

Student's name

ID No: UM5555555555555555

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1.0 INTRODUCTION

Nowadays, most of the countries in the world including developing and developed ones are more concerned about the challenge of high unemployment. This concern has attracted me to look into the possible causes of this problem and its social and economic impacts in the European countries.

This essay therefore explores the concept of unemployment from various sources and analyzes the magnitude of the problem in Europe prior to evaluating the likely effects that unemployment may have in the European countries.

I have organized this essay into three main sections. The first section will provide an overview of unemployment concept. In the overview, I will look specifically at the meaning of unemployment, the different types of unemployment and the causes of unemployment in the context of Europe.

The second section will discuss the main ideas behind the concept; and analyze the causes of the problem and its possible impacts in Europe. In this section, I will specifically summarize what I learnt from the unemployment concept and narrate my own views and opinions on the causes and impacts of the problem in Europe.

The third and last section will conclude my discussion by highlighting why high unemployment is increasingly becoming a major concern in the European countries. In this very section, as a way

forward, I will outline my suggestions on what should be done next to minimize the problem and its economic and social consequences in Europe, especially in Eurozone.

2.0 OVERVIEW OF THE UNEMPLOYMENT CONCEPT

2.1 DEFINITION OF UNEMPLOYMENT

There may be several definitions of explaining what exactly unemployment is. However, let us look at the following definitions from two different sources.

- “Unemployment is defined as a situation where someone of working age is not able to get a job but would like to be in full time employment” (Pettinger, 2010).
- “Unemployment is a situation in which an individual in an economy is looking for a job and cant’ find one” (Beggs, n.d.).

Looking at the definitions above, one may simply conclude that unemployment is a situation in which somebody who is illegible to be working does not have a job despite an active looking for it.

Moreover, unemployment as a situation exists in different types, each of which has its own causes that we should understand (Beggs, n.d.). The following section outlines the most common types and causes of unemployment.

2.2 TYPES AND CAUSES OF UNEMPLOYMENT

2.2.1 Structural Unemployment

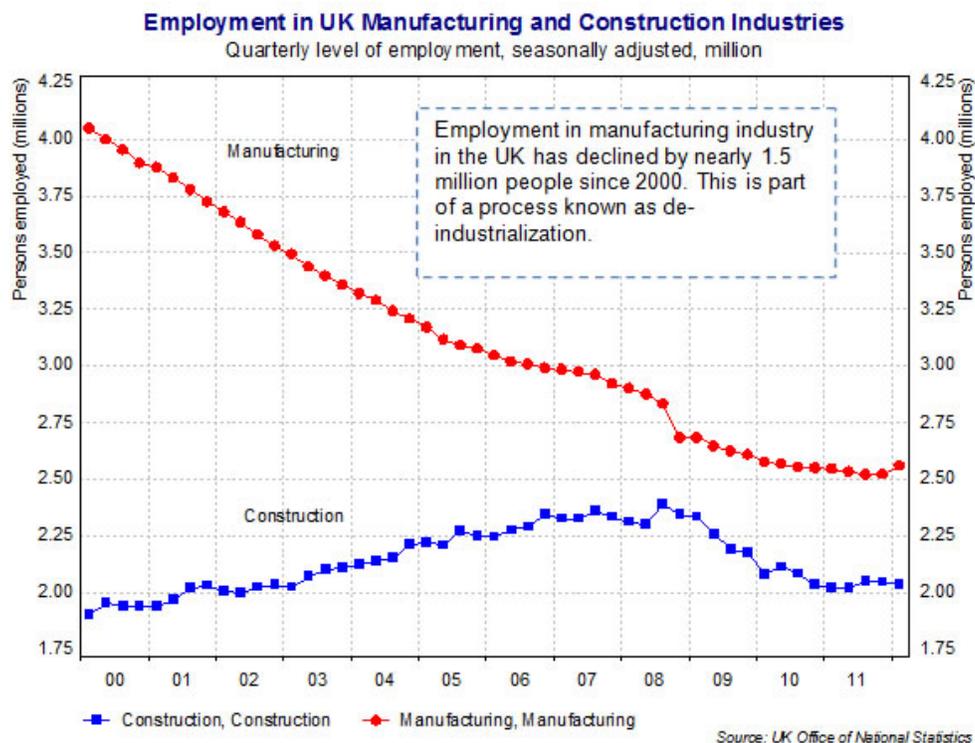
This is a type of unemployment caused by the technological changes, occupational immobility and geographical immobility (Pettinger, 2010). By technological change, I mean, the use of new technology by some industries may force others in the same economic sector to retrench workers or close down hence leaving the workers unemployed. For example, the use of nuclear power technology in generating electricity may force coal mine industries to close down or retrench workers.

