INTRODUCTION

Employment has always been regarded as one of the important social issues. The fundamental reason that makes it so important is that it does not only affect the economic development of society, but also the stability of the society. Employment determines how a society is like, how it is going to develop. It also affects how individuals define themselves. Imagine if enormous numbers of people are jobless, the consequences must be drastically catastrophic. Although this might sound like “groundless” fear, it might eventually become reality if we do not address it in time.

As a matter of fact, most of the countries are suffering from the slower-than-projected economic recovery and rise in unemployment. With reference to the Global Employment Trends 2014 prepared by the International Labour Organization (ILO), there are about 202 million people who were unemployed in 2013 around the world after the 2008 global financial crisis. Among the unemployed, about 73 million young people were unemployed. To prevent the “groundless” fear becoming the reality, as delegates from global community, we must find a viable strategy to strengthen the global economy and alleviate the problem.

In the following sections, the problem of unemployment will be investigated. We will first take a look at the concept of unemployment. We will see issues related to unemployment. Finally we will take a look at some suggestions by international community to address unemployment. Please note that this study guide only serves as a general introduction. Further researches are required in order to full understand the issue. Please refer to the “Reference For Further Researches” section after you have finished the study guide.

OVERVIEW – CONCEPT OF UNEMPLOYMENT

In order to study the problem of unemployment, we must first understand the concept of unemployment.

DEFINITION OF UNEMPLOYMENT

Generally, most people understand unemployment as simple as “people do not have a job”. However, the concept of unemployment is far more complex than the above mentioned. Generally, internationally community define unemployment according to a resolution of International Labour Organization in 1982. One can only be called as “unemployed” if he / she is:

- “without work”, that means he / she was not in paid employment or self-employment during a particular reference period;
- “currently available for work”, that means he / she was ready for a paid employment or self-employment during the reference period;
- “seeking work”, that means he / she had taken specific steps in a specified recent period to seek paid employment or self-employment.¹

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Unemployment is one of the key indicators of the economy. Preventing mass unemployment has universally considered primary goal. Why is it the primary goal? As mentioned in the introduction, it is because employment indeed has great influences on both economic and social development.

Unemployment comes from different causes. In general can be manifested into five types: frictional, cyclical, voluntary, structural and institutional.

1. **Frictional Unemployment**

Frictional unemployment refers to the period between job transitions. People are regarded as unemployed while they are attempting to find a new job.

2. **Cyclical Unemployment**

Cyclical Unemployment occurs during recessions of economic cycle. As a matter of fact, it is not surprising that during economic recessions, the demand for goods and services falls. Employers may respond by reducing the labours. When supply of labours is greater than the demand, unemployment results. However, it is believed that such unemployment will disappear the economy recovers.

3. **Voluntary Unemployment**

Under the economists’ view, people tend to participate in workforce. Unemployment is usually regarded as involuntary. However, there are scenarios that people choose not to work. Voluntary unemployment describes such phenomenon. It is functionally another type of frictional unemployment. It happens when people are not able to find employment that matches their expectations.

4. **Structural Unemployment**

Structural unemployment occurs when the skills, experience, and education of workers do not match job openings (Goodwin 27). Structural unemployment is a form of frictional unemployment, but it usually lasts longer. It may encourage voluntary unemployment.

5. **Institutional Unemployment**

Institutional unemployment explains how interference in the labor market can create unemployment. The government is the most common instigator of institutional unemployment. Governments can set taxes, create price floors or price ceilings, and indirectly support other factors of institutional unemployment such as labor unions.

**Issues Related to Unemployment**

After overviewing definition and various types of unemployment, we can now investigate its related issues. As a matter of fact, unemployment is highly sensitive to the changes in economic and social environment. In the following section, we will highlight several issues related to the problem of unemployment;
**STRUCTURAL MISMATCH DUE TO SHIFT IN SOCIAL AND ECONOMIC PARADIGM**

Economy is always intertwined with society developments. Social changes highly influences the economy environment as well as its structure. Since 90s, with rapid urbanization, globalization and the advancement of technology, states become modernized and the paradigm of economies has been shifting from primary or manufacturing economy to knowledge intensive economy. The paradigm shift suggests a significant change in the world of working.

