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Impact of Unemployment on the Global Economy: Causes and Consequences

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Abstract

Unemployment is a macroeconomic challenge in developing countries, along with inflation and real GDP. There is a clear connection between unemployment and mental health, as unemployed workers experience poorer health compared to those who are employed. To determine the causes and effects, a systematic review of scientific literature was conducted based on the PRISMA statement, using information recorded between 2018 and 2023. The results from 30 selected documents indicate that unemployment has multiple causes, such as changes in economic and technological structure, and its consequences include a reduction in economic growth as the major impact. The impact of unemployment on the economy, according to our study, depends on various factors in different regions and contexts. Keywords: Unemployment, competitiveness, labor market, migration, economic growth.

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Introduction

Unemployment is considered one of the key macroeconomic challenges in developing countries. In these economies, inflation, real Gross Domestic Product (GDP), and unemployment are considered fundamental factors that influence economic development. The main objective of any economy, whether developed or developing, is to achieve price stability, reduce unemployment, and foster long-term sustainable economic growth through the implementation of prudent macroeconomic policies. Additionally, the exchange rate is also a key indicator for assessing the economic performance of an economy (Khalid et al., 2021).

Unemployment is commonly understood as a state of joblessness and is measured accordingly. However, due to information limitations, workers may not immediately find the type of

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employment they desire and that is available somewhere in the labor market. This lack of match is attributed to the wide heterogeneity of both jobs and workers, in terms of pay, hours, location, tasks, work environment, as well as skills, work ethic, and camaraderie, among other aspects. Therefore, it takes time and effort for both parties to find and arrange a suitable match. Nonetheless, if a worker who separates from an employer goes through a period of unemployment and then returns to work there, much of this heterogeneity may become irrelevant, as the employer and employee are already acquainted (Fujita and Moscarini, 2017).

The impact of reduced hiring and separations on unemployment presents ambiguity. Furthermore, the literature has pointed out that volatility shocks generate additional effects that can influence the response of unemployment. For instance, volatility, by increasing real variation across firms, tends to generate reallocation in the labor market: more workers are laid off, but some firms affected by large positive shocks also experience significant growth (Schaal, 2017).

There is a clear connection between unemployment and mental health, as unemployed workers experience poorer health compared to those who are employed. These individuals often have lower self-confidence, feel overwhelmed by their problems, and exhibit significantly higher levels of diagnosed mental disorders. The relationship between unemployment and health has been extensively researched, using different identification strategies, datasets, and labor market conditions, yielding a wide variety of results (Farré, Fasani, and Mueller, 2018).

The link between job loss, debt and financial difficulties, and increased risk of mental illness, self-harm, and suicide is evident. During periods of economic recession, there is an observed increase in the number of people affected by these issues, as well as a rise in depression, self-harm, and suicide rates. In response to these recessionary periods, it is crucial to implement interventions that help mitigate the impact of job loss and debt accumulation on mental health. These measures become an important element of the policy response to such adverse economic situations (Moore et al., 2017).

In the field of macroeconomics, there is a firmly established tradition that highlights the importance of financial markets in macroeconomic fluctuations. The main mechanism is based on the premise that a decrease in credit availability forces employers to reduce investment and hiring due to funding scarcity or increased financing costs. Due to frictions in wage matching and bargaining, firms exhibit a preference for debt issuance even when not necessary to finance fixed or working capital. This preference for debt arises from the wage determination process: a higher level of debt reduces the net bargaining surplus, which, in turn, results in a reduction in worker compensation (Monacelli, Quadrini, and Trigari, 2023).

The influence of pandemics on history has left a marked impact on unemployment. Following a pandemic, an increase in unemployment levels and its long-term persistence is observed, supporting the need to design and implement policies that minimize or avoid layoffs by companies during these periods. Our findings suggest that once the number of unemployed individuals rises,

it is a

Methodology

The study was conducted following the parameters of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) statement, which is a widely used and recommended method for conducting systematic reviews in a rigorous and transparent manner (Page, Moher, and McKenzie, 2022). This methodological approach provides a clear and detailed framework for planning, executing, and reporting systematic reviews consistently. By adhering to PRISMA guidelines, bias is minimized, and the reproducibility of the results is ensured, increasing confidence in the review findings (Sarkis-Onofre et al., 2021).

Within the suggested parameters of the method, the use of high-impact bibliographic sources for document selection is recommended. Therefore, in this study, Scopus, Web of Sciences (WoS), Taylor & Francis (T & F), and Scielo were employed. Advanced searches were conducted in these databases using compound algorithms composed of keywords and Boolean terms (AND, OR, and NOT), which are listed below.

Las cadenas de búsqueda utilizadas para Scopus fueron: (TITLE-ABS-KEY ("unemployment") AND TITLE-ABS-KEY ("World economy") OR TITLE-ABS-KEY ("global economy")) y (TITLE-ABS-KEY (unemployment) AND TITLE-ABS-KEY (effects) AND TITLE-ABS-KEY ("causes")).

