

# Unemployment Causes and Effects Essay

## **Introduction**

Unemployment causes and effects are vital to recognize in order to solve the problem. Analyzing them can also allow people to realize what consequences are to expect. Yet, first of all, all the essential terminology should be defined.

Unemployment refers to a state of not having a job. It entails individuals with the ability to work, a resolve to find employment, available and in the hunt for employment (Stone 25). Categories of unemployment include classical, structural, frictional, cyclical, and hidden types.

Classical unemployment entails a situation in which earnings received for a job go beyond ordinary levels. This results in limited job vacancies for people. The structural type refers to a situation in which unemployed individuals fail to meet job requirements in terms of skills needed (Stone 29). Frictional unemployment concerns the changeover phase between jobs, while the cyclical one refers to a state in which claims in the economy fail to offer jobs to people. When the claim for goods and services lowers, there is a limited production that requires few workers (Stone 29). Finally, the hidden type refers to the unemployment of prospective workers due to errors made in generating statistics on the subject (Stone 30).

The causes and effects of unemployment impact individuals, society and the economy in general. The overall problem issue results from various factors relating to social, economic, environmental, political and individual elements in an economy. So, to gather both consequences and causes of unemployment, this essay attempts to consider and analyze them separately.

## **Causes of Unemployment**

Unemployment results from several causes and factors related to an economy. Some causes are due to personal choices while others are beyond individual control (Stone 31). People invest many resources in gaining reputable education and eligibility for jobs, but often find themselves with no employment (Stone 34). Unemployment results from factors and causes discussed below.

The first cause is inflation. Inflation refers to the progressive increase in prices of commodities and services in the economy. Economic inflation is one of the major causes of unemployment (Stone 37). Inflation results in a limited market activity by economies that cannot match efforts by others due to escalating prices. The economy experiences trouble, and progressively employers fire some workers to reduce the cost of production. This result in unemployment among the individuals fired.

The second cause is recession. Recession refers to decline Gross Domestic Product (GDP) of an economy, employment rate and market activity (Dawson 75). Economic recession links directly with economic inflation. Recession results from inflation where people are not able to afford goods and services offered by the economy (Stone 41).

A decline in production and more imports than exports characterize a recession. These elements influence negatively on GDP of an economy. This results in increased rates of unemployment because many employers refuse to hire while others fire some of their employees (Stone 43).

Another cause is change in technology. Rapid change in technology is driving many employers into diversifying and improving the effectiveness of their workforce (Dawson 78). Some of technology applied replaces individuals in the production process as some process executed manually apply through technology.

This leads to several people losing their jobs. Job dissatisfaction is also another leading cause of unemployment (Dawson 78). New technology results in some employees being involved partially in production activities, which leads to frustration. Frustrations may lead to employee resignation (Dawson 80). This causes unemployment.

Another cause is employee worth (Dawson 85). Employees put a lot of effort and dedication in their activities but often end up unappreciated by their employers. This may result to lack of motivation among employees, which may compel them to stop working for their employers (Dawson 85).

This leads to individuals being unemployed until they find employers who appreciate their efforts. Discrimination in places of work is another cause of unemployment. Discrimination could be because of age, gender, social class, race, religion or ethnic background. Securing a job in such a working environment is extremely difficult and may discourage people from looking for jobs as well as forcing those already in jobs to quit (Dawson 87).

Other causes of unemployment relate to an individual and include disability, attitude towards potential employers, negative perceptions about jobs and employees as well as an individual's ability to look for a job (Dawson 93). Welfare payments should be discouraged as they reduce the will of unemployed people to look for jobs. People develop dependency on grants and lack any meaning in employment since they are able to meet their basic needs (Dawson 98).

## **Effects of Unemployment**

Unemployment has both positive and negative effects. However, negative effects of unemployment surpass positive effects (Stone 65). Unemployed individuals experience difficulties meeting their basic needs as well as contributing to economic prosperity of their countries (Stone 66). In recessions, many people

lose their jobs, but companies usually develop mechanisms to produce more goods with limited workforce. Unemployment leads to effects discussed below.

The first effect is loss of income. Unemployment results in individuals losing their source of income and livelihood. Most people in employment use their incomes to get mortgages and other forms of financing (Stone 69). Loss of income leads to poor living standards and increased risk on health.

Another effect of unemployment is social exclusion. A work place provides a platform for socialization. When people lose their jobs, their social circle reduces considerably and end up excluded from the social environment. Other social problems associated with unemployment include crime, bribery and gambling (Stone 70).

Unemployment causes political instability (Stone 75). When majority of a country's population is unemployed, life becomes hard, and people develop hostile characters. They consider their government as ineffective and incapable of providing the needs of its people (Stone 76). Such individuals participate in movements that oppose government policies through riots that result in political instability.

effects of unemployment include over exploitation of available labor, reduced rate of economic growth, reduced human capacity, loss of human resources and increase in poverty levels (Dawson 101). One positive effect of unemployment is the availability of adequate labor at reduced market prices. When many people are unemployed, labor is available at competitive prices because people are always eager to have some income (Stone 80).