

## THE IMPACT OF UNEMPLOYMENT TO ECONOMIC DEVELOPMENT: THE CASE OF EUROPEAN UNION

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**Abstract:** *Una dintre cele mai mari probleme sociale ale Europei din ultimele decenii este șomajul. Această problemă a afectat mai ales tinerii, femeile și persoanele cu educație redusă. Chiar și înainte de pandemia COVID-19, rata șomajului în Europa era una dintre cele mai mari din lume. Pandemia a dus la creșterea numărului de șomeri și la o scădere a economiei europene. Guvernele din Europa au introdus politici pentru a combate această problemă, cum ar fi subvenții pentru companii și programe de formare profesională pentru șomeri. Cu toate acestea, rata șomajului rămâne încă ridicată, iar mulți europeni se confruntă cu dificultăți în găsirea unui loc de muncă stabil și bine plătit. Soluțiile la această problemă includ investiții în educație și formare profesională, încurajarea antreprenoriatului și crearea de locuri de muncă în sectoarele cu potențial de creștere.*

**Cuvinte cheie:** Șomaj, economie, Uniunea Europeană, Grecia, Spania.

**CLASIFICAREA JEL: E24, J64**

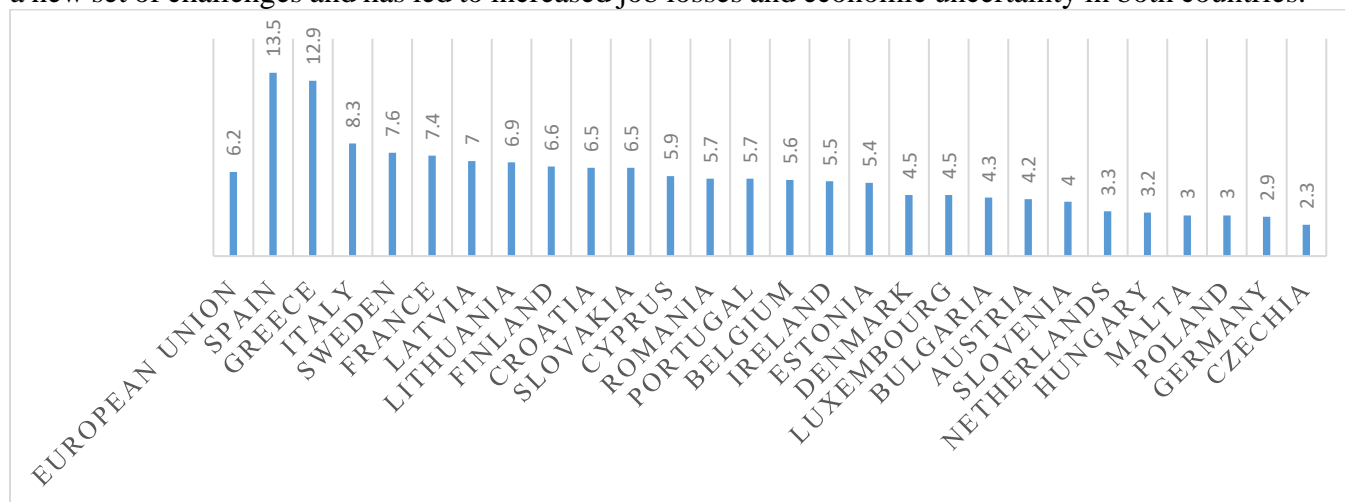
### INTRODUCTION

Unemployment in Europe is a complex issue that has significant social, economic, and political implications. High levels of unemployment can lead to increased poverty, social exclusion, and political instability. The European Union (EU) is a diverse region with 27 member states, each with their own labor market policies and economic challenges. Therefore, the level and nature of unemployment can vary significantly across the EU. Historically, unemployment has been a major challenge for some European countries, particularly in southern Europe. The 2008 financial crisis and subsequent austerity measures exacerbated unemployment rates in many countries, with some experiencing record-high levels of joblessness. More recently, the COVID-19 pandemic has caused a significant economic shock, leading to job losses and increased unemployment across the region.

