

Subject : Economics
Topic : Unemployment

UNEMPLOYMENT (Notes for March 2020) – Teachers Sarah and Katongole

Unemployment is defined as a situation where members of the labour force have no jobs or work to do at the prevailing wage rate.

Unemployment is a condition where an individual /member of the labour force fails to get work at the ongoing wage rate.

Unemployment may also refer to a situation where members of the labourforce who are willing and able to work have no jobs or what to do at the prevailing wage rate.

Employment refers to a situation where members of the labour force have got jobs or work to do.

Keynes identified two forms of unemployment.

- I. Voluntary unemployment.
- II. Involuntary unemployment.

Voluntary Unemployment

This is a situation where individuals who are able to work are not willing to work at a prevailing wage rate despite existence of jobs or employment opportunities.

In other words, voluntary unemployment is by choice. In this case of a person can find work to do, but for some reason is not willing to take it on at a given wage rate.

Causes Of Voluntary Unemployment

-Low wages and remunerations and other benefits in the available jobs. Sometimes laborers refuse to work because the payments given is so low compared to the efforts put in.

-Poor working conditions in the available job opportunities e.g unsafe working environment, harassment by the employer. These discourage laborers from working for fear of suffering at the job.

-Laziness. Some people do not want to work naturally but prefer to enjoy leisure or to relax.

OR

.This makes people reluctant to take on some jobs since they want to spend most of their time in leisure activities.

- Expectations of better jobs in future. As one expects to get a better job, he or she may ignore the job available especially if the job does not suit the persons taste.

- High risks involved in the available jobs. Some people refuse to work for fear of losing their lives in such a job.

- Wealthy/ rich family background/ good economic back ground. Some laborers refuse to work because they have family resources/ sources of income on which to survive.

- The unemployed being too qualified for the available job. Sometimes laborers have got more skills than what the job available requires implying that if they accept such a job, they would be underutilizing their skills and abilities.

NB: the job available is below the qualifications of the job seeker.

- Social restrictions. The available job may be socially unacceptable e.g. according to religious or cultural norms.

NB: here we look at how society looks at the job e.g. in some societies some jobs are looked at as bad e.g. in a Muslim society, a Muslim cannot work in a pork joint because Muslims look at such as being socially unacceptable.

- Social ties. The available job may require the individual to leave the family or friends which the individual may not be willing to accept.

- Unfavorable geographical location of jobs. The job may be in a remote or distant area which discourages a person from taking on such a job.

OR

Some jobs exist in areas that are not easily accessible by people hence discouraging people from taking on jobs from such areas.

- The preference to live on others' incomes or to live or survive on unemployment benefits. This implies that the person can even survive without taking on the available job because some people can provide income to use in their day to day life.

- The desire of the unemployed to live on past savings. This implies that the unemployed can use that income to cater for their needs. Thus see no reason to as to why they should work.

- Preference for leisure. Some people prefer to relax and have leisure instead of working and thus become reluctant to take on the available job.

-Low status esteem attached to the available job or the job being socially unacceptable e.g. washing toilets in an organization discourage people from taking on such jobs.

Involuntary unemployment

This is a situation in which people who are willing and able to work at the ongoing wage rate are unable to find jobs.

Or

This is one in which labor is willing to work but is unable to find work at the ongoing wage rate.

NB:

In economics when we talk of the unemployment problem, we are concerned with involuntary unemployment and therefore when asked to give the causes of unemployment, we consider those causes of involuntary unemployment and in most cases when defining unemployment we use the definition of involuntary unemployment.

Causes of involuntary unemployment.

NB: the causes of involuntary unemployment are the general causes of unemployment in the country and LDC's in general.

- Rapid population growth rate as compared to the slow growth of employment opportunities.
- Inappropriate education system.
- Discrimination in the labour market
- Political instability.
- Rural- urban migration which results into open urban unemployment.
- Technological advancement which causes technological unemployment.
- Inadequate cooperate factors e.g. capital, land etc.
- Ignorance of people about the available job opportunities.

- Physical and mental incapacitation/ disability.
- Seasonal changes especially in the agricultural sector.
- Changing of jobs hence causing frictional unemployment.
- International monetary fund conditionality which require reduction in the number of people employed in a certain firm (retrenchment). As a result , some people are laid off from work and this become unemployed .