Los algoritmos que se utilizaron para Web of Sciences fueron: ALL= (Unemployment) AND (ALL= (causes) OR ALL= (effects)) AND ALL= (global economy) y (ALL= (Unemployment impact)) AND (ALL= (Global economy) OR ALL= (world economy)).

Para la base de datos Taylor & Francis se usó la siguiente cadena de búsqueda: [Publication Title: unemployment] AND [All: effects] AND [All: global economy] AND [Publication Date: (01/01/2018 TO 05/10/2023)].

Finalmente, para Scielo se empleó el siguiente algoritmo: (Desempleo) AND ((causas) OR (efectos)).

Results and Discussion

The total results of the advanced search yielded a total of 3,118 articles, which, after going through all the filters and their corresponding analysis, resulted in 30 documents that met the inclusion and exclusion criteria described in the previous section. The article selection process is described in Figure 1, where the Identification section shows the initial search results, while the Screening section details the quick screening of the documents, such as discarding documents based on their analysis. Finally, the Inclusion section shows the final number of selected documents.

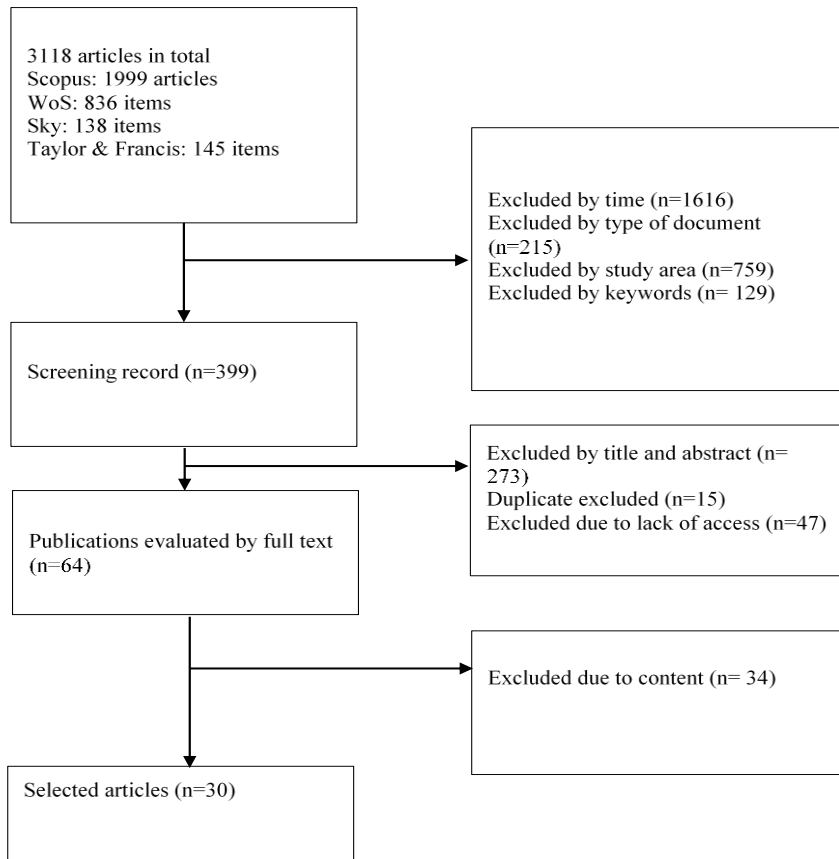


Figure 1: Article Selection Process

Note. PRISMA Selection Diagram

In Table 1, the traceability of the studies is detailed, highlighting different important parameters of each study.

Table 1: Traceability of selected studies.

<i>Nº</i>	<i>Title</i>	<i>Author</i>	<i>Year</i>	<i>Source</i>	<i>Journal</i>	<i>Country</i>	<i>Quarter</i>	<i>Study Location</i>
1	Governance and youth unemployment in Africa	Abé et al.	2019	T & F	Labor History	United Kingdom	Q3	África
2	Asymmetric effects of economy on unemployment in Algeria: Evidence from a	Abid et al.	2023	T & F	Cogent Economics & Finance	United Kingdom	Q3	Argelia

