EXPLORING THE RELATIONSHIP BETWEEN ECONOMIC GROWTH AND STRUCTURAL UNEMPLOYMENT

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ABSTRACT

The relationship between economic growth and structural unemployment is complex and multifaceted. Structural unemployment refers to the long-term mismatch between the skills and qualifications of workers and the requirements of available job opportunities within an economy. It occurs due to factors such as technological advancements, changes in industry composition, and shifts in consumer demand. Economic growth, on the other hand, refers to the increase in the overall production of goods and services within an economy over time. It is typically measured by indicators such as gross domestic product (GDP), employment rates, and productivity.

Keywords: Economic Growth, Structural Unemployment.

INTRODUCTION

Structural unemployment refers to a type of unemployment that arises due to a mismatch between the skills and qualifications of workers and the available job opportunities in the labor market. It is a long-term phenomenon caused by fundamental changes in the economy, such as technological advancements, shifts in consumer preferences, changes in industry structure, or globalization (Boehlke, 2019).

When structural unemployment occurs, certain industries or occupations decline or become obsolete, leading to a decrease in the demand for workers in those fields. This can be a result of automation, outsourcing, or the emergence of new industries that require different skill sets. As a result, workers who possess skills that are no longer in demand may find it challenging to secure employment and may remain unemployed for an extended period (Hamilton & Monteagudo, 1998).

Structural unemployment often requires workers to undergo retraining or acquire new skills to adapt to the changing job market. However, this transition can be difficult and time-consuming, leading to a prolonged period of unemployment for those affected. Additionally, the geographical mismatch between job opportunities and the location of unemployed workers can also contribute to structural unemployment (Henderson et al., 2011).

Policies aimed at reducing structural unemployment typically focus on providing education and training programs to help workers develop the skills needed for emerging industries. Governments may also offer incentives for businesses to invest in training programs or provide subsidies to industries in transition. However, addressing structural unemployment requires long-term strategies and collaboration between policymakers, businesses, educational institutions, and workers themselves. It is worth noting that structural unemployment differs

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from other types of unemployment, such as cyclical unemployment, which occurs due to fluctuations in the business cycle, and frictional unemployment, which arises from temporary transitions between jobs or when individuals are searching for their first jobs.

Here are Some Key Points to Consider when exploring the relationship between economic growth and structural unemployment

Technological advancements: Economic growth is often driven by technological progress, which can lead to increased labor productivity and efficiency. However, these advancements can also result in job displacement as certain tasks become automated or obsolete. This can contribute to structural unemployment as workers may lack the necessary skills to adapt to the changing labor market (Levine, 1997).

Industry composition: Economic growth is typically accompanied by changes in the composition of industries. Certain sectors may experience rapid growth, while others may decline or become obsolete. Structural unemployment can arise when workers in declining industries find it challenging to transition into growing sectors due to the mismatch in skills and qualifications.

Education and training: To reduce structural unemployment, it is crucial to invest in education and training programs that align with the evolving needs of the labor market. By equipping workers with the necessary skills and knowledge, they can better adapt to changes in the economy and find employment opportunities in growing sectors (Nulambeh & Eryiğit, 2022).

Economic policies: Government policies play a significant role in shaping the relationship between economic growth and structural unemployment. Policies that promote innovation, entrepreneurship, and investment in human capital can foster economic growth while also mitigating the negative impacts of structural unemployment. Additionally, social safety nets and retraining programs can provide support to workers affected by structural unemployment.

Time lag: The relationship between economic growth and structural unemployment may exhibit a time lag. In the short term, economic growth may lead to a reduction in overall unemployment rates, including structural unemployment, as new jobs are created. However, in the long run, structural unemployment can persist if the skills mismatch between workers and available jobs is not adequately addressed.

CONCLUSION

It is important to note that while economic growth can contribute to reducing unemployment, it may not necessarily eliminate structural unemployment entirely. Structural unemployment requires targeted policies and interventions that address the underlying causes of the skills mismatch and facilitate the transition of workers into new industries and occupations.

Overall, economic growth and structural unemployment are intertwined, with technological advancements, industry composition, education and training, and government policies playing crucial roles in shaping the relationship between the two.

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