Rapid urbanization is changing the composition of employment. Especially for developing countries, large portion of population are expected to move or live in urban city before 2020\(^2\). As a result, the increase in non-agricultural workers will vastly exceed the growth of agricultural workers. With the help of globalization, industrial countries are transformed from primary and manufacturing industries toward services and knowledge intensive activities. At the same time, advancement of technology changes the way of working. Production tasks can take place regardless of the locations. Transnational companies can enter local markets by building integrated value chain. Such structural changes, which take decades in industrial countries, now transform in a generation. Although such structural changes bring improvement in effectiveness and efficiency, societies and individuals may not be able to catch up the pace of development. As a result, structural mismatch lies between the labour market as well as the labour supply.

For example, with such structural changes in way of employment, to majority of the employers, knowledge becomes a significant quality during employment. The increasing importance of knowledge puts greater emphasis on labours’ education and qualifications. Nevertheless, large portions of workers do not receive proper education or trainings. They do not possess the skills and qualifications required by the employers. Therefore, they encounter great difficulties in seeking job opportunities in market.

On the other hand, to those non-agricultural workers, as they have received proper educations before joining the work force, they believe they deserve better job opportunities, and they refuse to work in agricultural or primary industries.

**UNFAVOURABLE MACROECONOMIC ENVIRONMENT**

Evidently, the macroeconomic environment has great influences on the problem of unemployment. When the macroeconomic environment is undesirable, the demand of labours will decrease sharply as companies decide to cut cost and require less labour input. As a result, the labours are either forced to decrease their working hours or laid-off, and unemployment rate increases. The recent financial crisis created 22 million new unemployment in a single year.

As mentioned in above, such type of unemployment is cyclical unemployment, which is usually induced during economic recession. It is believed that as economic recession ends, the cyclical unemployment will disappear, and unemployment rate will decrease as economies recover. However, it may not necessarily be the case.

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Take United States as example. United States indeed suffers from structural skill mismatch in their markets. In normal times, if people cannot find a suitable job in their own community. They will attempt to move to other communities where their skills are needed. However, under financial crisis 2007, the hit to housing sector increased the repayment and people cannot afford them and high foreclose rate was resulted. It is believed that such interaction of both the structural skill mismatch and high foreclose rate contributed extra 1.5 percent to the unemployment rate.\(^3\) The above shows that the economic recession not only induces cyclical unemployment, but also intensifies the structural unemployment.

The intensifying effect cannot be easily eradicated. Take Greece as example, she has been suffering from economic recession since 2007. Since then, she experienced growing political turmoil and her economy is very instable. With the hit of financial crisis, the situation is further worsened. According to the data released by the statistic service of the country, Hellenic Statistical Authority (ELSTAT), in February of 2012, Greece experienced 21.7% high unemployment rate. The effects combining both internal political and economic issues and external financial crisis left more than 1 million individuals unemployed in Greece. More than 500,000 jobs were lost between 2008 and 2012.

**Changing Demographic Conditions**

Population is always associated with unemployment. When there are no significant changes in economic and institutional settings, the demographic factors then play an important role in the issue of unemployment. These factors include the fertility rates, growth of age working population and migrants population, etc. The demographic factors shapes the market and the labour supplies.

Take China as the example, with enormous population, China has a relative large workforce, and she rapidly emerges as one of the economic giants in global economy. However, the even though China has maintained an annual GDP growth rate around 8 percent, the growth can no longer providing enough jobs for such increase of population.

United States would be another interesting example. United States has the most number of army in the world. In other worlds, serving in the army is one of the career paths for Americans; As a matter of fact, the military sectors create jobs for enormous population. Sadly, as Obama announced the retreat from Iraq in 2009, thousands of veterans were sent back to their home. Living under the shadow of the war, many of the veterans lost their living skills and cannot get re-employed in local communities. As a result, the endings of wars change the labour force pattern, and hence worsen the employment problem in the United States mainland.

**Discourage Workers**

In September of 2011, the unemployment rate in the United States has declined from 9 percent to 8.3 percent. It seemingly symbolized the health of the labour market. Nevertheless, the reality was not as simple as we just interpret.

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The fall of unemployment was actually due to a dramatic decline in the number of Americans who are part of the labour force. There are many potential reasons for this. One of them we should look at is the “discourage workers” – they have stopped looking for work because they do not believe that any jobs are available for them. However, they would want a job if they were available. Pessimistic about job opportunities is the primary reason for this. This is usually the consequence of worse economic environment, such as economic recessions, and the prolong failures in seeking employment.

