The Effect of Unemployment on Socio Economic Status of the People in Jaffna District, Sri Lanka

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Abstract: Among the working-age population, one of the most damaging individual experiences is unemployment. Mostly it is a serious issue in third world countries like SriLlanka. The main aim of this study is to identifies the nature of the unemployment and its impact on individual's well-being among the working age group with respect to their vocational activities such as income, savings housing ,health, education and other social welfare in Jaffna District in Sri Lanka. The primary data were collected from 100 unemployed households in Jaffna District by using structured questionnaire. The techniques such as descriptive statistics such as descriptive and regression model were used in this study. The results of the regression model indicate that the unemployment negatively affecting in all economic and social conditions of the people in Jaffna District. Finally the overall results reveal that among unemployed people, non-pecuniary factor such as job prospects, health and social relations − show significant effects on individual well-being, along with their income. Policy makers have to take necessary actions incorporating strategic approaches which can reduce the unemployment and improve the well-being of the people in Jaffna District, Sri Lanka. Specially government have to consider this main economic problem   in its future changes of monetary and fiscal policy.

Key words: .Unemployment, well-being, education, income

Introduction

Unemployment is a severe problems prevailing in developing as well as developed countries. These problems have a serious effect not only on the living standards of people and socio − economic status of the nation but also increasing the magnitude of corruption effecting the These problems have a serious effect not only on the living standards of people and the socio-economic status of a nation, but also elevat & Lewis, 1999; Asghar, 2002; Blakely et al., 2003). Unemployment has negative effects on the physical well-being of the suffering peoples.

Individual well-being (or happiness) depends on many things, including income, labour market status, job characteristics, health, leisure, family, social relationships, security, liberty, moral values and many others. Although unemployed workers usually suffer a reduction of income, its extent varies depending on other income sources, such as savings and income-generating asset holdings, unemployment insurance and private transfers. Non-pecuniary consequences such as the loss of identity and self-esteem, stress and depression also depend on the individual, family and social circumstances surrounding unemployed workers. On the other hand, unemployed workers gain time for activities such as leisure, training, physical exercise and domestic activities (Ahn et al., 2004). Therefore, in evaluating the effect of unemployment on individual well-being, we should consider all the serelevant factors as well.

Sri Lankan Unemployment rate is increasing trend in 2012. Sri Lankan basic quality character related to the unemployment, these people mainly focus the government job rather than the other job; they waiting for getting government job that also lead the Unemployment. Unemployment amount is increased year to year. But, job opportunities aren't created to equal increase ratio of unemployment. This problem is found in Jaffna peninsula as well. Unemployment is significance in any macroeconomic decision making. These variable is subject of social and economic life of every country. Thus, Unemployment is termed as continuous and unpleasant situation that describe the endemic nature of a country's economy. This analysis or research is employed for analyzing several economical, social, cultural effects among unemployment target groups in Jaffna District.

Objectives of the Study
- ✓ To identify the nature of unemployment in Jaffna district.
- ✓ To identify the impact of unemployment on individual's well – being

Literature Review
The International Labour Organization (ILO) defines the unemployed as numbers of the economically active population who are without work but available for and seeking work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998). Examples include housewives, full time students, invalids, those below the legal age for work, old and retired persons. The unemployment rate is expressed as a percentage of the total number of persons available for employment at any time.

Types of Unemployment
Structural Unemployment – Occurs when there is a change in the structure of an industry or the economic activities of the country. As an economy develops over time the type of industries may well change. This may be because people's tastes have changed or it may be because technology has moved on and the product or service is no longer in demand.

Frictional Unemployment – This type of unemployment is caused by industrial friction, such as, immobility of labor, ignorance of job opportunities, shortage of raw materials and breakdown of machinery, etc. Jobs may exist, yet the workers may be unable to fill them either because they do not possess the necessary skill, or because they are not aware of the existence of such jobs. They may remain unemployed on account of the shortage of raw materials, or mechanical defects in the working of plants. On average it will take an individual a reasonable period of time for him or her to search for the right job.

