Unemployment - Result of Macroeconomic Developments

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Abstract

Macroeconomics is a scientific discipline that studies the behavior and trends of a national economy. The subject of its study is the structure of legal connections and relationships between total economic variables, such as, for example, the volume of national production, total consumption, unemployment, inflation.

The subject of macroeconomics is also the theory of macroeconomic policy, which deals with examining the impact of the implementation of measures and instruments of fiscal and monetary policy on economic stability and economic growth.

In its traditional form of international trade and finance, as well as its latest form of multinational business operations, international business has become a global phenomenon and has begun to exert a major influence on politics and economics in many ways. In fact, sometimes foreign economic operations and other businesses are used as a synonym for international business.

Keywords: *macroeconomy, employment, economic growth.*

Introduction

International business includes all types of business activities that cross national borders. International business is a scientific discipline that studies the rules that regulate economic relations. In its traditional form of international trade and finance, as well as the latest form of multinational business operations, international business has become massive in size and exerts a great influence on political, economic and social aspirations. Foreign affairs refer to domestic affairs abroad.

In economic science, macroeconomics gained importance only in the thirties of the last century, in the period after the great economic crisis. Then, economic theory began to branch into:

• microeconomics - a branch that studies the behavior of individual economic entities (households and enterprises, in the use of limited economic goods).

• macroeconomics - a branch that studies the behavior and trends of total economic variables of a national economy.

The basic macroeconomic resources in a country are the population, natural resources, social resources, socio-economic organization with the degree of development of productive forces and the market. Macroeconomics studies the system of a social economy with its infrastructure of material and human factors, and its organizational superstructure. The characteristics of macroeconomics are the social division of labor, the inclusion of the market in the process of social reproduction, the behavior of the system in accordance with economic laws, the existence of labor and capital markets.

Macroeconomics is one of the two main branches of economics, which deals with the study of the behavior of the economy. Its preoccupation is the study of how human behavior affects the outcomes of highly aggregated markets such as the labor market, the capital market, or the consumer goods market. Macroeconomics is very complicated, with many factors influencing it.

In economics, macroeconomics gained importance only in the 1930s, in the period after the Great Depression. Macroeconomics deals with the study of the functioning and management of the economy. In essence, it deals with the study of phenomena, processes, and problems such as: gross national income, gross domestic product, consumption, savings, balance of payments, fiscal and monetary policy, foreign trade, social reproduction, budget, cyclical movements of the economy, aggregate demand and supply, employment, inflation, etc.

Objectives and instruments of macroeconomics

The social, political and military power, or rather the fate of a country, depends on economic success. No area of the economy is more important today for national success than its macroeconomic performance. A country's standard of living depends on its macroeconomic policy. Thanks to Keynes and his followers, we know that by choosing macroeconomic policies, which affect the money supply, taxes or government spending, a country can accelerate or slow down its economic growth, initiate rapid inflation, or slow down price growth, and produce a trade deficit.

Macroeconomic theory studies the common characteristics of all macroeconomic phenomena of a certain type and establishes economic laws in the movement of macroeconomic phenomena and processes.

Employment

Employment of the working population is one of the key issues for every country and its financial system. The restructuring of the economy marked this issue. In addition to the level of gross domestic product, this is certainly the most reliable indicator of the efficiency of an economy, and society. The first and key thing to strengthen the performance, not only of the labor market, but also of the national economy, is to improve the labor supply in terms of enriching the knowledge of both the unemployed and the employed, which implies significant investments in human capital. They are the fastest way to both increase employment and reduce poverty and increase the population's ability to deposit financial resources in the banking sector. [1]

Every modern economy has a certain level of unemployment. Usually, about half of the population participates in the labor market. The rest of the population (non-participants) are too young, in school, studying, retired, Unemployment, labor force, employed, unemployed and unemployment rate young, in school, studying, retired, sick or disabled, institutionalized or taking care of household chores.

Unemployed are actively looking for a job or are currently changing jobs. People who are unemployed are said to be "not the workforce". The unemployment rate represents the ratio of the number of unemployed to the size of the workforce. [2]

Unemployment is one of the most difficult economic problems because it means the absence of production and income, causes high fiscal costs, contributes to the significant breakdown of human capital, increases inequality in society, and causes significant psychological burdens, leaving the feeling of uselessness and hopelessness. The economic situation in the country directly affects the level of employment, i.e. unemployment. Understandably, the economic situation determines relations on the labor market and the way it functions.

The unemployment rate represents the ratio of the number of unemployed to the size of the labor force, multiplied by one hundred. Or it is the percentage of the labor force that is unemployed. The unemployment rate is influenced by the number of unemployed and the total labor force. If there is an increase in the number of unemployed for several months, the unemployment rate also increases. If the increase in unemployment occurs in months when the labor force is growing significantly more than usual,

[1]Josifidis, K. (2010). Macroeconomics: principles, theories, policies. Novi Sad: Futura publication
[2] Jednak Jovo, (2000), Basics of Economics, Cigoja press, Belgrade

the unemployment rate will fall. The unemployment rate, especially if it is high, means a loss of production and presents difficulties for families and individuals, and if it is too low - it puts upward pressure on wages, which can lead to inflationary pressures.

