

UNEMPLOYMENT

BICSE-6C



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Project report on UNEMPLOYMENT

01/07/09

Submitted To:



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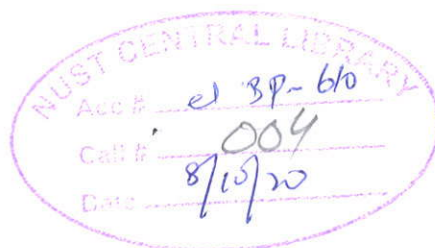
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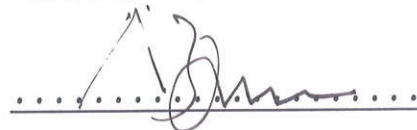
Approval

I zakirullah, wasim ahmad, Muhammad hamid, Muhammad jalil and usman umar have taken help from many sources while working on this project but have written every thing in our own words we are waiting for your approval and full credit for this work. We will be very thankful for your this act of kindness.

Mr. Muhammad Yousaf



D.O.H Mr. Bazmi



Dedication

*This project is dedicated to Almighty ALLAH and the Holy Prophet
MOHAMMAD (S A W)*

*May Allah bless the person who guides the people for the path of
ALLAH...*

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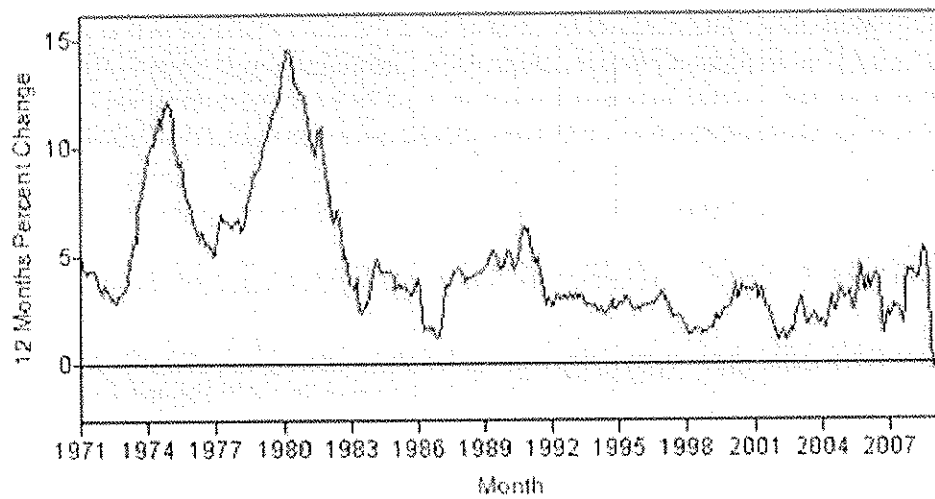
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✚ Unemployment and inflation:

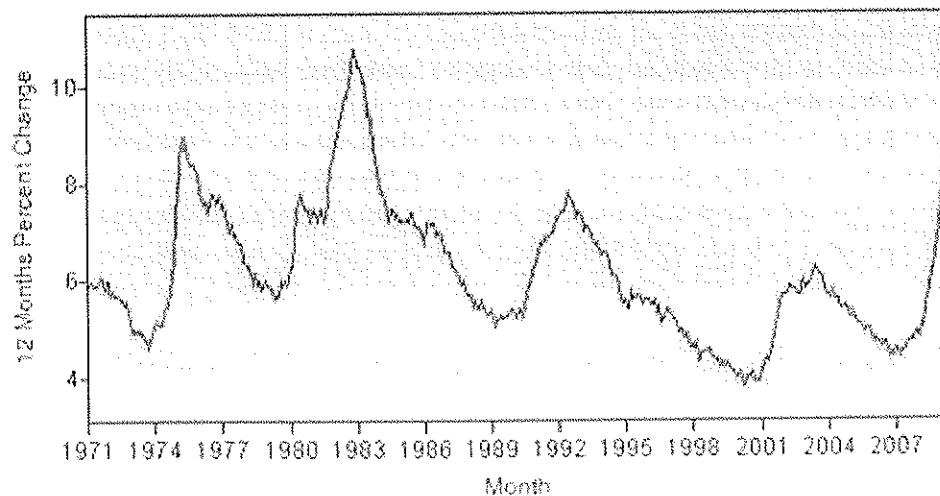
It absolutely amazes me how sanguine the Fed, Treasury and Administration are about the prospects for subdued inflation. What they and many economists like to point to as the source of their optimism is the high rate of unemployment, which is currently 9.4%.

But the truth is that inflation actually causes higher rates of unemployment, while it is false to believe that inflation can be prevented by a labor slack in the economy.

Consumer Price Index - All Urban Consumers
12 Months Percent Change
(1971-2007)



Labor Force Statistics from the Current Population Survey
Unemployment Rate for Age 16 years and over
(1971-2007)



Source: Bureau of Labor Statistics (www.bls.gov)

To prove this point, I would like you to observe the following two charts.

I chose 1971 (the year Nixon broke the gold window) as the starting point, as that was the year we began a 100% fiat currency system. The correlation between Consumer Price Inflation and the Unemployment Rate is impossible to ignore. You can clearly see that unemployment rises when CPI increases, with a small lag. The point is this; if inflation causes rising rates of unemployment, is it reasonable to assume that high rates of unemployment must necessarily prevent inflation from occurring? Clearly that would be false.

A closer look at the data

The cyclical high 12.2% Y.O.Y. rise in CPI that occurred in November of 1974 led to the cyclical high of 9% unemployment during May of 1975. Likewise, in 1979 the Y.O.Y increase in CPI reached a high of 14.6% in March and April of 1980, which was followed by another cyclical high 10.8% unemployment print in November and December of 1982. Finally, CPI increased from 1.2% in December 1986 to 6.4% in October of 1990. That again corresponded with the rise in unemployment that occurred from the 5% level in March of '89 to 7.8% in June of '92.

There is substantial evidence from the above data to conclude that a rise in unemployment does not serve as a depressant to inflation but rather that inflation leads to an increase in job loss.

However, there is one noted exception. What's going on today you may ask? We see a huge increase to 9.4% in the unemployment rate and yet CPI decreased 1% Y.O.Y in May—which belies the 38 years of historical data. I believe much of what the CPI is picking up today is the plummet in oil and commodity prices that occurred last year. The price of oil dropped 75% and that caused a onetime temporary distortion in the inflation data. Meanwhile, since then much of the decline in commodity prices has been reversed. Oil is up 70% and copper is up 60% this year while the US dollar is down 10% since March. The CRB Index gained 14% and gas prices are up 26% just in the month of May.

Those who are relying on a high rate of unemployment to keep inflation in check will be severely disappointed. There just isn't any historical basis for that belief in this country or any other. In fact, there are some extreme examples today of countries that experience high rates of unemployment along with runaway inflation.

The reason for this is simple. More people working and producing more goods to consume has nothing to do with inflation. Inflation is a monetary phenomenon and is caused by too much money chasing too few goods. In fact, fewer people in the work force mean fewer goods and services available to soak up money supply. Higher rates of inflation cause the dissolution of the middle class, as new money created always goes to the rich first. What money the non-rich do possess is subject to the same destruction in purchasing power of the rich, only they have much less of it. One of the consequences of this is a loss of discretionary purchases, which directly leads to a rising rate of unemployment.

The facts are that today that the Fed Funds target rate is near zero, the monetary base has more than doubled and the country needs to sell trillions of dollars in record shattering debt. Those factors alone are a perfect recipe to send CPI inflation rocketing up to meet the level of unemployment. Given the very strong historical relationship between inflation and unemployment, coupled with the recent surge in commodities, along with renewed weakness in the dollar, and it is reasonable to expect the rate of inflation to increase significantly in the very near future. Meanwhile we can only hope that Messrs. Geithner and Bernanke stop believing low inflation must persist just because there are less people out there producing.

↓ Introduction:

Unemployment occurs when a person is available to work and seeking work but currently without work. The prevalence of unemployment is usually measured using the unemployment rate, which is defined as the percentage of those in the labor force who are unemployed.

Unemployment refers to the condition of being unemployed, or to the number or proportion of people in the working population who are unemployed.

Unemployment is defined as by the Bureau of Labor Statistics as people who do not have a job, have actively looked for work in the past four weeks, and are currently available for work. Also, people who were temporarily laid off and are waiting to be called back to that job are counted as unemployed.