Seasonal Unemployment - This is due to seasonal variations in the activities of particular industries caused by climatic changes, changes in fashions or by the inherent nature of such industries. The rain coat factories are closed down in dry season throwing the workers out of their jobs because there is no demand for rain coat during dry season. Likewise, the sugar industry is seasonal in the sense that the crushing of sugar-cane is done only in a particular season. Such seasonal industries are bound to give rise to seasonal unemployment.

Cyclical Unemployment - This type of unemployment (also known as Keynesian unemployment or the demand deficient unemployment) is due to the operation of the business cycle. This arises at a time when the aggregate effective demand of the community becomes deficient in relation to the productive capacity of the country. In other words, when the aggregate demand falls below the full employment level, it is not sufficient to purchase the full employment level of output.

Disguised Unemployment - This refers to the mass unemployment and underemployment which prevail in the agricultural sector of an underdeveloped and overpopulated country. For example, if there are four persons trying to cultivate an area of land that could be cultivated as well by three persons,

then only three of these persons are really fully employed and the remaining fourth person represents disguised unemployment. The people in underdeveloped countries are outwardly employed but actually they are unemployed, the reason being that agricultural production would suffer no reduction if a certain number of them are actually withdrawn from agriculture.

A review of the literature reveals views regarding impact of unemployment on socioeconomic status in the country. Meaning of unemployment "unemployment is defined as a state of affairs when in a country there are a large number of able bodied person of working age who are willing to work but cannot fine work at the current wage levels. People who are either unfit for work for physical or mental reason, or don't want to work are excluded from the category of the unemployed. There are three types of unemployment frictional unemployment, structural unemployment and cyclical unemployment. Employment is the major source of income for a great majority of the people, a fall in employment signifies a fall in their income also (Ahuja, 2007).

Lawanson (2007) opined that economic recession has significant negative implication for the utilization of country's human resources, leading to high level of unemployment. According to him, this problem has aggravated in the nation to the extent that many university graduates could not secure jobs, let alone school leavers. Furthermore, Lawanson (2007) said the problem is twofold showing both demand and supply side. On the demand side not only are there inadequate jobs for youths. But also the increasing decline in quality of education and training, thus making many youths unemployed. On the supply side, the inability of the government to adequately finance the nation's educational enterprise has led to deteriorating infrastructural facilities and discouraging personal emoluments for teachers, it was discovered that despite various government policies and programmes aimed at reducing unemployment among youths and adults, the problem of unemployment remains unabated. On this note, Lawanson (2007) concluded that Unemployment has been found to reduce national wealth, increase in crime waves and social political violence can also be attributed to the high level of unemployment tespecially among youths in Nigeria.

Nazir et al. (2009) identified the unemployment negatively affecting the socio-economic status of family in Urban Faisalabad, Pakistan by using descriptive analysis. He has also found that the unemployment leads to poor mental health and increases the magnitude of corruption, drug addiction, crimes and suicide in a society. A large percentage of the respondents of age limit 24-30+ believed that the lower rate of education is responsible for the present situation of joblessness.

Rasa (2012) Investigated that the socio-economic impacts of unemployment on citizen of North Nazimabad, Karachi with regard to the characteristics, magnitude and direction of changes in social relationships, and the attitude of unemployed people towards the society.

Bartley (1994) found in his study, to understand the relationship between unemployment and health and mortality, four mechanisms need to be considered: the role of relative poverty; social isolation and loss of self esteem; health related behavior (including that associated with membership of certain types of "subculture"); and the effect that a spell of unemployment has on subsequent employment patterns.

Muhammad et al. (1999) investigated implies that unemployment significantly influence wage rate whereas inflation is positive but has no significant effect on wage rate. Therefore, there is a need for strong institutional collaboration for dealing with these triple macroeconomic variables; unemployment, inflation and wages in Nigeria.

Methodology
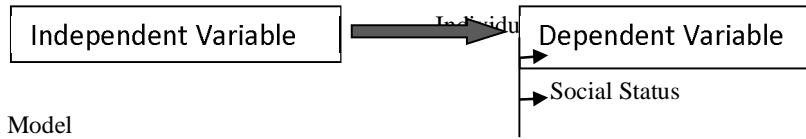**Conceptual Model**
Conceptual model can be developed as fallows.