Questions

- I. Distinguish between Voluntary and Involuntary unemployment.
- II. State 2 causes of Voluntary unemployment in an economy.
- III. Mention 4 reasons for the existence of Involuntary unemployment in an economy.

Measurement of the rate of unemployment.

The rate of unemployment in an economy can be measured by a percentage or ratio of the number of unemployed individuals to the number of people in the working age group or labor force.

$$\text{Rate of unemployment} = \frac{\text{Number of unemployed individuals}}{\text{Number of people in the working age group}}$$

Types and causes of unemployment

1. Open Urban Unemployment.

This is where members of the labor force who are able and willing to work have no jobs or work to do in the urban areas.

OR

It refers to the type of unemployment where members of the labor force who are able and willing to work have no jobs and work to do in the urban areas. This type of unemployment occurs when a proportion of the labor force living in urban area fails to get jobs at the prevailing wage rate.

Causes

- Rural- urban migration where individuals moves to urban areas but unfortunately fail to get jobs
- High population growth rates.

- The theoretical or inappropriate system of education that trains more jobs seekers than creators.
- Inadequate information regarding the available jobs on the market.
- Limited capital for starting small businesses.

Solutions

Population growth control measures e.g. family planning usage should be undertaken.

Undertake education reform i.e. to change the education system to practical or vocational education that trains more job creators than seeker

Undertake Rural development programmes e.g. development of infrastructure in rural areas to control rural-urban migration.

-Encouraging use of appropriate technology or labor intensive technology other than capital intensive technology.

.Provision of credit or loans to the unemployed individuals to enable them starts their own projects.

2. Seasonal Unemployment.

This refers to the type of unemployment brought about by climatic changes or changes in seasons.

It is the type of unemployment which occurs in particular periods or seasons of the year due to changes in the agricultural sector due to certain unfavorable conditions e.g. in the agricultural sector people get employed in particular seasons when they are planting, weeding and harvesting but in the other season, they remain unemployed as they wait for rain to start cultivating.

Causes

- ❖ Changes in climate or season
- ❖ High dependence on nature
- ❖ Limited capital for starting other productive activities
- ❖ Limited skills

Solutions

- ❖ Agricultural diversification i.e. introducing or growing various crops that can grow in different seasons of the year.
- ❖ Agricultural modernization to reduce dependence on nature
- ❖ Provision of affordable loans or capital to affected individuals to enable them invest in alternative areas.
- ❖ Equipping labour with multiple skills.
- ❖ Encouraging irrigation in the dry seasons.

Disguised Unemployment

This refers to a type of unemployment where members of the labor force are visibly seen to be employed but when the marginal product of labor is zero or negative.

This implies that there are more laborers than necessary such that some of them can be laid off without leading to a reduction in the output produced.

Causes

High population growth rate. This results into excess workers in a certain situations on which causes the marginal product of labor to be zero or negative.

Nepotism in some sectors i.e. when people employ very many relatives or tribes mates. This results into over involvement and recruitment.

Limited capital

The desire by employers to retain labor for future use.

Inadequate information regarding the availability of other jobs.

The poor land tenure system.

Solutions

Population growth control measures

Advertisement of the available jobs. This checks overcrowding of workers in a particular occupation such that they are able to work in other occupations

Undertaking land tenure reforms

Provision of credit or loans to the affected individuals.

NB: Disguised unemployment occurs when there are more labourers than necessary in doing a particular job.

Qn

ai) Distinguish between disguised unemployment and frictional unemployment.

ii) Mention two causes of disguised unemployment.

bi) Distinguish between seasonal and casual unemployment

ii) Give any two remedies to seasonal unemployment in our country.

4. Frictional Unemployment

This refers to a form of unemployment which occurs when labor is shifting from one job to another.

OR

It is the unemployment which occurs when a laborer loses one job and the time when he secures another job.

It is a short term or temporary form of unemployment.

Causes

- Inadequate information regarding the availability of other jobs.
- Immobility of labor e.g. due to high levels of specialization in a job.
- Complicated procedures involved in getting another job.

Solutions

- Increase advertisement of the available jobs
- Encouraging geographical mobility of labor e.g. through development of transport and communication system

- Equipping labor with multiple or a variety of skills.

5. Structural unemployment

This is the type of unemployment that arises due to changes in patterns of demand and supply in an economy.

OR

If there is a fall in demand for a product in an industry, due to changes in tastes and preferences, labor that was originally employed become jobless.