↓ LITERATURE REVIEW

Joblessness caused not by lack of demand, but by changes in demand patterns or obsolescence of technology and requiring retraining of workers and large investment in new capital equipment.

Unemployment is a central problem because when unemployment is high, resources are wasted and people's incomes are depressed; during such periods, economic distress also spills over to affect people's emotions and family lives.

Now we see that in Pakistan what is the situation of unemployment and what are its economic and social impacts.

In Pakistan labour force include all persons who are of ten years and above, and during the period are without work, currently available for work and seeking for work. On the basis of the existing population of 142.87 millions with Labour force participation rate of 27.46 percent, the total labour force comes to 39.24 million. According to these about 2.4 million persons of labour force were estimated as unemployed in 1999, as construction and transport sectors have absorbed 11.2 percent, 6.8 percent and 5.7 percent, compared to 10.5 percent, 7.2 percent and 5.0 percent respectively in 1994-95.

First of all we see the Sectoral employed Labour force.

According to Labour Force Survey 1996-97, the rate of open unemployment was 6.1 percent and 5.4 percent as per Labour Force Survey of 1994-95. This indicates that rate of unemployment has increased between these two surveys by 0.7 percent officially but unofficially unemployment is much larger than this rate.

Often it is perceived that unemployment rate of rural areas is greater because in rural areas there are less chances of employment as compared to urban areas where there are more chances of employment due to more industries. So now we see the annual unemployed labour force by urban/rural areas since 1993 to 1999, which is given in table below:

It is obvious from the above table that in Pakistan unemployment rate is increasing in both rural and urban areas in absolute as well as in percentage terms. Unemployment rate in rural areas is greater as compared to urban areas. Because of industries there are more chances of employment in urban areas. In Rural areas businessmen are setting up industries due to which now rural people seek Manufacturing sector for employment. As in rural areas there is no proper source of earnings due to which unemployment rate is increasing. As agriculture sector is not absorbing them due to adaptation of mechanical instruments and bad conditions. Small scale industries are not working efficiently due to worse economic conditions. So Rural people are not finding proper source of earning. It is clear from Percentage distribution of employed persons by major industries division.

‡ Economic impact

From Okun's law we know that for every 2% fall in GNP relative to potential GNP, the unemployment rate rises by 1% point. High unemployment is a symptom of waste — for during recessions, when unemployment is high, the economy is not producing up to high level. When economy is not producing sufficiently, we can say that we are unable to use our full resources for production purposes. Economy will not grow as fast as it can if become able to produce at high level.

‡ Social impacts

However large the cost to economy of unemployment, a recounting of Rupees lost does not adequately convey the human, social and psychological toll that periods of persistent involuntary unemployment bring.

Although unemployment has plagued capitalism, the Industrial Revolution, understanding its causes and costs has been possible only with the rise of modern macroeconomic theory. It is apparent that recessions and the associated high unemployment are extremely costly to the economy.

Unemployment is classified into three categories (a) Frictional unemployment (workers who are simply moving between jobs) (b) structural unemployment (workers who are in regions or industries that are in persistent slump) (c) cyclical unemployment (workers who laid off when the overall economy suffers a downturn. In Pakistan unemployment is of structural and cyclical nature.

Understanding the sources of unemployment has proved one of the major challenges of modern macroeconomics. Voluntary unemployment may be or when qualified people chose not to work out the going wage rate unemployment occur. The key element in understanding involuntary unemployment is the inflexibility of wages in the face of economic shocks. The same situation is in Pakistan, inflexibility arises because of costs involved in administering the compensation system.

The upward creep in the natural rate arises mainly because of demographic trends particularly the higher proportion of teenagers in the labour force. In addition, government policies are also

increasing unemployment rate i.e. Golden Shake Hand, ban on jobs increasing unemployment rate.

↓ **Role of Government**

The government is trying to reduce the unemployment rate. Under Prime Minister's Self Employment Scheme, different Banks and Small Business Finance Corporations are extending loans to unemployed youths and skilled professionals having diploma/degree and business experience. Loans ranging from Rs.10,000 to be Rs.500,000 for small business and from Rs.500,000 to Rs.5,000,000 for small industries etc. Small Business Finance Corporation is playing role in reducing unemployment. Up to March 1999, the Small Business Finance Corporation has sanctioned Rs.2,208.4 million, against amounting to Rs.1,551.95 million have been disbursed to 9,383 persons.

The SBFC has generated employment for 28,149 persons under the Prime Minister's Self-Employment Scheme up to March 31, 1999. A Small and Medium Enterprises Development (SMEDA) has been setup for growth and development of self-employment schemes in Pakistan.

During the year 1998 about 104,000 persons have been sent abroad for employment under Govt. overseas employment schemes.

The liberal economic and fiscal policies of the government may reduce unemployment rate because they can create new job opportunities and business in the country. There is a need to announce an economic revival package to stimulate investment and industrial production, boost exports, broaden the tax bases and lower tariffs.

In addition, construction of additional motorways and setting up of industrial zones throughout the country would also generate new opportunities for employment in the country.

↓ Types of unemployment:

Though there have been several definitions of **voluntary** and **involuntary** unemployment in the economics literature, a simple distinction is often applied. Voluntary unemployment is attributed to the individual's decisions, whereas involuntary unemployment exists because of the socio-economic environment (including the market structure, government intervention, and the level of aggregate demand) in which individuals operate. In these terms, much or most of frictional unemployment is voluntary, since it reflects individual search behavior. On the other hand, cyclical unemployment, structural unemployment, and classical unemployment, are largely involuntary in nature. However, the existence of structural unemployment may reflect choices made by the unemployed in the past, while classical unemployment may result from the legislative and economic choices made by labor unions and/or political parties. So in practice, the distinction between voluntary and involuntary unemployment is hard to draw. The clearest cases of involuntary unemployment are those where there are fewer job vacancies than unemployed workers even when wages are allowed to adjust, so that even if all vacancies were to be filled, there would be unemployed workers. This is the case of cyclical unemployment, for which macroeconomic forces lead to microeconomic unemployment.

↓ Frictional Unemployment

Frictional unemployment occurs when a worker moves from one job to another. While he searches for a job he is experiencing frictional unemployment. This applies for fresh graduates looking for employment as well. This is a productive part of the economy, increasing both the worker's long term welfare and economic efficiency, and is also a type of voluntary unemployment. It is a result of imperfect information in the labor market, because if job seekers knew that they would be employed for a particular job vacancy, almost no time would be lost in getting a new job, eliminating this form of unemployment.

Frictional unemployment is always present in an economy, so the level of involuntary unemployment is properly the unemployment rate minus the rate of frictional unemployment, which means that increases or decreases in unemployment are normally under-represented in the simple statistics.

↓ Classical unemployment

Classical or real-wage unemployment occurs when real wages for a job are set above the market-clearing level. Liberal economists like F.A. Hayek argued that unemployment increases the more the government intervenes into the economy to try to improve the conditions of those with jobs. For example, minimum wages raise the cost of labourers with few skills to above the market equilibrium, resulting in people who wish to work at the going rate but cannot as wage enforced is greater than their value as workers becoming unemployed. They believed that laws restricting layoffs made businesses less likely to hire in the first place, as hiring becomes more risky, leaving many young people unemployed and unable to find work. Some, such as Murray Rothbard, suggest that even social taboos can prevent wages from falling to the market clearing level.

⌞ Cyclical unemployment

Cyclical or Keynesian unemployment, also known as demand deficient unemployment, occurs when there is not enough aggregate demand in the economy. This is caused by a business cycle recession, and wages not falling to meet the equilibrium level.

⌞ Structural unemployment

Structural unemployment is caused by a mismatch between jobs offered by employers and potential workers. This may pertain to geographical location, skills, and many other factors. If such a mismatch exists, frictional unemployment is likely to be more significant as well. For example, in the late 1990s there was a tech bubble, creating demand for computer specialists. In 2000-2001 this bubble collapsed. A housing bubble soon formed, creating demand for real estate workers, and many computer workers had to retrain to find employment.

André Gorz believes that structural unemployment could be permanent in modern society, as the microchip revolution and the explosion in computer science and robotising of work even in less developed industrialized countries increase productivity.

Left-wing Nobel Prize winning economist, Paul Krugman has attacked this view, arguing that "One problem capitalism does not suffer from ... is being too productive for its own good."

