

A Note on Unemployment and Its Effects

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Description

Unemployment refers to persons who are qualified and actively seeking a job but is unable to obtain it. This group includes those who are in the labor force but do not have suitable employment. Unemployment is one of the economic indicators of a nation. It is measured by dividing the number of unemployed individuals by the total number of people in the labor force. The term "unemployment" is misunderstood frequently; it includes people who are waiting to return to work after being relieved. But people who have stopped looking for work in the last four weeks for various reasons such as leaving the job to pursue higher education, retirement, disability, and personal issues should be excluded. People who are not actively looking for employment yet desire to work are not considered jobless.

Types of unemployment

There are four types of unemployment: (1) Demand-deficient unemployment, (2) Frictional unemployment, (3) Structural unemployment, and (4) Voluntary unemployment.

Demand deficient unemployment: Demand deficit unemployment is the most common source of unemployment during a recession. When a company's demand for its products or services falls, it responds by cutting back on production, necessitating the decrease of its staff inside the organization. Workers are effectively laid off.

Frictional unemployment: The term "frictional unemployment" refers to workers who are between jobs. A worker who just left or was fired and is seeking for work in a non-recessionary environment is an example. It is not a bad thing because it is generally created by people looking for a job that is a good fit for their skills.

Structural unemployment: Structural unemployment occurs when a worker's skill set does not match the skills necessary for the job. It happens when employees are available but unable to travel to the geographical location of the jobs. A teaching job in China, for example, may need migration, yet the worker may be unable to get a work visa owing to visa restrictions. It can also occur when there is technological development in the company, such as workflow automation, which eliminates the need for human labor.

Voluntary unemployment: When a worker decides to leave a job because it is no longer financially viable, it is referred to as voluntary

unemployment. A worker whose take-home wage is less than his or her cost of living is an example.

Causes of Unemployment

Unemployment is influenced by a lot of factors coming from both the demand side, or the employer, and the supply side, or the worker. High-interest rates, a global recession, and a financial crisis might all lead to demand-side cutbacks. Structural employment and frictional unemployment are important to supply factors.

Effects of Unemployment

Unemployment influences both employees and the national economy, and it can have a cascading effect. Employees have financial difficulties as a result of their unemployment, which has an impact on their families, relationships, and communities. When this happens, consumer spending, which is one of the key drivers of an economy's development, declines, potentially leading to a recession or even a depression if not addressed. Unemployment affects demand, consumption, and purchasing power, resulting in lower profitability for businesses and the need for budget cuts and staff layoffs. It generates a never-ending cycle that is impossible to interrupt without external intervention.

Conclusion

Long-term unemployment is defined as unemployment that lasts more than 27 weeks, even if the individual had looked for work in the previous four weeks. For obvious reasons, its repercussions are significantly harsher than short-term unemployment, and the following are some of them. Some 56% of long-term unemployed people reported a considerable decline in their net worth. Long-term unemployment does not simply cause financial concerns; 46 percent of persons in this situation report having damaged family relationships. Another 43% of long-term jobless people said, it had a substantial impact on their ability to attain their career ambitions. Unfortunately, long-term unemployment caused 38 percent of these people to lose their self-esteem and 24 percent to seek professional aid. Unemployment is a severe social and economic issue that has a huge influence on everything yet is sometimes disregarded.

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Received: December 03, 2021; Accepted: December 17, 2021; Published: December 24, 2021

A more robust method of analyzing unemployment should be implemented to better understand its causes and how to alleviate it.

How to cite this article: Iqbal, Belamghari. "A Note on Unemployment and Its Effects." *Arts Social Sci J* S6 (2021) : 004.