	nonlinear approach	ARDL							
3	Migration and Labour Market Competitiveness: The Case of EU	Prívvara et al.	2023	Scopus	Journal of Competitiveness	República Checa	Q1	Unión Europea	
4	Show me the money! The impact of a conditional cash transfer on educational achievement	Pedraja-Chaparro et al.	2022	Scopus	Journal of Competitiveness	República Checa	Q1	Extremadura	
5	Organizational resilience and social-economic sustainability: COVID-19 perspective	Rai et al.	2021	Scopus	Environment, Development and Sustainability	Países Bajos	Q2	No específica	
6	Unemployment, global economic crises and suicides: evidence from 21 OECD countries	Huikari & Korhone n	2021	Scopus	Applied Economics	United Kingdom	Q2	Países OECD	
7	Evaluating the economy growth by supply chain strategies and testing the validity of Okun's laws in Indonesia	Purnomo et al.	2020	Scopus	International Journal of Supply Chain Management IJSCM	United Kingdom	Q3	Indonesia	
8	COVID-19 pandemic and unemployment dynamics in European economies	Su et al.	2022	Scopus	Economic Research-Ekonomska Istraživanja	United Kingdom	Q2	Francia, Alemania, Italia, España y el Reino Unido.	
9	Innovation—Unemployment Nexus: The case of EU countries	Yildirim et al.	2022	Scopus	International Journal of Finance & Economics	United Kingdom	Q2	Unión Europea	
10	Homeownership, mobility, and unemployment: Evidence from housing privatization	Broulíková et al.	2020	Scopus	Journal of Housing Economics	Estados Unidos	Q2	Europa Central y Oriental	

11	The causes and consequences of early-adult unemployment: Evidence from cohort data	Clark & Lepinteur	2019	Scopus	Journal of Economic Behavior & Organization	Países Bajos	Q1	No específica
12	Long-Term Youth Unemployment: Evidence from Turkish Household Labour Force Survey	Görmüş	2019	Scopus	Indian Journal of Labour Economics	Suiza	Q2	Turquía
13	Youth unemployment and terrorism in the MENAP (Middle East, North Africa, Afghanistan, and Pakistan) region	Bagchi & Paul	2018	Scopus	Socio-Economic Planning Sciences	United Kingdom	Q1	países de Oriente Medio y África del Norte
14	Effects of industry 4.0 on the labor markets of Iran and Japan	Nafchi & Mohelská	2018	Scopus	Economies	Suiza	Q2	Irán y Japón
15	Unemployment Insurance in Transition and Developing Countries: Moral Hazard vs. Liquidity Constraints in Chile	Sehnbruch et al.	2022	WoS	Journal of Development Studies	United Kingdom	Q1	Chile
16	Consumption vs. Investments for stimulating economic growth and employment in the CEE Countries - a panel analysis	Radulescu et al.	2019	WoS	Economic Research-Ekonomska Istraživanja	United Kingdom	Q2	Europa central y oriental
17	Unemployment dynamics in emerging countries: Monetary policy and external shocks	Horvath & Zhong	2019	WoS	Economic Modelling	Países Bajos	Q1	No específica
18	Índice de Vulnerabilidad al Desempleo en México: efectos de la pandemia por covid-19	Ortiz et al.	2022	Scielo	Economía y Territorio	México	NA	México
19	Análisis de la volatilidad del desempleo en México por regiones,	Díaz & Mendoza	2021	Scielo	Semestre Económico	México	NA	México

2000-2018									
20	Análisis del desempleo y la ocupación después de una política estricta de confinamiento por COVID-19 en Cali	Mora, Jhon James	2021	Scielo	Lecturas de Economía	Colombia	Q4	Colombia	
21	Análisis econométrico del comportamiento del desempleo en el Ecuador (segundo trimestre 2007 a cuarto trimestre 2017)	Molero et al.	2019	Scielo	Tendencias	Colombia	NA	Ecuador	
22	Understanding the effects of homeownership and regional unemployment levels on internal migration during the economic crisis in Spain	Palomares-Linares & Van Ham	2020	T & F	Regional Studies	United Kingdom	Q1	España	
23	Spatially Varying Unemployment and Crime Effects in the Long Run and Short Run	Andresen et al.	2021	T & F	Professional Geographer	United Kingdom	Q2	Canadá	
24	Effects of labor market and business regulations on unemployment: evidence from EU transition economies	Bayar & Diaconu	2020	T & F	Labor History	United Kingdom	Q3	Unión Europea	
25	Finance and unemployment: new panel evidence	Kim et al.	2019	T & F	Journal of Economic Policy Reform	United Kingdom	Q1	No específica	
26	Unemployment and Growth: Putting Unemployment into Post Keynesian Growth Theory	Palley	2019	T & F	Review of Political Economy	United Kingdom	Q1	No específica	
27	Labor demand shocks, unemployment, and suicide: evidence from provinces across Iran	Noghanibehambari et al.	2021	T & F	Middle East Development Journal	United Kingdom	Q3	Irán	
28	Self-employment	Grigoresc	2021	T & F	Economic	United Kingdom	Q2	Rumania	

	and unemployment relationship in Romania – Insights by age, education and gender	u et al.	0		Research-Ekonomsk a Istraživanja	Kingdom		
29	Investigating the impact of auto loans on unemployment: the US experience	Apergis et al.	2020	T & F	Applied Economics	United Kingdom	Q3	Estados Unidos
30	An infodemiology approach to assess the impact of unemployment on anxiety and depression in France	Ramos et al.	2023	T & F	Forum for Social Economics	Estados Unidos	Q2	Francia

Note. Own elaboration.