Productivity gains in steel may reduce the number of jobs in steel, but they create jobs elsewhere (if only by lowering the price of steel, and therefore releasing money to be spent on other things); advanced countries may lose garment industry jobs to developing-country exports, but they gain other jobs producing the goods that those countries buy with their new export income. To observe that productivity growth in a particular industry reduces employment in that same industry tells us nothing about whether productivity growth in the economy as a whole reduces employment in the economy as a whole.

⌞ Seasonal Unemployment

Seasonal unemployment results from the fluctuations in demands for labor in certain industries because of the seasonal nature of production. In such industries there is a seasonal pattern in the demand for labor. During the period when the industry is at its peak there is a high degree of seasonal employment, but during the off-peak period there is a high seasonal unemployment.

Seasonal unemployment occurs when an occupation is not in demand at certain seasons.

↓ Causes of unemployment

The major causes for unemployment among the poor in Pakistan include a lack of technical skills, little or no education, low income worsened by indebtedness to moneylenders, no career guidance, lack of awareness regarding available jobs, high expectations without commensurate experience, little understanding of work ethics and the weak economy. Low income can be improved by small enterprise development (SED) activities, entrepreneurial and technical skills, increased financial resources and management skills, and increased participation of women in economic activities providing more income for the family as compared to a single breadwinner.

↓ Political Instability

Political instability is one with the successive governments failing to come up with any substantial plan to tackle growing unemployment. There is a vicious cycle of unemployment and the mandarins at the top don't have a clue as to how to reduce it.

Political instability, bad law and order situation, army's interference, bomb blasts, terrorism, inconsistent economic policies etc are the factors which are disturbing domestic and foreign investment. Pakistan investors are taking away their money to Dubai and other countries of the world.

Unemployment's main causes include the politics, because all the policies are made by the government. And the government is of the usually politically parties. Another reason that it usually happens that the policy made by the one party discarded by the other party that comes into power. And all the policy, all the people, that were placed by previous government, usually all are not on the merit. That is the main reason of unemployment. And the rights of the people that have their quality education and qualification remains without having the rights. The ILO reports that unemployment worldwide hit a record high last year of 185.9 million people worldwide, or 6.2 percent of the global labor force. The political class claims to have the answer, but unemployment is not the result of any one cause. It makes its appearance in a great variety of circumstances, some in personal factors, some in economic changes, and some in legislative and regulatory conditions. Throughout the year some workers may appear in the labor market and then withdraw. Students work during the summer and return to school in September. Building and construction activities, logging and lumbering, slaughtering and meat packing are very seasonal and give rise to a considerable amount of temporary unemployment. Similarly, industrial and technological changes may force workers to readjust and relocate. Jobs, wages, and working conditions always point the way.

Whenever government forcibly raises employment costs it causes marginal labor, that is, labor that barely covers its costs, to become sub marginal. It does not matter whether government orders wage rates to rise or benefits to be improved, the workday to be shortened, overtime pay to be raised, funds to be set aside for sickness and old age, or any other benefit to be granted. A

small boost renders few workers sub marginal, a large boost affects many. In matters of employment they now are "unproductive" and cannot be used economically.

It is obvious to all but politicians that any worker, male or female, old or young, Yank or Chinaman, whose service is worth only \$10 an hour but must be paid \$20 or more cannot be employed profitably. He would inflict clear losses on anyone who would hire him, which condemns him to a life of idleness, uselessness, and emptiness. Unaware of the very cause of his affliction, he is likely to take umbrage at society that apparently sentenced him to lifelong unemployment.

‡ Low Quality of Education

. In Pakistan education system is defective. There is no educational planning. This system is producing the stuff, which is useless in technical fields of the country. There is lack of technical and vocational institutions. Public attitude towards education is wrong, they want to get their degrees in general and arts subjects. Nobody can set up his own business without technical education. In Pakistan majority of the businessmen are less educated. They do not know how to run their businesses properly. So they become bankrupt. This factor generates unemployment on a massive level.

It all boils to the primary or basic education in Pakistan about which little attention has been paid and which continues to deteriorate. Budgetary allocations are very small for such an important sector with the result that we are unable to produce quality graduates at a tertiary level. The curriculum is outdated and the teachers too are pathetic. Unless we don't have a plan to improve basic education we can't expect quality graduates being churned out at the tertiary level.

Literacy Rate (2003 est.)

Total population: 45.7%

male: 59.8%

female: 30.6%

Unemployment is one of the biggest problems of Pakistan. That person is unemployed who has ability to do work and is willing to do work but is unable to get job opportunity. In the current

situation more than 30 lakh people are unemployed in Pakistan and unemployment ratio is more than 12%.

‡ **Backwardness of agriculture**

The biggest reason of unemployment in Pakistan is concerned with the backwardness of agriculture sector. Agriculture is the biggest sector of our economy that contributes 20.9% to GDP and 44% people get jobs from this sector directly or indirectly. Unemployment in this sector is from two sides.

First is due to the adoption of latest machinery and capital intensive technology. Due to this, demand for labour has been decreased. Second is the backwardness of this sector. There is less availability of fertilizers, pesticides, quality seeds, absence of land reforms and lack of agriculture education. Due to all these factors agriculture sector is not expanding and there is general and disguised unemployment.

‡ **Economic instability**

Industrial sector is the second largest sector of our economy and contributes 19% to national income. This sector should employ a large number of labor. But due to backwardness it is employing a small number of people. Due to electricity breakdown already established industry is deteriorating, resulting in the prevailing unemployment ratio. High cost and low quality are responsible for less demand for our agri and industrial items. Because of less demand of such kinds of goods both the domestic and international producers are losing their interest in production. That's why people are becoming unemployed.

✦ **Corruption and nepotism:**

Mr. Neeraj finally decided to put an end to everything. On June 12, 2007 he consumed a large dose of poison and committed suicide. Neeraj was a handloom weaver from Benipur village in Varanasi district of Uttar Pradesh.

Neeraj's family was in the handloom weaving industry making silk sarees. The industry by and large is dead in India not being able to cope-up with the market inflow of cheaper products imported from abroad and due to the complete neglect of the state and central administration to protect and promote the industry within and outside the country. Neeraj's death is a symbol of the industry itself and the plight of an estimated ten million handloom weavers struggling to make a living across the country.

Hand-woven cloth once symbolised the freedom movement of India. The powerful tool that depicted the Quit India Movement started by Mohandas Karamchand Gandhi, the father of the nation. As of today however, handloom industry in India, particularly in Varanasi, the home for the famous Banaras silk saree is practically dead. This decline also depicts the shallowness of the government's policy initiatives in addressing the pressing demands of the people of India.

The country that projects itself as a fast developing nation boasts about a near to ten point growth rate. However, the reality is this growth rate is limited for the benefit of a meagre 20% of the country's population. The rest of the population that remains isolated in the rural villages of India is yet to benefit from the enviable improvement in living conditions their fellow citizens have achieved in the metros.

This divide has created an economic polarisation within the country. Policies often made after least debates by the above 20% of the population fails to percolate into the rural backyard of India. Starting from import and export policies to implementation of social welfare schemes have all failed to reach the target group, the poor of the country, due to the failure in implementation of these policies.

The failure in implementing social welfare policies is largely because of the myopic vision of the policy makers and further due to the complete congestion of the justice delivery mechanisms. In Neeraj's case for example, the family was entitled to several social welfare schemes. Neeraj and his family are entitled to subsidised ration and in theory for jobs through the National Rural Employment Guarantee Programme. Owing to the corruption in the implementation of these programmes the family never could get their name registered to procure a Ration Card, a document that could have allowed them to buy food grains and oil for subsidised rates through the government run Public Food Distribution System (PDS) shops. Neeraj, though had applied several times for an employment card never obtained one since he was not able to pay bribes to the officials who issued the card. His complaints were never heard and finally having lost all his hope he decided to put an end to his miseries.

Corruption and nepotism is the hallmark of Indian administration. Corruption is deep-rooted well within the administrative setup. There are no possible mechanisms through which corruption could be checked. In reasonably functioning democracies the most effective way by which corruption in public life was brought down and kept to the minimum are through well functioning justice mechanisms. In India where the justice mechanisms itself are suffering from various problems including corruption and over load of work, expecting a court to interfere when it is required to is almost an impossibility.

Corruption in food distribution and enrolment of persons entitled for the benefit of government sponsored employment generation programmes is a crime that has to be investigated by the local police and prosecuted by the state. However, for ordinary people like Neeraj, the local police is

nothing other than a criminal in uniform and the prosecutor a state agent no better than a local party leader wearing a lawyer's robe.