Causes

1. Changes in tastes and preferences which lead to changes in demand for given products.
2. Exhaustion of given resource or input e.g. raw materials used in production.
3. Technological advancements in an industry.
4. Structural advancement programmes of the IMF which advocate for reducing the size of the labor force employed by the government.
5. Immobility of labor.
6. Occurrence of an economic depression in an economy which leads to a fall in aggregate demand.

Solutions

- Encouraging use of appropriate technology.
- Expansion of market for products of the affected industry e.g. through economic integration.
- Importation of resources or raw materials that are exhausted.
- Ensuring political instability
- Re-training of affected workers
- Equipping labor which multiple skills
- Provision of credit or loans to the affected individuals.

6 . Casual unemployment

Refers to unemployment that occurs at irregular intervals due to demand for labor services when the contract has expired.

This is the type of unemployment that occurs when labor has accomplished a certain piece of work.

For casual unemployment, people get employed when the job or work is available but when the work is over, they become casually unemployed.

Causes

- i. Expiry of contracts
- ii. Limited skills
- iii. Limited capital
- iv. Limited information regarding availability of other jobs

Solutions

- i. Provision of capital or credit to the affected individuals
- ii. Retaining the affected individuals.
- iii. Equipping labour with multiple skills during training.
- iv. Advertisement of the available jobs.

7 . Technological Unemployment

This refers to unemployment that results from the use of capital intensive methods of production where labor is replaced by machines in doing work

OR

This is the type of unemployment that occurs due to use of modern methods of production where employers use more machines than labor.

Causes

- Inadequate capital
- Limited skills
- Inadequate information regarding availability of other jobs.

Solution

- Encouragement of the use of appropriate technology/labor intensive methods of production
- Advertisement of other jobs.
- Provision of capital or loans to the affected individuals
- Diversify labor skills or retraining labor.

8 . Residual unemployment

This is unemployment that comes as a result of physical and mental disabilities.

Residual unemployment occurs among people who can't be hired because of their physical or mental disabilities. This category of people includes the deaf, blind and physically impaired such that they are un fit for certain jobs.

Causes

Physical and mental disability

Solution

Treatment of the affected individuals

Provision of appropriate work for the affected individuals e.g. shoes Shining, shoe repairing for the lame individuals.

9 . Cyclic or Keynesian Unemployment

This is the type of unemployment brought about by a deficiency or a fall in aggregate demand for goods and services especially in times of an economic depression.

Causes

Fall in aggregate demand for goods and services

Solution

- Use of an expansionary monetary policy
- Increase in government expenditure

- Reduction in taxes (direct taxes)
- Subsidization of consumers
- Encouraging private investment by use of incentives

Qns

- What is frictional unemployment?
- Mention three causes of frictional unemployment
- Distinguish between cyclic and casual unemployment.

The Keynesian theory of unemployment.

It states that;

“Unemployment rises due to a deficiency in aggregate demand for goods and services especially in times of economic depression’

Due to deficiency in aggregate demand, firms reduce their output, income levels fall, investment is discouraged and thus less labour and capital are employed.

The major solution of unemployment according to Keynesian is increasing aggregate demand for goods and services. According to Keynesian aggregate demand can be increased through using the following;

- Reduction in taxes
- Increasing government expenditure
- Use of an expansion monetary policy
- Subsidization of consumers
- Encouragement of private investment by use of incentives e.g. tax holidays.

NB: The above measures increase aggregate demand and as a result firms increase output, incomes increase, investment also increase which results into employment of more labour and capital.

Illustration of Keynesian theory of unemployment

Leave space

D_g - deficiency in aggregate demand

Y_e - Equilibrium income

Y_f - full employment of income

Due to deficiency in aggregate demand, the level of unemployment that results is represented by Y_e and Y_f

Assumptions of Keynesian theory.

- Existence of an industrialized economy
- He assumed conditions of full employment of resources
- He assumed existence of a big and strong private sector.
- He assumed existence of a closed economy.
- He assumed existence of a well-developed and functioning product, factor and money market.
- He assumed that there is a deficiency in aggregate demand during an economic depression.

NB: A money market is one where short term securities are bought and sold.

Capital market is one where long term securities are bought and sold (traded).

Applicability or relevancy of the Keynesian theory of Unemployment to developing countries or Uganda.