Based on the information from Table 1, it is evident that the year with the highest percentage of publications related to the topic was 2019, accounting for 27% of the total articles, followed by 2020 and 2021 with 20% each. On the other hand, the year with the fewest publications was 2018, with only 7%, as shown in Figure 2.

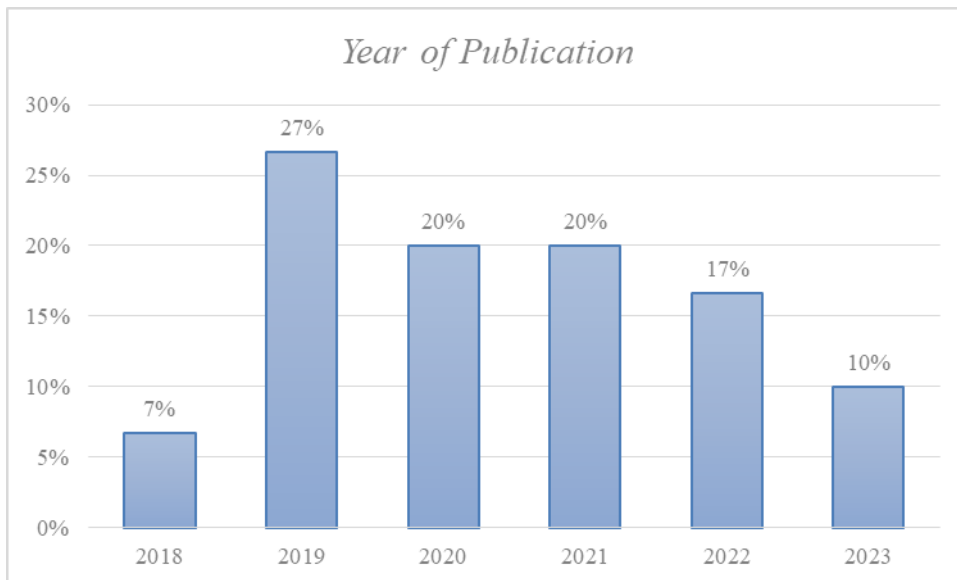


Figure 2: Percentage of articles by year of publication

Regarding the country of the journals where the highest number of articles have been published, the United Kingdom leads with 57% of the documents, followed by the Netherlands with 10%. The Czech Republic, Switzerland, Mexico, Colombia, and the United States each account for 7%

of the articles (Figure 3)

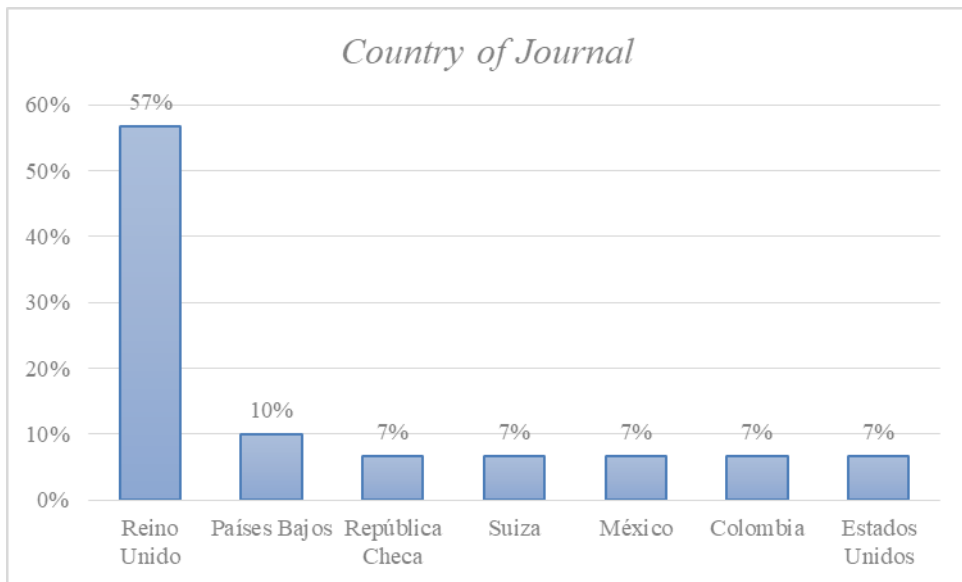


Figure 3: Percentage of Articles by Country of Publication

According to the obtained information, 40% of the selected articles come from the search in the Scopus database, 37% from Taylor & Francis, 13% from Scielo, and the smallest number of chosen documents were from Web of Science, 10% as shown in Figure 4.