These alarming features of the state at the local level are reflected in the central administration as well. Short-sighted import and export policies were tailor-made to cater vested interests of a few business houses inside and outside the country. Such actions have not only killed home-grown industries but have also sold the country to foreign interests. Those who survived found their way through by compromising on values and paying heed to demands of corruption and nepotism.

The handloom silk weaving industry of India is one of the worst hit in this process. The industry as such had no collective bargaining power to place their demands with enough force so that their occupation could survive the onslaught of open market invasion. Institutions like the courts that could have guaranteed fair-play in the market did not only function properly but is equally corrupt as the politicians in India.

On July 23, 2007 the Peoples' Vigilance Committee on Human Rights, the Action Aid International – India, the Bunkar Dastakar Adhikar Manch and the Asian Human Rights Commission – Hong Kong is holding a state level consultation to discuss and debate the issues of the handloom silk weavers and their acute poverty. The consultation will be held in Lucknow, Uttar Pradesh. The state government has delegated fourteen high-level officers to participate in the consultation. The Planning Commission of India will be also represented in the consultation through one of its senior most members Ms. Sayeeda Hameed.

The Asian Human Rights Commission and its counterparts expects that the state and central governments of India will consider the findings of the consultation and would take immediate and appropriate steps to implement the recommendations drafted in the consultation.

↓ Poverty

Millions of people in Pakistan are poor. Due to poverty people are overburdened with expenditures and their savings are very low. It is said that for the reasonable growth of economy saving rate should be at least 25% in any country, but in Pakistan it is only 13 to 14% which is very low. Low investment level is due to fewer saving, ultimately there is unemployment.

↓ Lack of planning

In Pakistan there is lack of every kind of planning. There is a huge difference between the demand and supply for labor. There is absence of such kind of planning to produce doctors, engineers, technical experts' scientists etc, according to the need of different sectors of the economy.

↓ Population's growth

Pakistan's population growth rate is 1.8% which is the highest in the region. Our resources are limited. Different sectors of economy are unable to provide jobs to the growing population. So there is unemployment.

↓ Impact of policies

Fiscal and monetary policies are also responsible for unemployment. In view of fiscal policy, Pakistan has fewer funds to invest in job providing projects. Every annual budget shows deficit. Through the monetary policy if the government increases the rate of interest, it discourages the investors from getting loans.

Concluding, I would like to suggest that with proper economic planning, consistent policies of government, better law and order situation, abolishing energy crisis, sincerity with Pakistan and by adopting the Islamic economic system we can not only tackle the issue of unemployment but every economic problem of our country as well.

In a modern economy unemployment has a variety of causes. Some of them relate to the general level of economic activity, others are the result of a failure of the labour market in an economy to work optimally.

‡ Terrorism Causes Unemployment:

Terrorism and poverty have contributed to heightened youth unemployment. Around 200 million youth, or 18 per cent of all youth, live on less than one dollar a day, and 515 million on less than two dollars a day. It is estimated that globally, some 100 million youth are currently enrolled in university-level education.

Yet, 113 million children are not in schools; this compares with the current cohort of 130 million youth who are illiterate. Latest data reveal that an estimated ten million young people are living with HIV/AIDS. This age group is again the most sexually active group. HIV primarily affects youth in their productive years.

If the quantity and quality of work done by the productive work force drops; the overall income of the family and the community will be greatly devastated. And, at the same time, unemployment and poverty are the main reasons for girl trafficking. Corruption, poor governance and political instability are some of the causes that turn the youths into a frustrated lot. This may even encourage them to engage in terrorism. Falling educational standards along with high incidence of unemployment also serve as breeding grounds for terrorism.

The continued deterioration of the status of youth, who face growing levels of marginalization, epidemic diseases, functional illiteracy and substance abuse are some of the major socio-economic challenges facing the youth. Unemployment also has severe damaging effects on young people. They suffer low self-esteem, exclusion from mainstream society and impoverishment. In Nepal, nearly 1.5 million youth are totally unemployed, according to studies.

As the state fails to chalk out proper strategies to provide jobs, the problem is gaining urgency day by day. For the last ten years, Maoists are increasingly recruiting poor and vulnerable youths and exploiting them for their selfish purposes. The three main issues keeping the Maoist war on the boil are unemployment, underdevelopment and corruption. Due to political uncertainty, hardly any socio-economic reforms have been undertaken though successive governments boast about the same time and again. The cost of war in Nepal has been horrific.

The near catastrophic destruction of vital sectors like education in Nepal shows how a society can collapse under the weight of long-term terrorism caused to a large degree by poverty and unemployment. Youth organizations as well as national and international agencies, including UN, have an important and effective role to play to change such a situation. But networking among youth organizations is virtually lacking.

NGOs and youth organizations must demonstrate a strong commitment of moving beyond analysis and deeper understanding to actually undertaking concrete actions in their respective sectors. They must be committed to supporting each others efforts through sharing of

experiences, knowledge and information. Terrorism will only be effectively tackled when its root cause, youth poverty, is properly addressed.

It seeks to bring the voice of the poor youth to policy makers, and to let them understand the realistic impact of their policies on the daily lives of those struggling in poverty. Strategies to reduce youth poverty must be situation-specific, directly addressing the realities on the ground. With the help of youth organizations, Nepal should aim at strengthening national self-confidence and social fabric of traumatized youth, to encourage and help them to overcome enormous human security challenges. Long term and short-term policy need to be formulated to enhance youth involvement in the nation building process. It is equally important to impart skills to youths-especially to those who haven't been able to pass SLC - as these are the ones that can be diverted to destructive causes rather than constructive ones in our rural setting.

The major causes of unemployment in Pakistan are as follows:

1) limited resource which give rise to an increased competition.

‡ LIMITED RESOURCES:

The basic causes of unemployment are government made laws. There are two types of laws which cause unemployment. One concerns methods of Revenue Collection; the other concerns the issue of government-granted privileges to able bodied people in the form of licenses, quotas, registrations, zonings, land titles etc., which limit or restrict the expansion of nearly every industry, trade and profession. This allows the holders of these privileges to prevent investment in capital, and prevent the employment of people in many productive activities.

Two examples are given of the effect of a special license causing unemployment: the taxicab industry and the agriculture in PAKISTAN, The worth of the privilege as apart from the true capital investment is shown, together with the resulting cost to the community in higher prices and reduced service, and the reduction in employment opportunities.

The most widespread and greatest privilege which tends to cause unemployment is the license or title to hold land; land tends to be held partly out of use unless there is a firm incentive to use it. Site taxation is a just revenue collection method which acts as such an incentive and causes full employment and prosperity, in contrast to the effects of other revenue collection methods.

The second cause of unemployment is the deterrent effect of types of taxation which extract tax merely because money is being seen to change hands.

A parallel is drawn between fines which are imposed to deter unsocial or criminal activity, and money extracted by governments in relation to normal honest economic transactions.

Undoubtedly such transactions are deterred, yet it is by such transactions that people seek to employ each other. Income Taxes and Sales Taxes undoubtedly prevent some transactions taking place, they thus stop sales of goods and services and cause unemployment.

The obvious cure for unemployment is twofold:

- a. Remove all laws which give special privilege to able bodied people.
- b. Steadily increase site taxation, and reduce income and sales taxes etc.

c. Unemployment, or more correctly, the lack of opportunity to be employed, occurs in nearly all so-called free enterprise countries, often to a continuously grave extent.

Many causes have been suggested in Pakistan, some quite false, but there is only one basic cause. This basic cause is that government maintains laws which quite obviously restrict employment and prevent the expansion of industry and the use of resources.

In other words government is causing unemployment by law.

In Pakistan, we have a cry for government to "create jobs", and politicians promise to do that; but what is really necessary is for government to cease preventing people from being employed.

Why do governments make such laws? Because they get elected by people who want, or condone such laws. It is a matter of education.

There are two main types of law which cause unemployment. One concerns the method of collecting revenue, and the other concerns the issuing of licenses which permit a limited amount of people and of capital to be used in some industry, but which in fact prevents other people from working or investing in it. These laws prevent normal expansion taking place which would employ those currently unemployed.

Let's have a look at these licenses first, although they go under all sorts of names such as registrations, licenses, quotas etc., sometimes they are incognito or disguised.

Two simple examples and these are not any worse in causing unemployment than hundreds of other cases.

Taxi!

Heavy taxes are imposed to the person that's why when they have to purchase their goods than at that time they are not provided such profit to fulfill their necessities'.