In occupational immobility, I mean that a person remains unemployed just because he does not have the right skills to get a job that demands such skills. As for geographical immobility, I mean that a person remains unemployed because of being unable for various reasons to move to a location where a job is available. For instance, there may be a job in downtown London, but the person may not be able to move to that city just because of possible snags in obtaining accommodation or school for his children (Pettinger, 2010).

In Europe, **globalization** has changed and continues to change the shape of trade between countries as most of the manufacturing firms, had inevitably shifted some of their productions to “Lower-Cost Centers in the Eastern Europe and emerging market countries in the Far East Asia” (Riley, 2012). This has significantly caused structural unemployment, as some workers in the

manufacturing companies in the UK were terminated and very few probably forced to move to the new locations where the lower-cost centers are.

The diagram below illustrates a sharp fall of employment in the UK manufacturing sector from 2000 to 2011.



Graph 1: Employment in UK Manufacturing and Construction.

In addition to globalization, a **recession** in Europe has greatly played a significant role in structural unemployment. As you can see from the chart above, UK unemployment in the manufacturing sector “was amplified by the effects of recession in 2008 to 2010” (Riley, 2012).

2.2.2 Frictional Unemployment

This type of unemployment results when an employed person leaves his job and starts looking for another job somewhere (Pettinger, 2010). The duration taken to find another job is where frictional unemployment stands. This type of unemployment is transitional, and it is common to college graduates who are joining the labor market for the first time. They normally take time to find jobs of their choices (Riley, 2012).

However, from the economic point of view, frictional unemployment is not a big problem as it is purely voluntary and only for short periods.

2.2.3 Cyclical Unemployment

This type of unemployment is involuntary. It is caused by the fall of demands of goods produced and services provided by firms and companies (Riley, 2012). Economists called this type cyclical unemployment since it is associated with the business cycles happening in the economy - as unemployment is considered “higher during recessions and depressions and lower during periods of high economic growth” (Beggs, n.d.).

Cyclical unemployment, also known as Demand-Deficient Unemployment, is an unemployment situation driven by a fall of Aggregate Demand (AD) whereby companies and firms are forced to close down or decrease outputs and thus retrench employees to cut costs (Pettinger, 2010).

In Europe, for example, there is a sharp rise of unemployment for countries like Greece, Spain and Portugal where their economies go into recession because of austerity policy. The policy means

less money will be set aside to purchase industrial goods and services (Friedman, 2013), and this consequently means a sharp fall of AD in these countries, which in turn forced various firms to reduce their productions, stop recruitment, and even discharge some workers to cut costs to maintain profits (Riley, 2012).

The following matrix illustrates the unemployment pattern in Europe as reported by George Friedman in *Geopolitical Weekly* of March 5, 2013 (Friedman, 2013).

Country	% Unemployment
Austria	≤ 6.0
Germany	
The Netherlands	
Luxembourg	
Denmark	7.4
UK	7.7
France	10.6
Poland	
Italy	11.7
Lithuania	13.3
Ireland	14.4
Portugal	17.6
Spain	26.2
Greece	27.0

Table 1: Source: Geopolitical Weekly of March 5, 2013

In terms of number, it is estimated that up to April 2013 at least **19.4 million** eligible people in the Eurozone were unemployed (Cooper, 2013). Rachel Cooper says, “fears that Europe is facing a ‘lost generation’ were underlined by the youth unemployment rate standing at **24%** in Eurozone during April 2013” (Cooper, 2013). She further reports that, “almost two-thirds of youngsters are unemployed in Greece while more than half are jobless in Spain” (Cooper, 2013).

Generally, these figures sound bad for the future of Europe, and as you may envisage, most of the unemployment in Europe today are seem to be structural and cyclical.

2.2.4 Voluntary Unemployment

This is the type of unemployment resulted from somebody willingly decided to leave the job and start looking for the new one (Beggs, n.d.). Voluntary unemployment also happens when somebody left the job and decided not to work just because the unemployment benefit package that he would be paid (as Job Seekers Allowance, particularly in Europe) is probably much better or similar to a job take home package (Pettinger, 2010). Frictional unemployment described above is falling into this type of voluntary unemployment.

2.2.5 Seasonal Unemployment

This type of unemployment happens because of the fact that a demand for employment is seasonal, not throughout the year (Beggs, n.d.). For example, people are employed during the summer when there are tourists, and consequently retrenched during the winter (Riley, 2012). This type of

unemployment is considered as a form of structural unemployment because the requirements of the skills are not in demand throughout the year (Beggs, n.d.). However, in the context of Europe, the seasonal unemployment may not have a significant impact.

3.0 GENERAL DISCUSSIONS

The following are my summary discussions and opinions concerning what I have learnt from the unemployment concepts explained in the above section and its subsections.