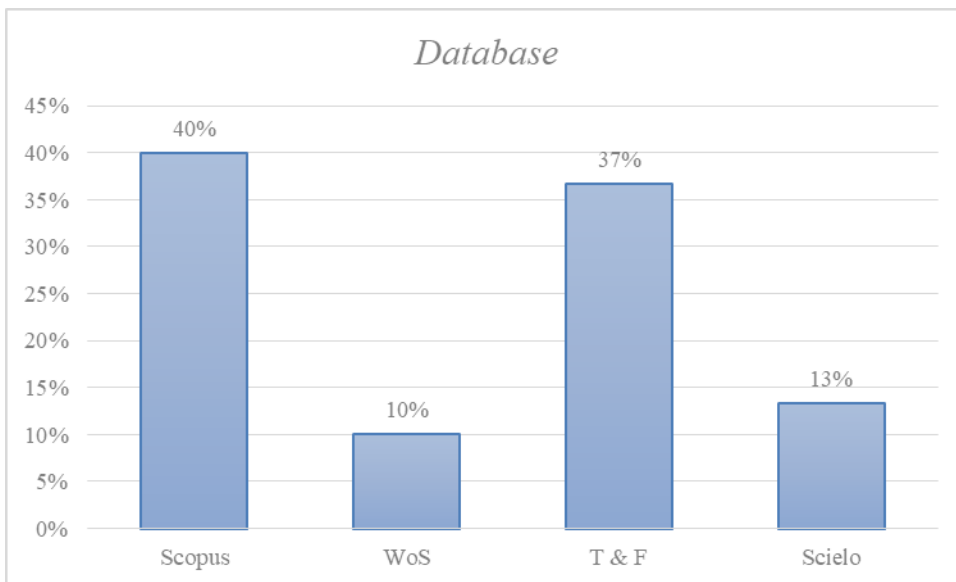


Figure 4: Percentage of articles per database.

Furthermore, regarding the quartile, which implies understanding the level of academic impact of the selected and analyzed documents for this critical review, it is found that 37% of the articles are published in journals ranked in the second quartile, followed by 30% that are in the first quartile. Having the highest percentage of works within the first two quartiles indicates that the articles have a good quality academic-scientific weight. There are also 20% of works that are in Q3 journals and 3% in Q4, while 10% of the articles were found in journals outside the Scimago ranking and do not have a quartile (Figure 5).

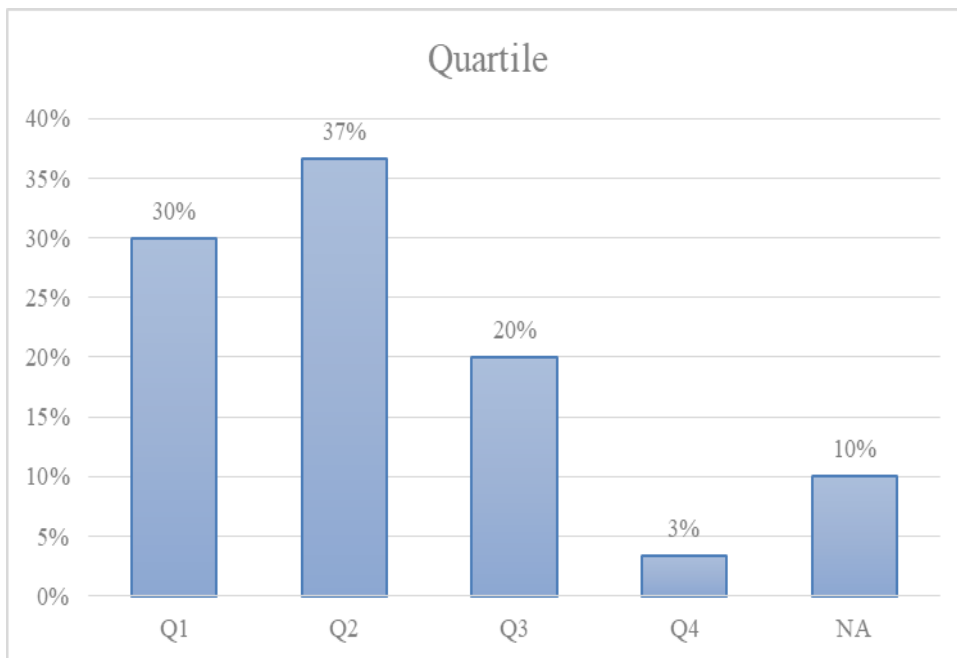


Figure 5: Percentage of articles by quartile.

In Figure 6, it can be observed that the axis of the research is unemployment, which is linked to various influential factors or variables as well as its causes and effects. In more detail, two groups of keywords related to unemployment are distinguished. The set of green-colored keywords, unlike the red ones, has a weak connection to unemployment. This means that supply chain strategy, dependency ratio, Okun's law, and the Phillips curve are aspects that are associated with unemployment but are not necessarily its causes or effects. On the other hand, the group of red keywords is strongly linked to unemployment, maintaining the same color. This is because emigration, immigration, labor market, competitiveness, and wages can be both causes and effects of unemployment and are also interrelated.



Figure 6: Co-occurrence of keywords

Note. Own elaboration

Table 2 presents a compilation of research studies that address the causes of unemployment in different regions and contexts. Each study highlights specific factors that influence joblessness and their implications in the respective places of study. Authors, publication year, and research location are included, along with a brief description of the identified causes. These research studies provide a broad and diverse insight into the challenges associated with unemployment and offer relevant information to better understand this issue in various geographical areas.