Agriculture!

When people sow the wheat or any other crops than the fertilizers prices are high but when they purchase than no such a response is given to them.

. The main taxes are Income Tax and Sales Tax, but among others in Pakistan we also have a agricultural Tax which actually taxes (fines) people for employing others, yet government is surprised at unemployment. Yet a tax which does not cause unemployment is available!

The basic causes-of unemployment are therefore are of two types:

- Government granted human rights which allow some people to steal from others, by a method requiring that industry and employment is restricted by licenses etc.
- A taxation system which taxes and deters production and effort by fining people for normal economic transactions.

The cure for unemployment is therefore also of two types:

- Remove all laws giving special privilege to a ble-bodied people.
- Steadily increase site value taxation (a tax on privilege), and reduce all taxes on economic transactions.

2) A rigid class system and social communal divides which favor only a select few individuals over the others on the basis of pedigree and not on the basis of merit.

3) The two percent ruling elite favor the ones closes to them and hiring is decided on the basis of their links and political connection. Nepotism is a major problem in Pakistani job market.

‡ **Over population:**

Over population, is the number of babies born one year or over a few years, leads to there being a large number of children under the age of 5. Many women cannot afford childcare or don't want to use it so they stay home .So over population causes the unemployment because there are a huge crowd of the people that are going away astray. They have no such resources to fulfill their demands, but having a big family. Due to tension and also having no opportunities for job.

‡ **literacy rate impact the unemployment rate:**

Lack of literacy skills and a good general education amongst the population has a significant impact on employment. Take for example, all those social workers, fraud benefit officers, post office workers, police, health visitors, Sure start workers, prison and probation officers and migrant workers who would be out of a job if everyone suddenly had improved skills. Well, that and the right attitude, but attitudes come from parents and communities.

Improved literacy rate will positively impact the employment rate- That is a higher literacy rate will certainly decrease unemployment. With more education, people will be more confident, aware and can think of more opportunities and further will realize that there are many areas for self employment or for development of entrepreneurs. Service or a job alone is not the only source of employment. True and worthwhile Education will lead to more self employment ventures and also the prevalent notion that only white collar jobs are the only source for gainful employment.

It matters not what the literacy rate is, there are only so many jobs and if there are more potential employees that there are employment opportunities then the unemployment rate will still remain the same, irrespective of how literate the unemployed persons are.

Government policy is to move the country towards a "knowledge economy". A big problem with this is that it requires certain aptitudes - and makes it difficult for people who cannot read, and those with low IQ (not always the same people) to find employment. We need to tackle illiteracy, we also need to ensure that there is a good range of jobs so that there is a productive role for all members of society. In our modern times, we still have children who are simply more able than others, but unfortunately, there is a ridiculous expectation on schools to churn out a 70% literacy pass rate. What has now happened is that we are making those children who just cannot read thoroughly miserable and self-conscious. As for this affecting unemployment rates - it doesn't! What affects unemployment rates is a mixture of job availability, the massive influx of immigrants, the lazy sods who can't be bothered to get a job and the lack of quality work out there for people because thousands of jobs have been shipped abroad where it's cheaper. Also, we need all types of workers - primary, secondary, tertiary and professional. Not every literate school leaver is going to be a journalist or writer, but skills in other areas would be beneficial and essential for their own self-respect. It certainly has a massive impact on the type of employment to which an individual may be suited or able but it would only be one factor in a complex set which rendered a person

unemployable.

This can be tackled by eradicating ignorance and poverty---Easier said than done.

Well how will people get employed if they are not educated. At least some criteria is needed to get a job. Unfortunately the declining standards of educational ability in the 7-11 yrs age range will take 7-10 yrs to start affecting the workforce in the way your question implies. If the government doesn't start tackling the lower standards head on, then it is everyday life for the people with problems in education that cause most problems as there will always be unscrupulous employers waiting to take advantage.

± Effects of unemployment

± Social effects

According to Adrian Sinfield, when there is high unemployment (1) the employed feel less secure; (2) workers are less willing to leave unsatisfactory jobs; (3) divisions in society increase; (4) the prospect of equality of opportunity decreases. Some local areas can develop a culture of despair. Lea and Young argue that this occurred in some inner cities of Britain and helped cause the riots of the 1980s. Various attempts have been made to link unemployment to many social ills such as ill-health, premature death, attempted and actual suicide, marriage breakdown, child battering, racial conflicts and football hooliganism. There is evidence to link unemployment to poor health.

For example, (1) unemployed school leavers in Leeds had poorer mental health than employed school leavers; (2) in 1971 a study based on the British census found a 20% higher mortality rate among the unemployed than among the employed; (3) a 1982 study of Edinburgh found the suicide and attempted suicide rate of unemployed men was 20 times higher than that of employed men; (4) studies indicate that children of the unemployed are not as tall as those of the employed. Such studies do not actually show that unemployment causes ill health, but they establish a statistical correlation. Chas Critcher, Bella Dicks and Dave Waddington in the early 1990s studied the effect of unemployment on two pit villages in Yorkshire using a questionnaire method.

In both villages pit closure resulted in significant long-term unemployment, and there were high stress levels throughout the community. Women suffered as much as men; wives of miners had to bear the brunt of family poverty and cope with male despair. There were social and economic problems for the community as a whole, and the fabric of the villages started to decay. Crime increased. Both villages were communities that had experienced total disorientation.

Unemployment costs the taxpayer. Between 1979 and 1985 unemployment benefits amounted to £33 billion. There is also a loss of tax revenue, since people who are out of work do not pay taxes.

↓ Economic effect:

Unemployment occurs when a person is available to work and currently seeking work, but the person is without work.[1] The prevalence of unemployment is usually measured using the unemployment rate, which is defined as the percentage of those in the labor force who are unemployed. The unemployment rate is also used in economic studies and economic indexes such as the United States' Conference Board's Index of Leading Indicators as a measure of the state of the macroeconomics. There are a variety of different causes of unemployment, and disagreement on which causes are most important. Different schools of economic thought suggest different policies to address unemployment. Monetarists for example, believe that controlling inflation to facilitate growth and investment is more important, and will lead to increased employment in the long run. Keynesians on the other hand emphasize the smoothing out of business cycles by manipulating aggregate demand. There is also disagreement on how exactly to measure unemployment. For example, the conservative government, when in power in the United Kingdom, changed the way in which employment was measured several times. Each time, the figure reduced (Social Trends).[citation needed] Different countries experience different levels of unemployment; the USA currently experiences lower unemployment levels than the European Union,[2][3] and it also changes over time (e.g. the Great depression) throughout economic cycles.

↓ Physical effects

From a prospective study of the impact of stress on health in 300 men assessed every six months, men who became unemployed after entering the study were compared with an equal number, matched for age and race, who continued to work. Psychological and health data after unemployment were compared between the two groups by multivariate analysis of variance and covariance.

After unemployment, symptoms of somatization, depression, and anxiety were significantly greater in the unemployed than employed. Large standard deviations on self-esteem scores in the unemployed group suggested that some men coped better than others with job-loss stress. Further analysis showed those with higher esteem had more support from family and friends than did those with low self-esteem. Furthermore, unemployed men made significantly more visits to their physicians, took more medications, and spent more days in bed sick than did employed individuals even though the numbers of diagnoses in the two groups were similar.

↓ Personal effects

Unemployed individuals are unable to earn money to meet financial obligations. Failure to pay mortgage payments or to pay rent may lead to homelessness through foreclosure or eviction. Unemployment increases susceptibility to malnutrition, illness, mental stress, and loss of self-esteem, leading to depression. According to a study published in *Social Indicator Research*, even those who tend to be optimistic find it difficult to look on the bright side of things when unemployed. Using interviews and data from German participants aged 16 to 94 – including individuals coping with the stresses of real life and not just a volunteering student population – the researchers determined that even optimists struggled with being unemployed.

Dr. M. Brenner conducted a study in 1979 on the "Influence of the Social Environment on Psychology." Brenner found that for every 10% increase in the number of unemployed there is an increase of 1.2% in total mortality, a 1.7% increase in cardiovascular disease, 1.3% more cirrhosis cases, 1.7% more suicides, 4.0% more arrests, and 0.8% more assaults reported to the police. A more recent study by Christopher Ruhm on the effect of recessions on health found that several measures of health actually improve during recessions. As for the impact of an economic downturn on crime, during the Great Depression the crime rate did not decrease.

