

	Policies	Evaluation
Cyclical Unemployment Cause: Declining/low AD	<u>Expansionary Monetary Policy</u> Raise consumer spending <ul style="list-style-type: none"> Fall in interest rates ∴ costs of borrowing loans to finance big-ticket items not lower Paid more for loans that have variable interest rates → ↑ amt available to spend Increase investment <ul style="list-style-type: none"> <i>Individuals:</i> ↓ in interest rates → lower cost of borrowing → ↑ expected return from investment <i>Firms:</i> Cost of borrowing ↓ → expect D for goods to ↑ → ↑ investment <p>Eg. UK, as part of expansionary monetary policy, interest rate: 5% '08 → 0.5% '09</p> <ul style="list-style-type: none"> <i>Government:</i> <ul style="list-style-type: none"> Rely on monetary policy + direct central bank → pump money into economy directly Central bank buys govt and corp bonds using money it has created Cash transfer from central bank to financial institution that sells the bonds = expansion in money supply Downward pressure on long term interest rates → encourage C + I → stimulate economy <u>Expansionary Fiscal Policy</u> <i>Individuals:</i> Lowering personal income tax → ↑ disposable income of households → ↑ ability to spend → ↑ consumption <i>Firms:</i> ↓ in corp tax → raise after-tax profits → ↑ level of I in economy <i>Government:</i> ↑ in govt spending → ↓ AD directly	<u>Limited to spend more</u> <u>Undesirable trade-offs</u>

	Policies	Evaluation
Structural Unemployment <u>Cause:</u> Mismatch of skills	<u>Market-orientated Policies</u> Aim: Allow markets to operate more freely, with minimal govt intervention, providing incentives for structurally unemployed to find a job <ol style="list-style-type: none"> Lowering unemployment benefits <ul style="list-style-type: none"> Give unemployed greater incentives to retrain & equip themselves with skills to join sunrise industries Reduce duration of structural unemployment Deregulating labour markets <ul style="list-style-type: none"> Regulations about hiring + firing = taxes on job destruction <i>Regulations eg.:</i> state-mandated severance, job security requirements <i>Job destruction:</i> reduce incentives to dismiss + hire new workers Reduce/remove such legislation → labour markets less rigid → greater incentives for firms to hire workers + send them for training <p>Eg. Europe Elevated severance pay + job security requirements → high unemployment levels</p> 	<ol style="list-style-type: none"> Income inequality in economy <ul style="list-style-type: none"> Lose unemployment benefits → lower SOL → ↑ income inequality Worse working conditions <ul style="list-style-type: none"> Labour market regulations: protect workers from unfair treatment <i>Eg. Fired without due cause, guarantee certain conditions of work such as working time & hols etc.</i> Deregulation → worse conditions for labour Though unemployment ↓ + economy's output ↑ rise, might have high cost for workers themselves
	<u>Interventionist Policies</u> Aim: To redirect pool of unemployed in sunset industries to sunrise industries, boosting supply of workers with relevant skills and thus promote greater employment through govt intervention <ol style="list-style-type: none"> Encourage workers with skills no longer needed to <u>retrain</u> and <u>obtain skills that are in greater demand</u>, by <ul style="list-style-type: none"> Setting up appropriate training programmes Providing grants to firms that offer on-the-job training Offering wage subsidies to firms that hire structurally unemployed workers Encouraging <u>geographical mobility</u> by <ul style="list-style-type: none"> Assisting workers to relocate to geographical areas where got greater D for labour through grants and subsidies Eg. Provision of low cost housing Encouraging <u>new hiring</u> of structurally unemployed workers by <ul style="list-style-type: none"> Offering tax or other incentives to firms to relocate in depressed areas with high structural unemployment Establishing govt projects in depressed areas that result in new employment creation 	<ol style="list-style-type: none"> High opp cost <ul style="list-style-type: none"> Forego spending in other areas in order to afford the strategies Great resistance in acquiring new skills <ul style="list-style-type: none"> Esp among older workers Workers lacking in basic edu + literacy find it extremely difficult

Frictional Unemployment <u>Cause:</u> Info failure/time required to obtain job	<u>Market-orientated Policies</u> Aim: Increase incentives faced by workers to accept work thereby lessening the time they spend unemployed in btw jobs <ol style="list-style-type: none"> 1. Lower unemployment benefits <ul style="list-style-type: none"> ▪ If unemployment benefits in country generous + allow them to take their time in looking job → less incentive to find a job 2. Lower personal income taxes <ul style="list-style-type: none"> ▪ ↑ incentive to work because of higher after-tax incomes 3. Reduced period of time during which a worker is entitled to claim unemployment benefits 	1. Income inequality in economy <ul style="list-style-type: none"> ▪ Lose unemployment benefits → lower SOL → ↑ income inequality
	<u>Interventionist Policies</u> Aim: Improve information flows btw employers and job seekers → time worker spends on searching job reduced <ol style="list-style-type: none"> 1. Setting up employment agencies, job centres, job fairs, job websites, career seminars and exhibitions 2. Provision of career guidance in schools <ul style="list-style-type: none"> ▪ Potential labour market entrants can acquire better understanding of potential jobs and careers that are suitable for them <p>↓ search time and costs for both employers and job seekers/time required to match suitable labour with suitable jobs is reduced</p>	1. High opp cost <ul style="list-style-type: none"> ▪ Forego spending in other areas in order to afford the strategies
Seasonal Unemployment <u>Cause:</u> Time, lack of info Difficulties in D btw seasons	<u>Market-orientated Policies</u> Aim: Provide more info on employment opp in other industries to seasonally unemployed during off-peak season <ol style="list-style-type: none"> 1. Lower unemployment benefits during off-peak seasons 2. Providing greater flow of info 3. Industrial policies to encourage diversification of industries which are more stable (eg. Manufacturing) [long term solution] 	[Similar to frictional unemployment]