

Unemployment

Unemployment is typically associated with labour i.e. employees who make themselves available for employment not being able to find work. However, it can also be applied to other factors of production such as capital e.g. machinery.

Unemployment varies with the level of economic activity. In early 2004 employment in the UK was high, so that unemployment figures were low - about 4.5 with employers reporting skill shortages in a number of areas and trades.

There are many explanations of how unemployment is caused. One cause of unemployment may be downswings in the trade cycle, i.e. periods of recession.

Another explanation of wide-scale unemployment refers to structural employment. Structural unemployment arises from longer-term changes in the economy, affecting specific industries, regions and occupations. Structural unemployment often explains regional unemployment. Some regions of the UK such as Central Scotland, and the North-West have higher rates of unemployment because the traditional heavy industries which located there have gone into decline as they are replaced by cheaper imports from abroad. The new high-tech industries based on new technologies tend to be based in the South-East and along particular growth corridors.

Other people argue that new technology is a cause of unemployment i.e. technological unemployment. The argument is that the introduction of new technology is destroying jobs and trade while at the same time imports from low-wage developing countries are undercutting goods produced in this country.

However, a number of studies contradict this. New technology generates new products, new services and therefore new jobs. Fewer workers may be required in some production processes where specific tasks are taken over, but rising productivity boosts incomes and the demand for new jobs in the economy as a whole.

There are thus considerable differences in opinions about the causes of unemployment.