### MAIN CONTENT

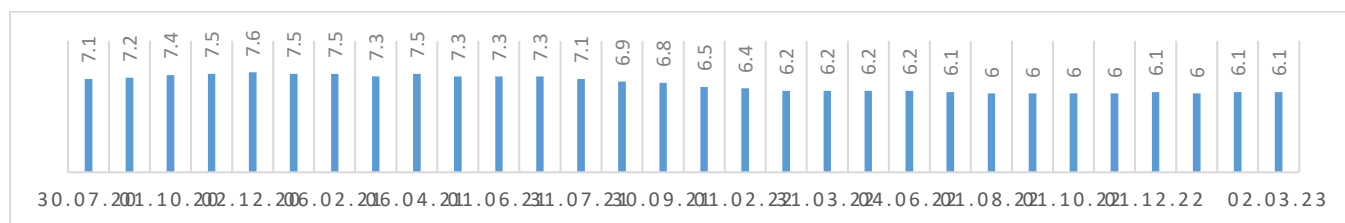
From all the countries of EU, Greece and Spain had some of the highest unemployment rates in the European Union. In 2022, Greece's unemployment rate was 12.9%. This was a significant decrease from the country's peak unemployment rate of 27.9% in 2013, but still among the highest in the EU. Spain's unemployment rate in October 2022 was 13.5%, the highest in the EU. Like Greece, Spain has struggled with high unemployment rates for many years, with the country's peak unemployment rate reaching 27.1% in 2013. Both countries have experienced significant economic and financial challenges in recent years, including the 2008 financial crisis and subsequent austerity measures. These challenges have had a major impact on the labor market, particularly for young people and those with low skills or qualifications. To address these issues, both Greece and Spain have implemented a range of policies aimed at creating new jobs, improving education and skills training,

and supporting entrepreneurship and small businesses. However, the COVID-19 pandemic has posed a new set of challenges and has led to increased job losses and economic uncertainty in both countries.



**Figure 1. Unemployment rate in the European Union as of March 2022, by country**

Source: Based on data from Eurostat



**Figure 3. Latest data on unemployment rate (%)**

Source: Based on data from Statista

The graph represents the unemployment rate in European Union which is actualized monthly. As we can see it remained unchanged at 6.1 % in January 2023. The maximum rate was 7.6 % in December 2020 and minimum rate was 6 % in August 2022.

### THE IMPACT OF UNEMPLOYMENT IN EUROPE

Unemployment has had a significant impact on Europe in recent years.

- Economic impact
  1. Reduced consumer spending: When people are unemployed, they have less money to spend, which can lead to a decrease in consumer spending. This, in turn, can lead to a decrease in economic growth, as businesses have less demand for their goods and services.
  2. Increased government spending: Unemployment can also increase government spending on social welfare programs, such as unemployment benefits and other forms of assistance for the unemployed. This can lead to an increase in government debt, as the government may need to borrow more money to pay for these programs.
  3. Decreased tax revenue: Unemployment can also lead to a decrease in tax revenue for governments. This is because unemployed people are not earning income and therefore not paying income taxes. This can further exacerbate government debt and make it more difficult to balance budgets.
  4. Long-term unemployment: Long-term unemployment can have more severe and lasting effects on the economy. It can lead to a decline in skills and motivation among workers, which can make it

more difficult for them to find employment in the future. This can lead to a decrease in productivity and economic growth over time.

- **Social impact:** Unemployment can have a significant impact on people's mental health and well-being, as well as their social and family lives. It can lead to increased stress, depression, and anxiety, and can strain relationships and communities.
- **Political impact:** High levels of unemployment can also have political consequences, as people become disillusioned with their governments and their ability to address the issue. This can lead to social unrest, protests, and even political instability.
- **Generational impact:** Youth unemployment has been a major concern in Europe, with high rates of unemployment among young people leading to long-term consequences for their career prospects and earning potential. This can also lead to a "lost generation" of workers who struggle to enter the workforce and may never fully recover economically.

### **CONCLUSION**

In conclusion, unemployment in Europe have significant and complex impacts on the economy. High levels of unemployment can lead to a reduction in consumer spending, increased government spending, decreased tax revenue, and long-term effects on the workforce. To mitigate these effects, governments may need to invest in education and training programs to help workers acquire the skills needed for new jobs and create policies that encourage economic growth and job creation. Additionally, effective social welfare programs can help support those who are unemployed, helping to mitigate the impact on individuals and the wider economy.

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