To a larger extent, the Keynesian theory is irrelevant to LDC_(s) e.g. Uganda because of the following limitations;

1. The theory is mainly concerned with demand deficiency unemployment yet unemployment in low developed countries basically rises from the supply side.

NB: The supply side involves shortage of raw materials and other co-operant factors. Some units of labour can be laid off because of scarcity of such resources which creates unemployment but Keynesian ignored this possibility.

2. The theory mainly affects highly industrialized economies yet LDC's are basically agro based economies.
3. The theory applies under conditions of full employment of resources which conditions are not found in LDC's where most of the resources happen to be underutilized.
4. As the solution of unemployment, Keynesian suggested measures that increase agg.dd e.g. adopting an expansionary monetary policy but these measures tend to be inflationary in LDC's.
5. The theory is based on assumption of highly monetized economy yet LDC economies are basically subsistence economies.
6. The theory applies in an economy where products, factor and money market are highly developed and functional but in most LDC's, these markets are poorly developed and are not as functional as they are in MDC's.
7. The theory emphasizes the investment multiplier as the major contributor of unemployment but in LDC's, it is the export multiplier which contributes to unemployment.
8. Firms in most LDC's don't respond quickly and efficiently to changes in demand because of the structural difficulties. Therefore if aggregate demand is increased, the firms may not immediately employ more labourhence making the theory irrelevant
9. Keynes based his theory on a closed economy yet LDC's are open economies

10. The high marginal propensity to import in LDC's greatly affects the multiplier effect and thus the employment levels reduce domestically.

To a smaller extent, the Keynesian theory of unemployment is applicable or relevant to LDC's because of the following:

1. In LDC's there is an element of industrialization, therefore the theory applies to the industrial sector in Uganda or LDC's.

Note: This implies that during an economic depression, industries reduce levels of output and their incomes fall through the multiplier process, investment also declines and thus less labour is employed in industries; therefore the theory becomes applicable.

2. At times, unemployment in LDC's results due to fall in aggregate demand both domestic and abroad hence the theory applies to LDC's or Uganda
3. The investment climate affects employment levels as suggested by Keynesian therefore promotion of investment in LDC's will expand employment as stated by Keynes.

OR

The investment climate affects employment levels and therefore promotion of investment in LDCs can greatly increase employment.

4. In the long run, as supply for the co-operant factors for labour increase, the theory becomes relevant. This increases the supply of co-operant factors. As investment increases more units of labour become employed and this makes the Keynesian theory applicable in LDCs.
5. The use of expansionary monetary policies to increase purchasing powers in most LDCs has tended to increase aggregate demand which also increases employment levels and thus the applicability of the theory in LDCs

NB: This is because when purchasing power is increased, producers increase output and employ more labour in their firms.

6. Measures to stabilize export earnings through the international monetary fund arrangement to ensure a stable export market affects the employment problem by reducing the rates of unemployment.

K,General causes of unemployment.

1. **High population growth rate.** This results into an increasing size of the country's labor force relative to the available jobs implying that many people cannot get jobs.

The population growth rate is higher than the rate at which jobs are being created. This leads to excessive labor supply relative to the available jobs hence creating unemployment in Uganda.

2. **The inappropriate/ theoretical education system.** This education system creates more of job seekers than job creators. This therefore results into a big number of people looking for jobs compared to the jobs created.
3. **Use of capital-intensive methods of production/ technological development.** The mechanization in agriculture and in other fieldseg use of computers, automation in industries etc. this leads to increased use of machines than labor thereby substituting labor with machines which consequently leads to unemployment in LDCs.
4. **The poor political atmosphere.** This disrupts economic activities and investment in general hence leading to fall in the number of people employed for fear of losing property and lives.

OR

Political instability discourages potential investors because of the fear to lose both property and their lives. This therefore reduces the number of economic activities and hence a reduction in the number of jobs created.

5. **Unfavorable change in climate or seasons.** Some people become unemployed in particular season e.g. in the agricultural sector, farmers that depend on nature become unemployed in the dry season as they wait for the rains to start cultivation.

OR

During certain seasons of the year, there are less activities e.g in the dry a season, some farmers become unemployed as they wait for the rains to start planting.

6. **Rural –urban migration.** Because of the movement of people from rural areas , the number of people who are looking for jobs in urban areas exceed the employment opportunities available thereby leading to open urban unemployment.

