



WORKSHEET 19

LESSON NOTES

School: Ba Sangam College

Year: 11

Name: _____

Subject: Economics

Strand 5	Development Economics
Sub Strand 5.2	Development Issues
Content Learning Outcome EC11.5.2.1	Analyse the different aspects of the development issues faced by the economy.

UNEMPLOYMENT

⇒ Unemployment exists when there are people willing and able to work but they are unable to find suitable jobs.

Causes of Unemployment

- reduced spending by business firms.
- high wage rates.
- overpopulation.
- lack of skills and education.
- decrease in demand for goods and services.

Effects of Unemployment

Economic Effects

- Loss of skills or a decrease in human capital.
- Decrease in production levels
- Reduction in income which will in turn affect demand therefore inversely affecting economic growth.
- Leads to reduction in savings which can result in lower investment therefore reduction in GDP.
- Decrease in investment levels.
- Decrease in tax revenue collected by the government
- Increase in welfare spending on unemployment

Social Effects

- Hurts the worker and his/her family.
- Loss of self-respect or self-esteem.

iii) Disrupts families and households.

iv) Leads to low morale, frustration and boredom.

v) Lead to an increase in other social problems e.g. crime, illiteracy, poverty, malnutrition etc.

vi) Can also lead to physical health issues

Types of Unemployment

⇒ **Involuntary Unemployment** occurs when people are willing to work at the given wage rate but cannot find a job.

i) Structural unemployment : generally caused by the decreased in the final demand for goods and services perhaps the good has become unpopular or due to technological change e.g. automation in the factory

ii) Frictional unemployment : short term unemployment caused by movement in between jobs i.e. a few weeks of unemployment before starting a new job.

iii) Seasonal unemployment : is unemployment caused by the regular season nature of the work e.g. cane cutting workers after the cane cutting season.

iv) Cyclical unemployment : caused by the general downturn in economic activity which can be due to the fall in aggregate demand.

Government Actions to Curb Unemployment in Fiji

- Encourage more foreign investors as this will

create more jobs and employment opportunities in Fiji.

ii) Education reform – Free education system;
Bus Fare assistance scheme

iii) Bridging the gap in terms of development by focusing on rural areas as well. This will prevent the rural-urban drift.

Activity

Use the extract given below and your knowledge to answer questions (i) to (iii).

The Relationship Between Growth and Unemployment

As long as growth in real Gross Domestic Product (GDP) exceeds growth in labour productivity, employment will rise. If employment growth is more rapid than labour force growth, the unemployment rate will fall.

Over an extended period of time, there is a negative relationship between changes in the rates of real GDP growth and unemployment. If GDP growth equals labour force growth in the presence of productivity growth, more people will be entering the labour force than are needed to produce a given amount of goods and services.

The share of the labour force that is employed will fall. Expressed differently, the unemployment rate will rise. Only as long as GDP growth exceeds the combined growth rates of the labour force and productivity (potential output) will the unemployment rate fall in the long run.

Source: www.fas.org/sgp/crs/misc/R42063

(i) Define Unemployment

(1 mark)

(ii) From the passage, explain **two** requirements for unemployment rate to fall.

(2 marks)

(iii) Explain the relationship between **economic growth** and **unemployment**.

(1 mark)

(iv) Explain **two** government policies that may eradicate the problems mentioned above.

(2 marks)