**ChALLENGE TO YOUTH EMPLOYMENT**

Facilitating youth in joining the world of work remains the top of political agenda in most G20 countries. Nevertheless, youth unemployment remains one of the greatest challenges for G20 governments to address. Indeed, youth unemployment differs in character from one country to another. In the G20, some face issues of low skills levels, while other countries’ youth may have high skills, but few job opportunities to match. Furthermore, due to global financial and economic crisis, youth unemployment increased greatly, and, in many countries, the subsequent economy recovery has been too weak to reverse such increase. Hit by the global financial and economic crisis in 2007, the unemployment rate for youth (aged 15/16 to 24) rose substantially in most G20 countries. Such phenomenon is especially notable in France, Italy, Spain, the United Kingdom and the United States.

Comparing with prime-age workers, youth are much vulnerable in the labour market. Their outcomes are much weaker on average. They usually encounter higher probability of being unemployed, and they are more often employed in precarious jobs. As a matter of fact, unemployment rate cannot capture the whole situation of youth in confrontation of unemployment. In many societies, there are a group of youth people who are not engaged in education or training. Some of them even face a high risk of social and economic exclusion. They are so-called the “Neither in Employment nor in Education and Training” (NEET). The reasons for NEET are mostly due to discouragement and marginalization. They are usually from the economic and social disadvantageous groups. They have low level of attainment and are turned off by the education system.

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5 Glenda Quintini and Stefano Scarpetta, “The Challenge of Promoting Youth Employment in the G20 Countries”, (May 2012)
7 Glenda Quintini and Stefano Scarpetta, “The Challenge of Promoting Youth Employment in the G20 Countries”, (May 2012)
8 LSN, *Tackling the NEETs Problem*, (2009)
DIRECTIONS TO ADDRESSING UNEMPLOYMENT

Although creating job opportunities are the universal common goals, challenges to tackle unemployment are not different everywhere. Therefore, no on-size-fits-all solutions are available.

In order to address unemployment, although governments are not in the role to create employment, government functions are fundamentally significant for sustained job creations. As a general phenomenon, private sectors are responsible for creating employment. But the quality of civil service is crucial for development.

As an international forum for economic discussion, the G20 serves as a platform for member countries to come up with global principles and framework, and coordinate member states to address the problem. Suggested by the International Labor Office (ILO) in 2011, G20 suggested member countries to take more concrete actions to cope with international unemployment. There are five notable principles one shall take notice on:  

1. Accelerate Job Creation To Ensure A Sustained Recovery And Future Growth
   For countries who start recovering from the financial crisis, G20 recommended more attention on job creation and job preservation by considering additional employment measures. G20 also suggested countries that are still suffering from serious unemployment to generate employment for poor households and vulnerable groups, utilizing lessons learned from recent policy innovations.

2. Strengthen Social Protection Systems And Promote Inclusive Active Labor Market Policies
   Social protection systems should be strengthened as the majority of disadvantaged people will remain unemployed even after recovery takes hold and they may not be able to adjust to structural changes in the recovered economies.

3. Improve The Quality Of Jobs
   Renewed attention should be paid on labor market policies and institutions to improve the quality of jobs and respect for fundamental rights at work, which G20 claimed such action as “stressing social dialogue”.

4. Prepare Workforces For Future Challenges And Opportunities
   By prioritizing lifelong education, job training and skills development strategies, matching of skills to jobs can be boosted. Such practice can help the workforce benefit from post-crisis restructuring and new opportunities.

5. Place Employment And Poverty Alleviation At The Center Of National And Global Economic Strategies
   G20 recommended leaders to prioritize employment and poverty alleviation for, sustained and balanced economic growth.

Further building on the above principles, in the latest Saint Petersburg Declaration in 2013, it has clearly emphasized the importance of investment towards eradication of unemployment. Investment in skills of people, quality education and life-long learning programs shall facilitate people to equip necessary skills

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required. Thus, enhance their employability and give them a better prospect. Moreover, Targeted investments should be fostered to ensure labour market infrastructure and effective labour activation policies are in place to assist jobseekers and bring under-represented and disadvantaged group into the labour market.

**QUESTIONS A RESOLUTION MUST ANSWER**

1. Do you think a government should intervene the economic market? If so, by what level?
2. How do G20 members can escape from the shadow of the financial crisis?
3. Should the G20 members build their development strategies around growth or should they rather focus on jobs?
4. What can governments do besides facilitating the job creations?
5. How can G20 cooperate with other international institutions, e.g. the World Bank, in solving transnational issues?