Table 2: Causes of Unemployment

Author, Year of Publication, and Study Location	Causes of Unemployment
Abé et al. (2019); África	Control of corruption and political stability have a negative influence on youth unemployment in Africa.
Přivara et al. (2023); Unión Europea	External labor migration can create additional pressure in the labor market, contributing to increased unemployment and impacting wages.
Pedraja et al. (2022); Autonomous Community of Extremadura, Spain.	The main cause of unemployment in this context is lack of education or qualification..
Rai et al. (2021)	The cause of unemployment is the economic crisis triggered by the COVID-19 pandemic.
Su et al. (2022); France, Germany, Italy, Spain, and the United Kingdom.	The COVID-19 pandemic is causing unemployment in some European economies.
Yildirim et al. (2022); Unión Europea	The effect of innovation on employment.
Broulíková et al. (2020); Europa Central y Oriental	Being a homeowner.
Clark & Lepinteur (2019)	Educational achievement and adolescent behavior. Additionally,

	intergenerational transmission of parental unemployment.
Görmüş (2019); Turquía.	Lack of qualifications and work experience Desire to work in full-time jobs and in semi-skilled occupations Interregional disparities in terms of economic development
Nafchi & Mohelská (2018); Irán Japón.	High levels of automation caused by Industry 4.0
Sehnbruch et al. (2022); Chile	Moral hazard and liquidity constraints
Radulescu et al. (2019); Europa central y oriental	Lack of public investments. Low supply of skilled workers. Excessive public spending on non-productive sectors and social protection purposes.
Horvath & Zhong (2019)	Decreased external demand, increased external interest rates, and uncertainty crises.
Ortiz et al. (2022); México	Women with basic education, working in the informal sector, in the service industry, or in microenterprises, and with low income.
Díaz & Mendoza (2021); México	Labor productivity, real wages, labor flexibility, and employment rate in the informal sector.
Mora (2021); Colombia	Quarantine policies such as mobility restrictions, decrease in goods and services, closure of businesses, or reduction of staff.
Molero et al. (2019); Ecuador	Low economic growth.
Palomares & Van Ham (2020); España	Homeownership and lack of geographic and labor mobility.
Andresen et al. (2021); Canadá	Lack of employment opportunities and economic inequality.
Bayar & Diaconu (2020); Unión Europea	Rigid labor laws, which particularly affect young people and women.
Kim et al. (2019)	Financial development and concentration in banking markets.
Palley (2019)	Lack of balance in post-Keynesian growth models and the difficulty in solving the Harrod-Solow knife-edge problem. Rapid population growth and technological progress.
Noghanibehambari et al. (2021); Irán	Changes in labor demand in specific industries. Composition of the industry at the provincial level.
Grigorescu et al. (2020); Rumania	Young individuals with low educational attainment and elderly individuals.
Apergis et al. (2020); Estados Unidos	The GDP output gap, disparities in labor protection levels, corporate taxes, and disruptions in the credit market.
Ramos et al. (2023); Francia	The 2009 debt crisis in France.

Note: Own elaboration.

Unemployment is a complex issue with multifaceted causes and significant effects on the economy and society as a whole. Various studies have identified different factors that contribute to unemployment, both at the macroeconomic and socioeconomic levels. Firstly, studies such as Rai et al. (2021), Su et al. (2022), Ortiz et al. (2022), and Mora et al. (2021) have highlighted macroeconomic factors such as the global economic crisis and the COVID-19 pandemic as major causes of unemployment. These events have led to a decrease in job demand and subsequent job losses.

The lack of public investment, low economic growth, and declining external demand have also

been identified as factors contributing to unemployment in some regions of the Americas, such as Canada and Ecuador, according to studies by Andresen et al. (2021), Horvath and Zhong (2019), and Molero et al. (2019). These macroeconomic factors have a direct impact on job creation and can lead to a significant increase in unemployment rates when they encounter difficulties.

On the other hand, socio-economic and demographic factors that influence unemployment have been investigated. The lack of education or qualifications has been identified by Pedraja et al. (2022) as a cause of unemployment, especially among young people, which leads to long-term social scarring (Görmüş, 2019). For those with lower levels of education, the lack of skills and suitable qualifications limits employment opportunities, as highlighted by Huikari and Korhonen (2021) and Grigorescu et al. (2020). Additionally, Palomares et al. (2020) and Přivara et al. (2023) show that external labor migration can exert additional pressure on the labor market and contribute to an increase in unemployment. These socio-economic and demographic factors play a significant role in job availability and individual employability, as competition for jobs can be more intense when there is a large influx of migrant workers.