Because unemployment insurance in the U.S. typically does not replace 50% of the income one received on the job (and one cannot receive it forever), the unemployed often end up tapping welfare programs such as Food Stamps or accumulating debt. Higher government transfer payments in the form of welfare and food stamps decrease spending on productive economic goods, decreasing GDP. Some hold that many of the low-income jobs are not really a better option than unemployment with a welfare state (with its unemployment insurance benefits). But since it is difficult or impossible to get unemployment insurance benefits without having worked in the past, these jobs and unemployment are more complementary than they are substitutes. (These jobs are often held short-term, either by students or by those trying to gain experience; turnover in most low-paying jobs is high) Unemployment insurance keeps an available supply of

workers for the low-paying jobs, while the employers' choice of management techniques (low wages and benefits, few chances for advancement) is made with the existence of unemployment insurance in mind. This combination promotes the existence of one kind of unemployment, frictional unemployment.

Another cost for the unemployed is that the combination of unemployment, lack of financial resources, and social responsibilities may push unemployed workers to take jobs that do not fit their skills or allow them to use their talents. Unemployment can cause underemployment.

The fear of job loss can spur psychological anxiety.

↓ Data and analysis

↓ Pakistan Unemployment rate:

5.6% plus substantial underemployment (2007 est.)

Year	Unemployment rate	Rank	Percent Change	Date of Information
2003	7.80 %	119		2002 est.
2004	7.70 %	122	-1.28 %	2003 est.
2005	8.30 %	75	7.79 %	2004 est.
2006	6.60 %	65	-20.48 %	2005 est.
2007	6.50 %	72	-1.52 %	2006 est.
2008	5.60 %	71	-13.85 %	2007 est.

Definition: This entry contains the percent of the labor force that is without jobs. Substantial underemployment might be noted.

‡ **India Unemployment rate:**

7.2% (2007 est.)

Year	Unemployment rate	Rank	Percent Change	Date of Information
2003	8.80 %	110		2002
2004	9.50 %	105	7.95 %	2003
2005	9.20 %	83	-3.16 %	2004 est.
2006	8.90 %	91	-3.26 %	2005 est.
2007	7.80 %	92	-12.36 %	2006 est.
2008	7.20 %	89	-7.69 %	2007 est.

‡ **Iran Unemployment rate:**

12% according to the Iranian government (2007 est.)

Year	Unemployment rate	Rank	Percent Change	Date of Information
2003	16.30 %	65		2003 est.
2004	15.70 %	64	-3.68 %	2002 est.
2005	11.20 %	105	-28.66 %	2004 est.
2006	11.20 %	112	0.00 %	2004 est.
2007	15.00 %	147	33.93 %	2007 est.
2008	12.00 %	134	-20.00 %	2007 est.

↓ China Unemployment rate:

4% unemployment in urban areas; substantial unemployment and underemployment in rural areas (2007 est.)

Year	Unemployment rate	Rank	Percent Change	Date of Information
2004	10.10 %	93		2003 est.
2005	9.80 %	88	-2.97 %	2004 est.
2006	9.00 %	92	-8.16 %	2005 est.
2007	4.20 %	50	-53.33 %	2005
2008	4.00 %	49	-4.76 %	2007 est.

From the above given data we see the unemployment rate of Pakistan and neighboring countries, we noticed the year wise increase or decrease in unemployment rate.

The cause of unemployment in society was very important topic. We have to conductive proper survey and collect the data through questionnaire and after completion of the data that in Pakistan 24.67% unemployment is due to extreme growth in population and 28.67% non coordination between education and job opportunities. Less investment in technical field is also a reason of unemployment. According to a survey research, we come on this point unemployment is also depend on economic condition of our country. Now a days professional and technical education necessary for our society.

The unemployment rate in Pakistan, Iran, china and India is respectively 5.6%, 12%, 4%and 7.2%, its clear that unemployment is lesser in china and is more in India, Pakistan is in a bit better position, for lowering our unemployment rate we should follow the tactics used by china and avoid the tactics used by India keeping in view our own resources and environment..

It is noticed that unemployment in Pakistan is decreasing for the last 10 odd years, it means Pakistan in this scenario moving towards better position, china is substantially decreasing its unemployment rate, while India is struggling in lowering its unemployment rate any India as well decreasing its unemployment rate.

It gives the information that in spite of these situations for last years in Pakistan, Pakistan is comparatively well to other neighboring countries..

↓ Suggestions and solution

Societies try a number of different measures to get as many people as possible into work. However, attempts to reduce the level of unemployment beyond the Natural rate of unemployment generally fail, resulting only in less output and more inflation

↓ Demand side

According to classical economic theory, markets reach equilibrium where supply equals demand; everyone who wants to sell at the market price can. Those who do not want to sell at this price do not; in the labour market this is classical unemployment. Increases in the demand for labour will move the economy along the demand curve, increasing wages and employment. The demand for labour in an economy is derived from the demand for goods and services. As such, if the demand for goods and services in the economy increases, the demand for labour will increase, increasing employment and wages. Monetary policy and fiscal policy can both be used to increase short-term growth in the economy, increasing the demand for labour and decreasing unemployment.

↓ Supply side

However, the labour market is not efficient: it doesn't clear. Minimum wages and union activity keep wages from falling, which means too many people want to sell their labour at the going price but cannot. Supply-side policies can solve this by making the labour market more flexible. These include removing the minimum wage and reducing the power of unions. Other supply side policies include education to make workers more attractive to employers.

Supply side reforms also increase long-term growth. This increased supply of goods and services requires more workers, increasing employment. It is argued that supply side policies, which include cutting taxes on businesses and reducing regulation, create jobs and reduce unemployment.

↓ Tax-related

One structural solution to unemployment proposed was a graduated retail tax, or "jobs levy", to firms where labor is more expensive than capital. This method will shift tax burden to capital intensive firms and away from labor intensive firms. In theory this will make firms shift operations to a more politically desired balance between labor intensive and capital intensive production. The excess tax revenue from the jobs levy would finance labor intensive public projects. However, by raising the value of labour artificially above capital, this would discourage capital investment, the source of economic growth. With less growth, long-run employment would fall.

‡ General solution given by John Tomlinson

The system of income support which exists in any country determines the impact unemployment has on low income earners. Governments throughout the English speaking western world have imposed means testing, targeted benefits, activity testing and 'mutual obligation' regimes to discourage those without paid work from becoming 'dependent' on the State. These governments are obsessed by the need to limit the amount of income support so as discourage people remaining on benefits (the old less eligibility principle).

There is an alternative approach to income support: that of Basic Income which, if implemented, could as Andre Gorz (1999 p. 85) and Goodin (1992) suggest result in a more equitable sharing of paid work, civil activity and leisure without inhibiting productivity.

This paper will examine the way the existing Australian system of income support, with its associated compulsion imposed upon income support recipients, is an inadequate 'solution' to either income needs or employment. The paper suggests that a Guaranteed Minimum Income would be an improvement but that a universal Basic Income is the most useful approach, which if implemented, is capable of meeting both income and employment needs.

✦ A brief history of despising unemployed people

Since at least the 1950s, successive Australian governments have believed that the working class generally and people who are unemployed in particular have a propensity to sink into the slough of 'dependency' unless the State was ever vigilant. This was why the unemployment benefit eligibility requirements, since that time, have demanded applicants establish they are "fit, ready and willing to work". Hence the old Department of Social Security joke that "Christ would be refused unemployment benefits because he had a beard, wore sandals and hung round the Cross".

From the end of the Second World War until 1974 unemployment in Australia remained around 1% most of the time (Stilwell 2000, Boreham, Dow & Leet 1999, Langmore and Quiggan 1994, Watts [Martin] 2000). Since then unemployment has dramatically risen here as in most parts of the western world (Rifkin 1994, Omerod 1994, Kelsey 1995, Boreham, Dow & Leet 1999, Stilwell 2000). Associated with the rise in the level of unemployment has been, in the Australian and New Zealand (Bradford 1997) context, an increase in the vitriol which governments have directed towards those whom government and industry policy excluded from the paid labour force (Boreham, Dow & Leet 1999 Ch. 1).