OR

Rural urban migration results into excess labour in urban areas compared to the available jobs hence leading to unemployment.

7. **Discrimination in the labor market** on the basis of gender, race, religion, nationality etc. some people fail to get jobs and therefore remain unemployed because they are not of the tribe ,religion, sex etc. which the employer wants therefore those people who are discriminated against because of not meeting certain specifications set by the employers become unemployed.
8. **Ignorance of labourers as regards the existence of employment opportunities.** This results into unemployment simply because individuals or some people are not aware that there are jobs available and therefore they fail to apply for them.
9. **Inadequate capital.** This leads to less/ low investment thereby leading to a low rate of economic activity and as a result less employment opportunities are created in the country
10. **Limited market for goods and services.** This also discourages investors for fear of making losses which leads to low investment levels in the country and hence limited number of employment opportunities.
11. **Physical and mental incapacitations.** This leads to unemployment of the affected individuals as jobs cannot be offered to them because of their physical and mental disabilities.

OR

Some individuals are not given jobs by some employers because of their physical and mental disabilities . Such individuals therefore do not get absorbed into active employment hence worsening the unemployment problem in LDC's.

12. **The poor land tenure system.** This leads to limited access to land by some individuals for carrying out investment or for carrying out economic activities hence leading to unemployment on their side.
13. **Retrenchment in order to cut down costs**e.g. by reducing the number of civil servants in government ministries and departments. This leads to loss of jobs hence causing unemployment.

14. **The decline or unfavorable change in demand for the** products of some firms. As the demand for the products falls, the number of people employed in production of such products also reduces hence causing unemployment.
15. Under developed infrastructure: This also discourages investment e.g. with the poor road network , transportation of both raw materials and finished goods becomes expensive/ costly and as a result the rate of economic activities reduces hence causing unemployment.

Measures for reducing/ Controlling unemployment

1. Undertake education reforms. This should be done through encouraging practical and vocational education so as to produce more of job creators that can start up investment to employ themselves and hence control unemployment.
2. Use population growth control measures e.g. family planning methods. This should be done to reduce the birth rate and eventually reduce the rate at which the country's labour force increases in comparison to the available employment opportunities.
3. Advertise the available jobs e.g. through media. This should be done to ensure that the unemployed are made aware of the available jobs such that they can take them on.
4. Develop infrastructure especially the transport and communication: System, power and energy etc. This should be done to facilitate the movement of resources including labour which results into more investments and hence more employment of labour.
5. Privatize public enterprises. This should be done in order to increase efficiency in these enterprises which results into more profit and expansion of these enterprises and hence employing more individuals
6. Establish special programmes for the people with disabilities or special needs e.g. by encouraging projects under which they can be employed.
7. The economy should be liberalized further: This should be done through removal of unnecessary trade controls so as to attract more investments and increase the number of

economic activities in the country. As this is done, more jobs are created hence reducing unemployment.

8. Diversify the economy: The economy should be diversified through introducing and encouraging various economic activities which results into employment of more and more individuals in the different sectors of the country's economy thereby reducing unemployment.
9. Modernize agriculture: This should be done through introducing irrigation systems to reduce dependence on nature, using better technology during production etc. in order to increase output and income of the farmers, as a result more investments in the agricultural sector are undertaken and hence more people are employed in the sector hence reducing unemployment.
10. Expand or widen the market e.g. through joining economic integration: This should be done to encourage the existing firms produce more output and thus employ more people. In addition as the market grows bigger, more and more investors are attracted which increases economic activities in the country thereby leading to creation of more and more jobs.
11. Extend affordable loans or credit to investors: This should be done to enable these individuals to set up businesses of their own where they can be employed. Such projects can also provide jobs to other people who would have remained unemployed hence reducing unemployment in the country.

Under employment

This refers to a situation where the labour force is not fully utilized and exploited.

OR

It implies that the labourers' capacity to do work is not fully utilized.

Forms and Examples of under employment

- People working for fewer hours than they should.
- People working in jobs where the academic requirements are below their qualifications.
- People working in socially unacceptable jobs.
- People visibly seen to be working but when the marginal product of labor is zero or negative.

Full employment

This refers to a situation in an economy where the number of people who are able and willing to work is equal to the number of jobs available.

It is where the number of jobs available in the market is equal to the number of job seekers available.