Independent Variable	Dependent Variable

Individu

Social Status

Fig. 1, Conceptual Model

Variables and Conceptualization
Table 1, Variables and Conceptualization

Concept	Variable	Indicator	Measure
Unemployment	Wage Lack of professional Education	Type of unemployment	Percentage (Five point likert scale)
		Gender, age education level	Percentage
Economic and Social status	Economic Conditions	Income Health Education Saving	Questionnaire (likert scale) Percentage Statistical report
	Social Condition	Social Welfare Infrastructure Residence	Questionnaire Percentage (likert scale)

Stratified sampling method was used to the data. Primary data is the major source of data collection method of this study. Questionnaire and interview are the main primary form at data collection tool used in this study. Data analysis made based on collected questionnaire, correlation and regression analysis. MS Excel Version 2007 and SPSS version 16 use to data analysis.

Questionnaire prepared by researcher to target people about unemployment (workless people), income level of family, consumption expenditure, health, saving, malnutrition, education level, and socio economic. This Questionnaire includes the personal details and socio economic details. This questionnaire consists of closed ended as well as open –ended question and Nominal and Likert scale to measure the impact of unemployment.

In addition the questionnaire was administered among the respondent to make tick ($\sqrt{}$) for their option regarding the statement in the questionnaire. The five point Likert scale is used for statements of the second section ranging from strongly disagree to strongly agree, very low to very high. The numerical values were given for the purpose of quantification of quantitative variable as follows.

Table 2, Scale of measurement

1	Strongly disagree	Very low	Don't know
2	Disagree	Low	Not as good as most
3	Uncertain	Moderate	Same as most
4	Agree	High	Better than most
5	Strongly agree	Very high	The best

Hypothesis

H0 – Unemployment does not effect the socio-economic status of the people

H1- Unemployment effects the socio-economic status of the people

Descriptive Statistic

The technique is used to find out mean median other statistical data, through this researcher can explain the whole data in this research.

Regression Analysis

Regression analysis is to describe the nature of the relationship between two variables in terms of a mathematical equation. Regression line explains the pattern of variation of the dependent variable in relation to values the independent variables. It is used for drive the line of best fit.

Eq. 1, Simple Regression Model

$$Y_i = \beta_0 + \beta_1 X_i + U_i$$

(1)

Y – Socio Economic Status of the people

X – Unemployment

β_0 - the line crosses the vertical y-axis or constant term

β_1 –Coefficient of X_i.

Results and Discussions

Reliability of this research questionnaire is 0.701 the following shows the reliability

Table 3: Reliability

Reliability	N of Items
0.701	25

Descriptive Analysis

Gender Analysis

Among the total sample 39% of respondents are male and 61% of respondents are female.100% of respondents are Sri Lankan Tamils because of the area selected for study is Jaffna.

Type of Unemployment

There are many type of unemployment in the whole economy, But here only selected four type of unemployment .According to the figure 41% of the unemployed families coming under the structural unemployment. Remaining families coming under the other categories.
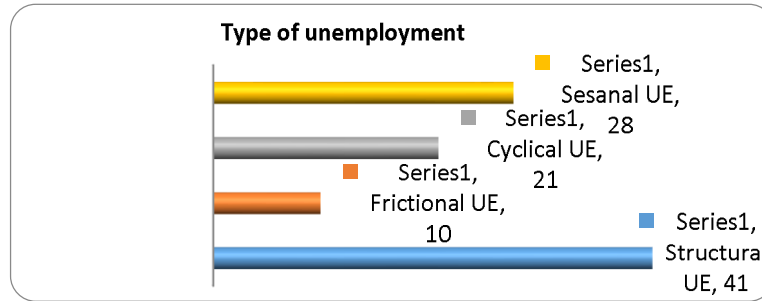

**Fig. 2, Type of Unemployment (*Source: Survey Data)*

Educational Qualification

Based on the analysis among the 100 samples, 1% of the sample represent the illiteracy, 11% sample complete their primary education, 60% sample unemployed people who have completed G.C.E O/L, 19% of the sample have completed G.C.E A/L, 4.41% of sample who are presently following Technical College studies, and the 3.68% are graduated.