In 1972 the advent of the Whitlam government initially heralded a new deal for social security recipients but as the level of unemployment, particularly youth unemployment, rose in Australia so too did the frequency of attacks on unemployed people. Starting with Hayden and Cameron's slurs about 'work shy lion tamers' and 'dole bludgers' (Windschuttle 1981) attacks on unemployed people increased in intensity during the Fraser Government (Tomlinson 1982 Chapter 3). During the Hawke and Keating Governments, Brian Howe, Minister for Social Security, gave expression to negative evaluations of unemployed people through rediscovering their propensity for 'dependency'. This in turn led Professor Bettina Cass (1986, 1988, Cass, Gibson, & Tito, 1988), who was heading a review of the Department, to propose extending the work testing of unemployed people to encompass activity testing. This suggestion, in turn, has found recent expression in the 'participation income support' agenda proposed by the Reference Group on Welfare Reform (2000). Jocelyn Newman (1999), the current Minister with responsibility for income support, is obsessed with the propensity of poor people to become 'dependent' on the State. The Howard Government's 'work for the dole' and wider 'mutual obligation' agendas are simply an extension and intensification of the obligating regimes imposed on unemployed people in Australia for the last half century.

✦ Where income support for unemployed people fits in the Australian social security system

The Howard Government has declared its intention to maintain a social welfare safety net in order to assist all in need through no fault of their own (Howard 1999, 2000, Newman 1999 p. 7). The Australian income support system is currently non-contributory, categorical, selective, and targeted towards categories of beneficiaries on the basis of some presumed 'need'. From 1912 until 1987 child endowment was a universal payment. Now metamorphosed into family allowances, it too fits the general mould. There is still one payment 'the blind pension', a subcategory of the disability support pension, which is not selective.

Attempting to ascertain the degree of impairment experienced by an individual applicant and then paying those applicants who can establish they have met some predetermined 'level of incapacity to work' is very costly and an extraordinarily inefficient method of providing income support to those with a disability. People with equivalent levels of impairments often have widely different employment histories (Perry 1995 p.29). It would be more efficient to provide a universal income guarantee if the desire is to encourage productivity / contribution / inclusion by those who have a disability. Australian governments have recognised this in relation to 'blind pensioners' (Jordan 1984, Kewley 1973) but continue to subject others who have severe disabilities to stigmatised, selective, targeted, categorical payments. Robert Goodin (1992 pp.196-197) points out that attempting to determine work capacity by measuring levels of impairment and the adoption of any other unit of payment than the individual creates target inefficiencies because such tests of eligibility are 'surrogate measures' - they do not test the things they purport to measure *directly*.

The predominant payments made to unemployed people: job search, new start, and common youth allowance are, like the bulk of income support payments in Australia, categorical, means tested and targeted benefits. They currently have associated obligations attached to them compelling unemployed people to participate in training, volunteer effort, work for the dole or any other program that Centrelink or the recently Christianised and privatised job search agencies dictate. The Reference Group on Welfare Reform (2000) has foreshadowed extending such compulsion to lone parents (whose youngest child is over 13 years) and to some disability support pensioners.

The Reference Group on Welfare Reform (2000) has proposed the current categorical payment system be replaced with one 'working age' payment system (for those who now receive benefits and pensions) which would discriminate between applicants in terms of 'special needs', family composition, participation requirements and other income. I have criticised this proposal elsewhere for its individualising entitlements, its complexity and its failure to incorporate all citizens
(Tomlinson 2000).

↓ A return to the poor laws

There have been extreme right wing ideologues (Sullivan 2000, Murray [Charles] 1984, Mead 1986, 1997) who have stoked the fires of 'dependency' rhetoric and thus encouraged the general direction of Australian Government's income support policy. As well, the existing system of income support in Australia has not been without its left critics for failing to efficiently deliver sufficient benefits to those in the most financial need (Tulloch 1979, Watts [Rob] 1995 [a], 1999, Perry 1995, VCOSS & Good Shepherd 1995, Baldwin 1995, Stilwell 1999, 2000, Tomlinson 1989, forthcoming). The categorical / selective approach has drawn criticism here and overseas (Stretton 1996, Gorz 1995, 1999, Rankin 1997, 1998, Ritchie 1997, Bradford 1997, McDonald 1995, Standing 1999, Lerner, Clark & Needham 1999, Murray [Michael] 1997, Boston, Danziel, & St. John 1998, Goodin 1988, 1992, Goodin & Le Grand 1987, Goodin, Headey, Muffels & Driven 1999, Page & Silburn 1998 Van Parijs 1992 [a], 2000, BIEN web site, NZUBI web site). Despite this there continues to be supporters of the current categorical system in Australia

(Whiteford 1998). Pixley (1993) and Cass (1986,1988) ardently promoted the active society approach, at least during the period when Labor was in power.

Governments in Australia, New Zealand, Canada Britain and the United States consistently suggest they are providing social security in an efficient and accountable manner. They are certainly capable of determining the cost of delivering specific categorical benefits to those recipients who are paid. They can and do calculate how much they 'save' by cutting people off income support when they do not meet the totality of eligibility requirements for any specific benefit. This is *accounting* or *target efficiency*. They seem disinterested in how people who are refused benefits get by, or what social costs are incurred in the wake of decisions to remove income support from such citizens. Target efficiency processes give no measure of how *efficient* the *system* of social security is. Because the central issues which should be taken into account when assessing the efficiency of a social security *system* are not considered.

Some of the system wide efficiency measures, which would need to be taken into account if *the efficiency of the system* was being calculated, would be:

- are any of the people excluded from the social security system poor,
- how many people who have an entitlement miss out,
- how satisfied are the people who are confined to low levels of income support,
- does the social security system advance social justice for all permanent residents,
- are the human rights of all residents protected (or even enhanced),
- does the system remove all obstacles to inclusion of people with a disability,
- are all genders, ages and ethnic groups treated equally or equitably,
- is there equitable treatment provided to city and country people, and
- does the system of income support provide sufficient security to recipients so as to allow them to contribute to society in ways with which they are comfortable?

The ideological underpinnings of the present Australian Government's approach have been succinctly enunciated by Howard (1999, 2000). They amount to an amalgam of individual liberal economic policy and conservative social policy. The central features of the conservative position, in the twentieth century, are:

- support for *traditional values*, such as the family,
- the importance of *work*,
- *sexual restraint*,
- the sanctity of *private property*, and
- the *belief in the inherent imperfection of human beings*.

From the liberal position the Howard Government takes the importance of the individual which it overlays on its general conservative social orientation. Hugh Stretton (1996) and others (Goodin 1988 p. 7, Tomlinson forthcoming) see in the imposition of individualised obligation and eligibility determinations a return to the charity system of the poor laws so aptly described by Polanyi (1945)

† Generalised income guarantees

In the last 12 months in Australia 200,000 recipients of income support have been breached by Centrelink (ACOSS 2000). Income *insecurity* is a constant preoccupation of citizens surviving on low incomes. Categorical, selective, targeted welfare payments which exist in Britain, Canada, Australia, New Zealand and the United States have not succeeded in abolishing Beveridge's five giants of 'squalor, want, ignorance, disease and idleness' (Timmins, 1995). The modern welfare state, in the countries mentioned, does not guarantee all permanent residents a secure income. Each of these countries has toyed with the idea of introducing generalised income guarantees for all permanent residents. Such partial income guarantees which have been installed have had eligibility requirements attached to them which demand either proven incapacity to labour, work willingness or some socially approved basis for not working (such as sole parenting or age). Many forms of generalised income guarantees have been suggested including: Guaranteed Minimum Income (GMI), Negative Income Tax (NIT) and Basic Income.

The major difference between a Guaranteed Minimum Income (GMI) or a Negative Income Tax (NIT) and Basic Income forms is that the first two are *selective* and Basic Income is *universal*. Proponents of NIT and GMI argue that it would cost the State less to introduce their models compared with a Basic Income. It is true that government outlays would be lower under NIT and GMI; but the actual drain on the budget bottom line of an unconditional Basic Income (because of increased tax compliance and ease of administration) might not be much greater than with other forms of income guarantees (Van Parijs 2000 pp. 8-9).

The history of Australia's flirtation with income guarantees has been described elsewhere (Tomlinson 1989, forthcoming, Tomlinson & Lincoln 1995, Watts [Rob] 1984, 1995 [a], Tulloch 1979, Kewley 1973, Henderson 1975 Vol. 1 Ch. 6 & Vol. 2 Appendix 6, Priorities Review Staff 1975). The essential advantage deriving out of a GMI or a NIT, compared with categorical income support, is that 'it provides an income floor below which no one falls without imposing a ceiling beyond which no-one rises' (Rhys-Williams 1965 p.163).