Reasons why it is difficult to attain full employment in an economy

1. **Technological advancement.** This results into capital intensive methods of production leading to replacement of human labor with machines thus making it hard for all people to find jobs.
2. **High population growth rate.**
3. **Limited foreign and domestic market.**
4. **Immorality of some factors of production.**
5. **Poor man power planning:** this creates excess labour supply in certain occupations and some people are not taken up for employment hence making it difficult to attain full employment.
6. **Changes in seasons or heavy dependence on nature:** due to unfavorable changes in seasons, productive activities come to a standstill. In a dry season, people in the agricultural sector become jobless as they wait for farmers to start cultivating and planting.
7. **Rural-urban migration:** this results from the push factors in rural areas as well as the pull factors in urban areas that lead to an influx of people in urban areas which result into excess supply of labour compared to the available jobs in urban areas hence unemployment.
8. **Inappropriate education system :** this creates more of job seekers than job creators and thus unemployment.
9. **Political instabilities in some areas:** this discourages investment as the investors fear to lose both their lives and property hence causing a decline in investment leading to loss of jobs to individuals who were originally employed.

10. **Discrimination in labour market** on basis of religion, tribe etc. sometimes jobs exist but individuals looking for jobs are denied the chance because they are not from the tribe or religion desired by the employer.
11. **Shortages of co-operant factors of labore**.g. capital. This leads to low level of investment and economic activity thus low rate of job creation. In addition, some individuals are unable to start their own projects which would occupy them due to lack of capital.
12. **Trade union's activities** which restricts entry of new people into occupation or industry so as to maintain high wages of the already employed people.

(b). Explain measures that have been taken to reduce unemployment in Uganda.

- Modernized agriculture
- Provided tax incentives to investors
- Improved the political climate or atmosphere
- Expanded or widened the market
- Extended affordable loans or credit to investors etc.

Effects of unemployment/costs/disadvantages

1. Unemployment results into a **decline in the level of skills** acquired. This is because the unemployed people do not get the opportunity to put into practice the skills or the knowledge they acquired through training.
2. It leads to **low aggregate demand for goods and services**. This is because the unemployed cannot afford to purchase goods and services since they have no money.
3. It leads to an **increase in the dependence burden**. The unemployed individuals have to depend on their employed relatives, friends and the government for services like education, medical care, housing etc. this heavy dependence burden reduces the level of savings for the are employed and it also reduces their ability to invest.
4. It leads to **low government revenue from taxation**. This is because the unemployed individuals cannot pay the taxes imposed on them by the government since they do not earn income.

5. Unemployment leads to **brain drain**. Many of the unemployed individuals who are highly educated and skilled decide to go and look for jobs from other countries which leads to loss of a country's skilled man power.
6. It leads to **underutilization of the country's resources** and this is due to low or no incomes on the side of the unemployed therefore savings for investment are usually less and this is associated with resource wastage.
7. It results into **low production/low GDP** and a low rate of economic growth. This is because the unemployed individuals do not contribute towards production of goods and services in the country.
8. Leads to **rural-urban migration** and the associated evils. The unemployed people usually move from rural areas to urban areas hoping to get jobs and other means of survival. This increases evils like prostitution in the country.
9. It causes **misery and low welfare of the people** in the country(the unemployed). This is due to low or no incomes on the side of the unemployed persons and therefore they find it difficult to buy the basic necessities of life which leads to a fall in their welfare.
10. Results into **social unrest** e.g. inform of instabilities in families. This is due to the misunderstandings that result from lack of provision of necessities for the people in the family.
11. Leads to an **increase and wealth inequalities i.e.** the unemployed become poorer because they are not earning incomes and therefore they are unable to acquire wealth while the employed people earn income and are able to save for investment hence leading to income inequality.
12. **Increases government expenditure** e.g. on provision of social services like education, medical services etc. for the unemployed who cannot pay for them in the market.
13. It **increases social evils/crime rate**, and immorality in the country e.g. prostitution, theft, corruption etc. as the unemployed people try to look for alternative ways of survival.
14. It **discourages investment in education** i.e. many people fail to realize the importance of education if the educated people have no jobs.

15. It leads to **decline in the level of investment**. This is because of the low aggregate demand for goods and services and the low income levels thereby making people unable to invest..
16. Its results **into political tension and unrest in the country** i.e. the unemployed people usually demonstrate and organize riots and they are also easily mobilized to stage revolutions against the government and this has disastrous consequences.