# Unemployment Causes, Effects and the corrective actions

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## Introduction

Employment has direct implications on the lives of everyone and, ironically, unemployment has been a part of every country for a while now. It is such a critical issue that it has implications which reach beyond money matters. With the increased development in technology, the unemployment rate is rapidly increasing. It is because most of the industrial processes, which used to be labour-intensive before, are now being automated.

The issue of unemployment always has deeper socio-economic effects. The youth are the real victims of unemployment as they get pessimistic during their blooming days and it in turn creates a whole generation of negative-minded people. Despite automation, there are several other reasons as well for the issue and a greater percentage of the population is being hit by unemployment, corrective actions for which need Government intervention.

## Unemployment – Causes, Effects and Trends

One of the major causes of unemployment among the labour class is the automation of industrial processes. The Industrial Revolution resulted in greater production efficiency due to the automation of manual processes; at the same time, a great number of labourers were jobless. Businesses, especially within the manufacturing industry, find it useful to invest in machinery rather than people. The same level of automation can also be seen at the higher levels, like accountants, for example (Burns). The newer, more advanced ERP systems are replacing the well-staffed finance departments in many organizations, and it is adding to the unemployment levels.

The issue of unemployment has too many problems attached to it. Unemployment is like a chronic disease in this society, and it is fatal for the country's economy. As a human being, we are programmed to build a career, work and make lives easy by getting jobs that we are passionate about. However, with the unemployment prevailing, it is not easy to build a career. The youth have faced a lot of problems which is why they feel really disappointed after their graduation. These social problems contribute to illegal activities in society.

Fig 1.1 United States Unemployment Rate 2017 (Riffkin).

In reference to Figure 1.1, among the major groups in the United States, the rate of unemployment

increased to 4.7% in the year 2017. However, the rate of white wedges increased by 3.5%. According to this graph, the rate of jobless women in the United States is up to 3.6 per cent, Jobless men 3.9 per cent, teenagers 13.9 per cent and Asians up to 3 per cent. Moreover, the number of long-term unemployed has increased to almost 1.4 million in January. A significant percentage of people were also employed as part-time job holders at that time (Riffkin). It was almost 5.0 million in January and it is still unchanged.

# Solutions to Unemployment:

The clear-cut solution to unemployment is to create better employment opportunities. According to the latest studies, there is an average increase of 2-3 per cent in the economic growth rate which is enough to create a minimum of 150,000 jobs which is exactly what we need in order to prevent the increase in unemployment.

- The first solution to decrease the unemployment rate in a country is to change the monetary policy. The monetary policy can provide quite effective and quick solutions to fix the problem. Decreasing the interest rates helps to flourish the economy as more people tend to set up or expand their businesses. There is a higher demand to change the investment pattern as well (Mehta). This system change will be really helpful for the organizations and sole traders as well.
- The second most important thing to do is work on the educational system. The present system does not allow every student to get a job which will help them choose better careers so that they can work full-time jobs and not waste their time after graduation at part-time jobs (Amadeo). Speaking of education, there is also a need for the youth to be engaged in more technical education which would empower them to make a living as soon as they graduate.
- Another solution to unemployment is on the part of the government. The government should develop policies that support people who are not employed yet for one reason or another. Government should provide unemployed people, especially those who are skilled in any field, with low-interest-rate loans so that they may be able to establish their source of income. There are scores of highly skilled people in society who only need an initial start-up and then they can carry it further. It includes plumbers, electricians, carpenters, car mechanics and many other skilled people (Amadeo). If supported properly, they may be able to support themselves and have some youngsters employed with them.
- The government should be providing more unemployed people with unemployment support. Obviously, all the money received by unemployed people shall be spent and will create new business activities. It is a fast-track solution for handling unemployment (Amadeo). In this way, the funds provided by the government are directly injected into the economy of the country.
- In the longer term, one solution is to invest in industry development. Construction and mass transit projects are of particular importance in this regard. According to studies, if one billion dollars are spent on mass transit projects, it will open up around twenty thousand job opportunities in the construction industry (Amadeo). Construction is such a vast field that a lot of other smaller industries are directly linked to it. Investing in construction is like feeding a

whole economic system which creates scores of employment opportunities for the unemployed and self-employed as well.

- Increased government spending on the education sector can also be a solution to unemployment. Every one million dollars spent in the education sector adds back 1.3 million dollars to the economy. It is because more people are technically educated which helps them land jobs. More people get to earn money, and the spending level also increases, thus opening up new economic activities.
- Organizing different types of exhibitions can also help reduce unemployment. With the increased exhibitions or expos, there will be short-term job openings for the local population. Though this may not result in long-term effects, it will cater for the immediate needs of the unemployed people.

Figure 1.2 Labor force statistics in the United States.

# Conclusion:

To sum up the issue of unemployment, the government needs to take practical steps to solve the issue of unemployment. Unemployment is currently the biggest challenge a lot of countries are facing. The idea of creating more and better employment opportunities for the people and creating a better living standard for everyone is the responsibility of the government. As a nation, everyone needs to play their part in building a career which can serve them well in the future as an individual in society. This government needs to consider the unemployment issue very seriously as this issue also plays a role in encouraging illegal activities in a country. Every barrier that lies in job creation should be removed immediately and effectively as this is how the government can begin solving this issue. This is definitely not an easy journey.

# References:

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