Age distribution shows that among the sample, 33% of unemployed household were found to be lying under the age category between 15-25 years. 46% were found under the age category between 25-35 years & 21% represents above 35 years.

Health

Out of sample population 14 people affected by critical illness and 11 child death occurred, this show poor health condition. Unemployment leads to poor health condition that affects the living standard of people. Long term unemployment leads to mentally disappear.
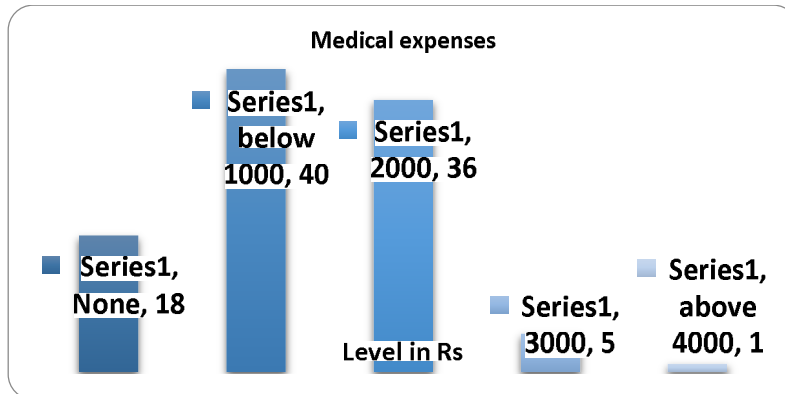

**Fig. 3, Medical Expenses of the unemployed families (*Source: Survey Data)*

Income

Out of the sample 49% of the respondents' family income is between Rs 6000- Rs 12000 as well as 36% of the respondents' family income is below Rs 6000, 12% of the respondents' family income is between Rs12000- Rs18000, 3% of the respondents' family income is above Rs18000 . This low income level is mostly attributed by unemployment. This shows that without having the job they managing expenses through the other sources.

Monthly Expenses of the unemployed families

Among the sample 54 % of the family expenses is between Rs 6000 to Rs 12000 ,30 % of the family expenses between Rs 12000 to Rs 18000,11% of the family expenses is above Rs 18000 and 5% of the family expenses below Rs 6000.

Among these unemployed families 59 % of the respondents borrow the money from other, it reflect the family credit situation. These people manage their needs through borrow the money. 18% of respondents mortgage of gold for satisfy their basic needs and 23% of the respondents get the help from others.

Saving status of the unemployed families

Out of sample 29 % respondents maintained the saving and 71% respondents not maintained any saving. Poor saving lead to poor investment, that reflect poor standard of living. Official Poverty line at national level for February 2013 is Rs. 3656 (Source: Department of Census & Statistics - Sri Lanka) According this source in survey data 36 families under the national poverty line. These 36 families critically affect by the unemployment and their standard of living also affect.

Housing

According the data collection respondents answer the 3 type of house. 49% respondents have been living in the hut, 39% respondents have been living in the rented house & rest of the 12% respondents have been living in the own house. Hut is not satisfying residence to safety life although 49 families live in the hut, no one not like to live in the hut even though because of their family income situation they live. Unemployment influences their residence, one the basic needs affects by the unemployment.

Electricity

Electricity is fundamental needs to the human beings. Out of the sample 59% of people are residing in Jaffna with electricity facility, rest of the 41% of people who are residing in Jaffna without electricity facility.

Poverty

Among the sample 65% of the unemployed families face the poverty related problem. Official Poverty line at national level for February 2013 is Rs. 3656 (Source: Department of Census & Statistics - Sri Lanka).According to this source in survey data 36 families under the national poverty line. These 36 families suffered by poverty because of unemployment.