Increasing the rate of participation in the labor force, by increasing the labor supply, reduces the risk of inflation, which would result from an increase in production. Thus, the unemployment rate is an approximate measure of unused labor potential. Economists identify three different types of unemployment:

- Frictional unemployment
- Structural unemployment
- Cyclical unemployment

Frictional unemployment occurs due to the continuous movement of people between regions and workplaces or through different stages of the life cycle. There are various reasons for pointing out this type of unemployment. Many workers leave one for personal or financial reasons and look for another job. In the process of moving from one job to another, that person will lose several days or even weeks of work, but without any serious personal or social consequences. The job search period provides an opportunity to discover what jobs are available, what skills are required and how they are paid. Therefore, people who spend a good part of their time looking for a job, participate in the labor market and can benefit from it both as individual participants and for increasing the economic growth of the economy. [3]

Structural unemployment - means the gap between supply and demand for workers. Gaps can arise because the demand for one type of labor increases, while the demand for another type decreases, and the supply does not adjust quickly. It occurs when the wage is deliberately maintained above the level at which the supply and demand curves of labor intersect. It can be a consequence of either the influence of trade unions, or legal regulations on the minimum price of work, or negotiations, whether it is the theory of efficient wages. Therefore, according to this theory, companies operate more efficiently, i.e. more profitably, if wages are above the equilibrium level. [4]

Cyclical unemployment - exists when the overall demand for labor is low. As aggregate consumption and output fall, unemployment rises virtually everywhere. Of all types of unemployment, macroeconomic diagnosticians are most concerned about cyclical unemployment. It happens when there is simply no demand for work. This is not the case when people move from one job to another. It is simply a reduction in the level of demand for goods and services, and therefore for work. Simply put, in a recession, employment increases, and in an expansion, unemployment falls. [5]

In most countries, there is a clear relationship between employment change and GDP growth. It is a relationship known as Okun's law (or rule of thumb) which states that high growth of the domestic product is usually associated with a decrease in the unemployment rate, while low growth of the domestic product is associated with an increase in unemployment.

This relationship makes sense: high growth of the domestic product leads to high unemployment, because companies hire workers who will produce a higher domestic product. High employment growth leads to a decrease in unemployment. Conversely, the low growth of the domestic product leads to an increase in unemployment. Thus, this relationship contains a simple but important implication: if the current unemployment rate is too high, a significantly higher growth in gross domestic product is needed to reduce it. If the unemployment rate is too low, then lower GDP growth is needed to increase the unemployment rate. If, on the other hand, unemployment is around the natural unemployment rate, then the growth of the domestic product should be able to maintain a constant unemployment rate (4-6%).[6]

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[3] Dragišić Dragoljub, Ilić Bogdan, Medojević Branko, Pavlović Milovan, (2005), Fundamentals of Economics, second amended and supplemented edition, Center for Publishing Activities of the Faculty of Economics in Belgrade, Belgrade.
[4] Ibid
[5] Dragišić Dragoljub, Ilić Bogdan, Medojević Branko, Pavlović Milovan, (2005), Fundamentals of Economics, second amended and supplemented edition, Center for Publishing Activities of the Faculty of Economics in Belgrade, Belgrade.
[6] Dimitrijević, B. (2009) Inflation and Unemployment. EDUCONS University

Table: Unemployment rate, globally, youth (15-24), adults (25+)[7]

Year	2007	2008	2009	2010	2011	2012	2013
Youth unemployment rate	11.5	11.7	12.7	12.5	12.3	12.4	12.6
Adult unemployment rate	4.0	4.1	4.6	4.5	4.5	4.5	4.6

Between 2000 and 2011, the number of employed youth increased by 16 million, which is a positive development. However, the total youth population increased at an even faster pace, which led to a decline in the participation of employed youth, both in the total labor force (from 52.9 to 48.7%) and in the total youth population (from 46.2 to 42.6%). Until the entry into force of the Treaty of Amsterdam in 1999, employment policy instruments were limited to measures in the area of regional, structural and cohesion policy, social policy, educational policy and youth policy. Until the entry into force of the Treaty of Amsterdam in 1999, employment policy instruments were limited to measures in the area of regional, structural and cohesion policy, social policy, educational policy and youth policy.[8]

Conclusion

Macroeconomic theory distinguishes between open and closed models of the economy. In a closed economy, for example, a tax cut creates an increase in disposable income, which in turn boosts consumption and saving and thus can stimulate economic activity. However, in an open economy, tax cuts could only increase imports. In that case, the tax reduction would not have a positive, stimulating effect on the domestic economy. In a more open economy, the effects of fiscal and monetary policy instruments on the domestic economy are more difficult to predict, so they can cause more harm than good. No economy is completely closed or completely open. A closed political economy assumes corporate political activity that takes place entirely within the borders of a single state. The open political economy model describes an arena in which actors have multiple jurisdictions in conducting policy at the international level. Politics and political influence can be problems for managers because of their influence on the context in which corporate strategies are executed. Over the past two decades, globalization combined with politics should have reduced the influence of government on business, due to phenomena such as privatization and liberalization, but politics and political influence have become more, not less, important to business.

[7] Global Employment Trends for Youth 2013: A generation at risk / International Labour Office – Geneva: ILO, 2013, str. 79. [10 Sept 2013]
[8] Todd J. Maurer, Kimberly A. Wrenn, Heather R. Pierce, Stuart A. Tross and William C. Collins; Beliefs about 'Improvability' of Career-Relevant Skills: Relevance to Job/Task Analysis, Competency Modelling, and Learning Orientation; Journal of Organizational Behavior, 2003.