, when large numbers of students and graduates look for work. Father Christmas has a tendency to only be in demand for a short period of the year, and the rest of the year would be classified as seasonally unemployed. Seasonal unemployment tends to take place in certain industries. Industries that suffer particularly are:

- Hotel and catering
- Tourism
- Father Christmases

What Are The Causes Of Unemployment?

Factors that influence unemployment are:

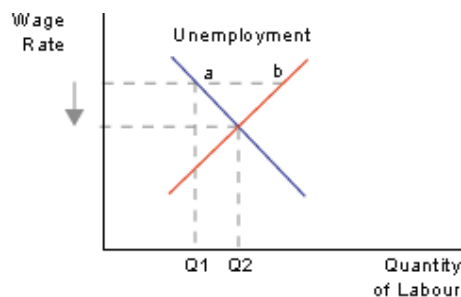
- Demand And Supply side
- Economic Factors
- Structural Factors
- Minimum wage
- Labour Unions
- Job Search
- Competition

All of these points work together to generate the unemployment, which, is reflected in the unemployment rate.

Demand And Supply Side

The demand side which, is simply a lack of aggregate demand (the total level of demand in the economy). When there is not enough demand employers won't need as many workers. Keynesian economists in particular focus on this point.

Unemployment is also caused by the supply-side. This is an effect from imperfections in the labour market. An ideal labour market will always clear. Therefore, supply equals demand. Although when the market does not clear this is when unemployment occurs. This could happen because high wages. The diagram below shows how this causes unemployment:



The diagram shows that, as the wages are originally too high, so unemployment of labour results (supply is greater than demand). Wages have to drop for it to clear; however, it may persist.

Economic Factors

Business Cycles:

This can cause unemployment because economies move in cycles and it is during the dips that unemployment may result.

Industrial Adjustment:

A path of unemployed people can occur when production may move from high wage countries to low wage countries, from old inefficient facilities to newer ones.

Not Enough Jobs:

When this happens in the industry it produces unemployment. Insufficient jobs may be a result from a declining manufacturing sector, a growing service sector, changing consumption patterns, technological developments, third world competition etc.

All these economic factors are elements of the reason why people are unemployed.

Structural Factors

All of the structural factors help to contribute towards unemployment.

Imbalance Between Skill Supply and Demand

This causes structural unemployment. This is a type of unemployment like all the rest it causes unemployment.

Education and Training

Not the entire workforce are always properly trained. Very frequently, companies continuously complain that the skill levels of the work force do not meet the skill needs of the economy. When this happens, people lose their job because they do not have the necessary qualifications to perform the job.

Movement Between Jobs

Another type of unemployment is frictional unemployment when people switch jobs. This sort of unemployment like the rest is an outcome of unemployment.

Seasonal Lay-Off

This causes unemployment and happens all the time in various seasons. People are out of work in seasonal occupations such as resource industries, construction, tourism and fisheries. This particularly affects Canada due to the nature of our economy.

Cost of Production and Productivity

Occasionally the cost of constructing things maybe too high and so the outcome is low productivity. Low productivity may result from outdated plant and equipment, high cost of labour per unit, high transportation costs, bad management, and high taxes.

Technological Changes

More than ever now machines are taking over the jobs of individuals, resulting in a decreased demand for labour. This is can also caused by skill redundancy where the original workers do not have the technological skills necessary in the new types of occupations. On the positive side, technological change can result in new products, new markets, or increased productivity.

Internal Migration

Many people decide to move for different reasons, when people do so it causes unemployment until the moving people find jobs.

Minimum Wage Laws

In an efficient market, the price of good changes to equilibrate the quantity demand and the quantity supplied. If there are people who desire jobs, the price of labour or wage will fall, until all are employed. The minimum wage is placed so that it helps people continue with a particular standard of living. The minimum wage that the government put in artificially inflates the wage of the workers at the bottom of the wage scale above what the firm would typically pay. This makes people who are above the minimum wage demand for a higher wage and so do the people above them. Higher wages increase the number of workers willing to work. However, it decreases the number of employers willing to hire people.

Labour Unions

Labour unions are group of workers who gather together for higher wages, better working conditions and more benefits. This makes firms spend more money. The money is spent in different ways such as wages and benefits. This has the same effect as the minimum wage law. People are demanding higher wages then companies are prepared to pay. This causes the wages of workers to rise above the market clearing level. So overall, it creates a situation where there are more people needing jobs than there are firms who are giving them and unemployment arises.

Job Search

This is unrelated to the labour market. Instead, it has ideas comparable to the types of unemployment. Once an individual comes to a decision to locate a job, they cannot simply get one automatically, but has to search for one. Regularly, this procedure takes a while. It may happen because there is poor information about job opportunities. This will lead to people taking a long time looking for jobs, increasing the level of frictional or search unemployment. Whilst this is happening, the person is identified as unemployed. This basic procedure of people looking for a job or moving from one job to the next causes unemployment.

Competition

Many people are unemployed for years, or are often forced to accept work they dislike. This can cause stress, which could affect his or her health, and that job is taken away from someone who would like to do it. This causes someone else's unemployment. The deception that everyone should be trying to make money is causing over-competition. There are too many people taking jobs or business away from each other. This is causing massive unemployment, bankruptcies and poverty.

Conclusion

I know there are more reasons than just the simple reasons for why people are unemployed. It is much more complex than people think. It maybe voluntary or involuntary but whatever the cause it is still a problem in today's society. Unemployment affects all of us. Not only are the unemployed not working, and therefore not contributing to the economy, but they will also be claiming benefits and costing the government money. Except maybe the main people who are affected the most is themselves. The aim should be to keep unemployment as low as possible.