A non-conditional GMI or NIT, paid to each individual, would at least ensure that no permanent resident would be without an entitlement to a base income. This provides some limited security for those facing unemployment. But because NIT and GMI schemes are selective, unemployed people may not be able to calculate how their cash in hand income will be affected by part time or even low wage full time work. The existing categorical system of income support, because of combined income support withdrawal and income tax rates, exposes people, who exceed the income free level, to effective marginal tax rates of between 60 and 200% for each additional dollar earned. This has to be compared with a 47% income tax rate for incomes over \$60,000. The fact that a Government sees such a situation as unremarkable stems from the belief that the poor need to be compelled but the rich need to be encouraged.

I do not draw attention to this inequitable treatment of income, between those reliant on the income support system and those who derive their livelihood from other sources, to support the ill-informed assertion that decent income support payments inhibit work willingness. I do this to argue that the people who are the most marginal to the productive process are unnecessarily disadvantaged by the confusing multiple withdrawal rates which occur when people are working

and receiving categorical selective benefits. Though few workers regard the income advantage derived from working as the *sole* reason for engaging in employment, financial advantage is a factor influencing job choice. If a worker is unaware of the real financial impact of employment, or confused about the financial impact then the satisfaction derived from employment will be lessened.

The actual decision to seek or accept work will depend on many factors - of which the financial aspect is only one. When Professor Connie Benn headed the Brotherhood of St Lawrence's ARC Project in the late 1970s she instituted a GMI experiment and found that bread winners from low income families continued to work or actively seek work even when their families would have been as financially well off had they simply relied upon the GMI provided by the Brotherhood (Benn 1981, Liffman 1978).

The fear that generous categorical payments create work disincentives because the financial margin between working and living on benefits is insufficient to make people want to work derives out of the *public choice* perception of human behaviour. It ignores the entire sociology of work research and assumes that the poor have to be compelled if they are to be productive. Most beneficiaries have only the vaguest idea of how the tax and social security combined withdrawal rates operate. Most categorical combined tax/benefit withdrawal rates are so high that they create for many a financial disincentive to part-time work which leads in turn to governments compelling people to take part-time work on threat of loss of all benefits. This is a very inefficient way to construct social policy. With a Basic Income there is always a financial incentive to work- the withdrawal rate is the tax rate - and is, as a result, known and easily calculated.

The fact that such arguments (about lesser eligibility, the poor's fecklessness, the associated need for coercion and the importance of increasing the huge differentials in income between the owning and labouring classes) are a nonsense, does not make them any less valued by current Government ministers. John Kenneth Galbraith ridiculed such arguments by pointing out that "It always boils down to the highly improbable case that the rich are not working because they have too little income and the poor because they have too much" [cited in Boreham, Dow & Leet (1999) p.104]. Recently the newly elected New Zealand Labour / Alliance Government with the active support of the Greens has moved to slowly dismantle much of the compulsion infrastructure in their conservative predecessors income support system (*The Jobs Letter* 2000, p.3).

↓ Basic Income

With a Basic Income, because it is a universal payment, people are always advantaged by any extra income obtained. The withdrawal rate is the income tax rate making the cash in hand situation easier to calculate than a combined tax and income support withdrawal rate.

The less eligibility argument, mounted by conservatives from the days of the Elizabethan poor law, suggests that unless welfare benefits are paid at a lower rate than would be obtained from paid jobs then work disincentives will occur. Such thinking continues to dominate policy debates

in Australia, New Zealand, Britain, Canada and the United States. This, when coupled with the economic fundamentalist mind set (which suggests that minimum wage legislation makes it increasingly difficult for employers to afford to provide jobs for the least skilled) has two impacts; minimum wages are kept low and so subsequently are benefit levels.

Stephen Bell in the final chapter of *The Unemployment Crisis in Australia* suggest that:

In effect, those at the lower end are being asked to fund jobs growth through wage reductions with rising inequality as a key outcome. The implication is that societies confronted by the new economy, if they wish to retain some semblance of civility, must now confront distributional issues head on (Bell 2000 p.253)".

He subsequently suggests "The problem with guaranteed minimum income schemes is that they perpetuate the post war residual welfarist model of income maintenance and run a strong risk of creating a dependent and marginalised subgroup of 'recipients' vulnerable to the politics of downward envy (p.268)". He cites only Pixley (1993) and Latham 1998 p. 203) in support of this assertion. Latham's analysis in relation to universal income guarantees and dependency is refuted by many including Watts (1999, Tomlinson & Bleasdale 1999/2000). Pixley (1993) is has also drawn similar severe criticism (Watts 1995[a], [b], 1994, Tomlinson (1995) To the extent that a GMI or a NIT is selective; it means that payments go only to the poor rather than to all citizens. There are traces of welfare thinking and the potential for some envy embedded in both GMI and NIT, but if that was a major concern both 'difficulties' can be abolished by choosing a universal Basic Income, paid to each individual, as the form of income guarantee. Bell (2000) does not even consider the possibility of a Basic Income.

Van Parijs (1992[b] p.229) claims that because a Basic Income is paid, irrespective of all other sources of income, it can be used by those who desire work as a wage subsidy; yet, because it provides sufficient income on which to live, it does not compel any potential worker to work under conditions which that worker finds unacceptable. He concludes that "Whereas a rising means-tested benefit makes it increasingly difficult for unskilled people to find a job, a rising basic income makes it increasingly feasible (Van Parijs 1992[b] p.229)".

With the qualification that there may be some jobs offered in any country which are so unsafe and poorly remunerated that no one in their right mind would take them- forcing people to take such jobs by threatening the removal of benefits is unconscionable. If the intention of those who promote categorical benefits which demand work readiness is to force workers to take all available jobs then this aim might more efficiently be achieved through a Basic Income than by the enforcement of less eligibility. The inordinate invasion of privacy in the lives of applicants for unemployment benefits, the imposition of 'mutual obligation' and other stigmatising practices all have to be paid for by governments out of permanent residents' taxes. If the aim is to ensure that all job vacancies are filled, the provision of an unconditional Basic Income has the capacity to do that without compulsion. This would be both just and efficient.

World wide the major problem facing advanced economies is too many workers chasing too few jobs (Rifkin 1994, Omerod 1994, Gorz 1999, Boreham, Dow & Lect 1999, Stilwell 2000). Stigmatised, selective, targeted, categorical welfare payments coupled with 'mutual obligation'

and other compelled activity scenarios are tackling *a* problem - the trouble is that they are tackling the *wrong problem*.

A Basic Income, because it provides a known financial advantage for every extra dollar earned, abolishes both poverty traps and work disincentives (Lerner, Clark & Needham 1999 pp. 20-21). Gorz (1999 p.85) claims "The *universal, unconditional* grant of a basic income is, therefore...the best instrument for redistributing both paid work and unpaid activities as widely as possible [*italics in original*]."

It seems an absurd proposition that economic fundamentalists and the current conservative Coalition Government claim the mode of production has to be deregulated for the sake of 'efficiency' but that the system of welfare redistribution should be increasingly regulated. The existing targeted categorical income support system will, if the Howard Government remains in office, move to individual benefits determination. The Minister in charge of income support is on record as saying "Simply providing payments to everyone who fits into a particular category fails to recognise the different capacities and potential people have to contribute to their own future (Newman 1999 p. 9)." This is the height of inefficient supply of benefits.

✦ Conclusion

In juxtaposition, there are efficiency arguments which can and should be mounted in support of an unconditional Basic Income.

- A Basic Income requires the least interference in the lives of citizens.
- It supplies all permanent residents with equal assistance.
- It is the most inclusive form of income support payment and the most secure, thus enhancing citizenship.
- It provides sufficient income to allow the possibility that people will explore their creative capacity.
- It removes many of the obstacles to a reinvigoration of the industrial, technical and computing infrastructure.
- It allows the State a fuller understanding of the impact of its other social wage policies.

↓ Miscellaneous suggestions:

1) Govt. should make efforts to push economic growth process.

For this purpose Economic Revival Package should announce for the revival of industries sector, to stimulate production and investment.

2) Govt. should seriously try to boost exports through broadening the tax base and lowering tariffs.

3) Govt. should announce a package for the development of agriculture sector .

4) Beside this a number of fiscal and monetary measures should take to attract industrialists and particularly foreign investment.

5) More Technical and Vocational training facilities should be provided. In this way unemployed people will get the chance to enhance their skills and become able to earn reasonable income.

6) With a view to reduce educate unemployment, self-employment scheme should be encouraged in true manners.

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