In some studies, the role of specific factors such as corruption, political stability, homeownership, lack of qualification and work experience, and lack of job opportunities has been investigated (Abé Ndjíé, Atangana Ondo, & Ngoa Tabi, 2019; Radulescu, Serbanescu, & Sinisi, 2019; Apergis, Apergis, & Young, 2020; Su et al., 2022; Palomares-Linares & van Ham, 2020; Broulíková et al., 2020; Clark & Lepinteur, 2019; Molero Oliva et al., 2019). These factors may vary depending on the country or region analyzed, but they have all been identified as important influences on unemployment in different contexts.

Table 3 presents a compilation of articles examining the consequences of unemployment in various regions and contexts. Each study highlights the negative effects that unemployment can have on different aspects such as poverty, social exclusion, income reduction, mental health issues, and overall well-being of affected individuals. It also emphasizes the importance of addressing the social, economic, and psychological impacts of unemployment as they can have significant ramifications for communities and society as a whole.

Table 3: Consequences of Unemployment:

Author, year of publication and place of study	Consequences of unemployment
Abé et al. (2019); África	Unemployment can lead to poverty, social exclusion, and mental health problems.
Abid et al. (2023); Argelia	Reduction in income, lower living standards, increased poverty, social exclusion, and reduced access to healthcare and education. It can also lead to psychological problems such as depression and anxiety.
Pedraja et al. (2022); Comunidad autónoma española de Extremadura	During the global economic crisis, unemployment rates increased dramatically throughout Europe.

Rai et al. (2021)	Labor migrations, increased poverty, particularly in developing countries.
Huikari & Korhonen (2021); Países OECD	Financial losses, reduced expected income, and decreased economic opportunities. Mental health problems and a reduced ability to utilize one's own skills.
Purnomo et al. (2020); Indonesia	Lack of contribution to the production of goods and services in the economy.
Su et al. (2022); Francia, Alemania, Italia, España y el Reino Unido.	Increase in poverty.
Clark & Lepinteur (2019)	Negative perception of life.
Görmüş (2019); Turquía	Healing effect on young people and their future. Decreased household incomes. Harder living conditions. Challenges in securing employment due to employer stigma. Deterioration of labor market efficiency. Decreased motivation and amount of time dedicated to job search.
Bagchi & Paul (2018); Oriente Medio y África del Norte.	Increase in domestic terrorism.
Nafchi & Mohelská (2018); Irán y Japón	Loss of income, decreased purchasing power.
Sehnbruch et al. (2022); Chile	Financial difficulties, mental health issues, social exclusion, and reduced economic growth.
Radulescu et al. (2019); Europa central y oriental	Decreased economic growth and standard of living. Social and political instability in the region.
Ortiz et al. (2022); México	Vulnerability to unemployment impacting people's well-being. Chain effect of unemployment.
Díaz & Mendoza (2021); México	Low labor productivity, social costs, increased poverty, inequality, and social exclusion.
Mora (2021); Colombia	Economic insecurity, prolonged impact on the labor market, and well-being of affected individuals.
Molero et al. (2019); Ecuador	Inequality and poverty, economic and social gaps, stress, anxiety, and depression. Fiscal and social costs for the government and society as a whole.
Palomares & Van Ham (2020); España	Internal migration, labor migration.
Andresen et al. (2021); Canadá	Increase in social and economic deprivations, motivation for criminal activities.
Bayar & Diaconu (2020); Unión Europea	Increase in crime rates and instability. política.
Palley (2019)	Inestabilidad en la tasa de desempleo, problema de la navaja de Harrod-Solow
Noghanibehambari et al. (2021);	Increase in deaths and suicide attempts.

Irán	
Grigorescu et al. (2020); Rumania	Increase in self-employment.
Apergis et al. (2020); Estados Unidos	Higher borrowing for auto loans.
Ramos et al. (2023); Francia	Unemployment negatively affects the mental health of the population.

Note. Own elaboration.

In general, unemployment has been associated with negative consequences in various areas. In terms of social impact, unemployment can lead to poverty, social exclusion, and financial difficulties (Abé Ndjié, Atangana Ondoa, & Ngoa Tabi, 2019; Abid et al., 2023; Rai, Rai, & Singh, 2021; Díaz Solís & Mendoza Cota, 2021; Molero Oliva et al., 2019; Sehnbruch, Carranza Navarrete, & Contreras Guajardo, 2022; Přivara, Masárová, & Tupá, 2023; Huikari & Korhonen, 2021). Decreased income and lower living standards are common effects of unemployment, which, in turn, can contribute to increased poverty and reduced access to basic services such as healthcare and education (Abid et al., 2023).

Additionally, unemployment has repercussions on individuals' mental health (Molero Oliva et al., 2019; Ramos-Gomez et al., 2023; Huikari & Korhonen, 2021; Sehnbruch, Carranza Navarrete, & Contreras Guajardo, 2022). The constant stress of searching for employment without success, financial insecurity, and uncertainty about the future can lead to problems such as depression, anxiety, and psychological distress. These mental health issues not only affect individual well-being but can also influence productivity and the overall functioning of the economy, as mentioned by Přivara et al. (2023), Sehnbruch et al. (2022), Ortiz et al. (2022), Mora (2021), NoghaniBehambari et al. (2021), and Ramos et al. (2023). The mental health of unemployed individuals is crucial for their ability to reintegrate into the labor market and positively contribute to society.