Output of Regression Analysis - Regression economic status on unemployment

Table 4, Economic status on unemployment

Correlation	-0.170
Regression	Y= 49.69 - 0.304X
R-squired	0.880
Significant	0.023

Source: Survey Data

Y – Economic Status of the people

X – Unemployment

If unemployment is X=0, economic condition is to be 49.69units .Unemployment is increased by one unit scale, the economic status of the people will be decreased by 0.304 unit scale. Therefore, it can be said that there is a significant negative relationship between unemployment and economic condition.

Regression Social status on unemployment

Table 5, Social status on unemployment

Correlation	-0.42
Regression	Y= 20.93 - 0.041X
R-squired	0.69
Significant	0.039

Source: Survey Data

Y – Social Status of the people
X – Unemployment

The regression equation Y= 20.93 - 0.041X exhibits that the relationship between unemployment and Social Status. If the unemployment level is zero, the social status is 20.93 units. Unemployment is increased by one unit, Social status of the people decreased by 0.041 unit. Even though it has small effect on social status, but it has significant effect on social status of the people.

Conclusion and Recommendation
The results show that the unemployment has negative effect on both social and economic status of the people. So it leads to low standard of living of the people in Jaffna District. So that unemployment affects the socio-economic status of the family, leads to poor mental health and increases the magnitude of corruption, drug addiction, crimes and suicide in a society.

In this study mostly young males and females are affected by unemployment. Nowadays, with the development of society, youth unemployment is becoming a global problem, which affects not only individuals but also society in every region of the Jaffna district as well as country. A series of problem create other crisis. Youth unemployment should be alleviated as soon as possible.

Youth unemployment is an unseen unutilized resource. Our government spends a considerable number of resources on education, in order to make the youth useful for our society. To bring the youth a bright future, our schools and government as well as the youth themselves have responsibilities to improve the situation.

Firstly, our schools especially universities and colleges should present courses associated with employer expectation. Secondly, The government should take necessary to reduce the unemployment among the graduates. The companies have responsibilities to offer job opportunities to the graduates. Thirdly, the youth themselves should do their utmost to become qualified. The policies should be adapted to provide the opportunities to create the entrepreneurs.

Government gives the employment opportunity to youth through the government project. As well as give necessary skill training to educated people in that area. In this study structural unemployment is high in sample population at Jaffna district. Reducing Structural Unemployment necessary for development of Jaffna district for that some ideas are given below, Policy suggestions to reduce structural unemployment include providing government training programs to the structurally unemployed, paying subsidies to firms that provide training to displaced workers, helping the structurally unemployed to relocate to areas where jobs exist, and inducing prospective workers to continue or resume their education.

Unemployment substantially reduces an individual's satisfaction levels with his or her main activities and finance, while it substantially increases his or her satisfaction level with leisure time. With respect to health, it has a small negative effect. Unemployment duration, on the other hand, shows a small negative effect on individual well-being, suggesting the unemployment has lasting and aggravating effects that contradict the theory of adaptation.

The solution for unemployment is, obviously, to create new jobs. Usually, a healthy economic growth rate of 2-3% is enough to create the 150,000 new jobs needed to keep unemployment from rising. But our country growth rate is very less because of that can't create the new jobs. Our government should focus on our growth rate. When unemployment rate above 6-7% and stays there; it means the economy isn't strong enough to create sufficient new jobs without help. Our country unemployment rate for the Third quarter 2012 was reported as 4.1 % (Source - Sri Lanka Labour Force Survey) but this rate excluding the Northern Province. That's when the government is expected to step in and provide solutions.

Government should tack some step to reduce the unemployment through policies and regulation such as monetary policy and fiscal policy. Expansive monetary policy is powerful, quick and usually effective. Lower interest rates allow families to borrow more cheaply to buy what they need; this stimulates enough demand to put the economy back on track. Low interest rates also allow businesses to borrow for less, giving them the capital to hire new workers to meet rising demand. However, when monetary policy doesn't work, then fiscal policy is usually demanded. This means the government must either cut taxes or increase spending to stimulate the economy.

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