3.1 CAUSES OF UNEMPLOYMENT

I have learnt that unemployment exists in different forms or types, each of which has its own causes. However, in my opinion, structural and cyclical unemployment are playing a big part of unemployment in Europe. From what I learnt, the causes of these types of unemployment are technological changes, lack of necessary skills, geographical immobility, economic recessions and globalization. The following are summary explanations regarding each of these causes.

3.1.1 Technological Changes

Technological changes had undoubtedly played a significant role in increasing unemployment in Europe as machines replace some of the workers. For example, robots had replaced some workers in the motor vehicle manufacturing companies. On the other hand, technological changes have made some companies to withdraw from competition and close down their business. For example,

in some of the European countries, the uses of nuclear power technology in generating electricity may have forced coal mine companies to close down and leave workers unemployed.

3.1.2 Lack of Essential Skills

Lack of the necessary skills has significantly contributed to unemployment, not only in Europe but also in other countries worldwide. This is because, almost every country including European ones, despite of the existence of unemployment, there are job vacancies left unfilled. This means that, people may have skills but remain unemployed because they do not have the right skills demanded by the available jobs. This seems to be a typical mismatch between employers' needs and skills available in the labor market.

3.1.3 Geographical Immobility

I have learnt that in industrialized countries like Europe, it is likely to have a setup where some cities and towns have more employers and jobs than in other cities. Nevertheless, it is very possible that skilled people in other cities to remain unemployed because of being unable to move to the cities where jobs are available. For instance, there may be many jobs in cities of Western Europe, but people from eastern or southern Europe may not be able to move to the West because of being afraid of inevitable complications in finding accommodations or schools for their children.

3.1.4 Economic Recession

I have learnt that the global financial crisis of 2008 has made the economies of many European countries, especially those in the Eurozone, to undergo recessions due to austerity measures taken to curb the crisis. I further learnt that the measures imposed meant for allocating less money to purchase goods and services, and this in turn reduced Aggregate Demands. The reduction of such demand has consequently forced some companies in Europe to cut their productions of goods and services, stop new employment and retrench workers to cut costs. In other words, the downturn in output of the companies has caused a contraction in employment in Europe.

3.1.5 Globalization

In the world today, Globalization forces had generally changed the shape of trade and businesses. The new shape driven by the ever-increasing transnational businesses, free trade, free market, rapid technological developments and the ever-changing competitive business environment has largely contributed to high unemployment in many countries including Europe. In Europe, for example, it is possible that some of the companies with big numbers of employees had moved their productions to the emerging market and low-cost overseas countries in South and Far East Asia like Singapore, Hong Kong and China. Consequently, this move has left a significant number of people in Europe today unemployed.

3.2 IMPACT OF UNEMPLOYMENT

I have learnt that unemployment is something, which can no longer be underestimated because of its remarkable impacts to unemployed individuals, society and government in general. In my view,

the following might be some of the consequences of the unemployment problem in Europe and beyond.

3.2.1 Increase of Personal Problems

A lack of employment may lead an individual into poverty, as he has no earnings or income to take care of himself or his family. This poverty or lack of income is an economic problem, but it may also put this individual into stress and health problems.

3.2.2 Increase of Social Problems

People, who are unemployed, especially youths, are likely to be frustrated and have feelings of social discrimination and inequalities, and may eventually resort to criminalities and social instabilities. It is a simple fact that European societies and communities with high unemployment are likely to have more crimes and social insecurities.

3.2.3 Increase of Economic Problems to Government

In economic perspective, more employment mean more taxpayers to the government. However, the governments in Europe with high rates of unemployment such as Greece and Spain are likely to increase borrowing because their tax revenues are falling as a number of people paying taxes (taxpayers) decreases. On the other hand, if these countries are offering unemployment benefits, then their governments will have to spend more on the benefits as the number of unemployed increases.

4.0 CONCLUSION

In view of the discussion above and the current trend of the world today, I am strongly convinced to conclude that a high unemployment is indeed a major concern in Europe. Although the technological changes, lack of necessary skills, and geographical immobility have considerably caused this unemployment, globalization and economic recessions resulted from austerity policies of Eurozone had massively contributed to high unemployment in Europe.

The situation of high unemployment in Europe has, among others, created frustrations to unemployed individuals, especially youths and inflicted social insecurities in countries like Greece and Spain. The European countries are now very much concerned about this situation and its economic and social impacts, which are likely to threaten the future of Europe.

However, in my opinion, as a way forward I would urge the current and prospective European governments to consider my following recommendations as a vital for reducing high unemployment and its consequences in their respective countries:

- To reconsider their austerity policies in order to balance the financial crisis with the unemployment crisis that is likely to lead into grave economic and social insecurities in Europe.
- To review the university and college education systems in order to give more priority to the technology and skills that are in high demand in the labor market and match the employers'

needs. In addition, the education system review should focus on promoting self-employment especially for university and college graduates.

- To institute special and attractive economic incentives that will encourage both European and foreign investors to invest more in Europe and create jobs.
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