The table also highlights other effects of unemployment, such as reduced economic opportunities, decreased economic growth, stigmatization of the unemployed, and challenges in finding employment, as mentioned by Görmüş (2019). In some regions, an increase in crime, domestic terrorism, and political instability has been observed as a consequence of unemployment, based on studies by Andresen et al. (2021), Bayar & Diaconu (2020), Bagchi & Paul (2018), Radulescu et al. (2019), and Díaz & Mendoza (2021).

It is important to note that the consequences of unemployment can vary depending on the regional context and specific economic, social, and political factors (Apergis, Apergis, & Young, 2020; Rai, Rai, & Singh, 2021; Huikari & Korhonen, 2021; Görmüş, 2019). However, in general, unemployment can have a significant impact on individuals' lives and society as a whole. Therefore, it is crucial to implement policies and programs that promote job creation, provide support to the unemployed, and foster economic and social stability.

Table 4 compiles studies that analyze the impact of unemployment on the economy in various regions and countries. Overall, it is observed that unemployment has negative effects on economic

growth, production, consumption, and demand for goods and services. This results in decreased tax revenues and increased public spending on social welfare programs. Additionally, unemployment can hinder the efficient reallocation of resources, limit job opportunities, and generate economic and social implications such as labor market deterioration and higher crime incidence. It is also noted that unemployment can affect the mental health of the population, which in turn can impact productivity and the overall well-being of the economy. It is important to highlight that the specific impact of unemployment on the economy may vary depending on the context and severity of the unemployment situation in each country or region.

Table 4: Impact of Unemployment on the Economy

Author, year of publication and place of study	Impact of unemployment on the economy.
Abé et al. (2019); África	Reduction in economic growth and productivity, as well as an increase in public spending on social welfare programs.
Abid et al. (2023); Argelia	Reduction in economic growth, decrease in tax revenues, and increase in public spending on social welfare programs.
Prívará et al. (2023); Unión Europea	Reduction in consumer spending, decrease in economic growth, and increase in public spending on social welfare programs.
Pedraja et al. (2022); Comunidad autónoma española de Extremadura	Significant impact on the economy of the sector.
Rai et al. (2021)	It has affected demand, supply, production, and consumption, resulting in the lowest levels of economic development.
Purnomo et al. (2020); Indonesia	The level of GDP will be higher.
Su et al. (2022); Francia, Alemania, Italia, España y el Reino Unido.	Reduction in consumer spending, decrease in tax revenues, and increase in public spending on social welfare programs. However, the specific impact of unemployment on the economy can vary depending on the context and severity of the unemployment situation.
Görmüş (2019); Turquía	Increase in poverty. Decrease in demand for goods and services.
Bagchi & Paul (2018); Oriente Medio y África del Norte.	Increase in poverty. Decrease in demand for goods and services.
Nafchi & Mohelská (2018); Irán y Japón	Decrease in economic growth.
Sehnbruch et al. (2022); Chile	Negative impact on economic growth, as it can reduce consumer spending, decrease tax revenues, and increase public spending on social welfare programs.
Radulescu et al. (2019); Europa central y oriental	High unemployment rates can lead to a decrease in economic growth.
Ortiz et al. (2022); México	Decrease in income affecting financial stability and impact on the informal sector.
Díaz & Mendoza (2021); México	Reduction in demand for goods and services, which affects businesses and their economic activity.
Mora (2021); Colombia	Economic and social implications, including the deterioration of the labor market.
Molero et al. (2019); Ecuador	Higher levels of unemployment can be associated with lower levels

	of economic growth, and vice versa.
Palomares & Van Ham (2020); España	They hinder the efficient reallocation of resources and limit opportunities for employment and economic growth.
Andresen et al. (2021); Canadá	Higher incidence of crimes, generating economic implications such as increased security costs, decreased investment, and productivity.
Bayar & Diaconu (2020); Unión Europea	Reduction in economic growth, decrease in demand for goods and services.
Kim et al. (2019)	Reduction in productivity, decrease in consumer spending, and an increase in social welfare costs.
Palley (2019)	Low economic growth.
Noghanibehambari et al. (2021); Irán	Lower production and economic growth, increased social and fiscal costs, reduced consumption and aggregate demand, inequality, and social exclusion.
Grigorescu et al. (2020); Rumania	Significant economic impact on public health and well-being.
Apergis et al. (2020); Estados Unidos	Impact on the economy through the credit transmission mechanism and recommendations for monetary policy makers.
Ramos et al. (2023); Francia	Negative impact on the mental health of the population, which can in turn affect productivity and the overall well-being of the economy.

Note. Own elaboration.

This study reveals a wide range of research examining the impact of unemployment on the economy in various regions of the world. Authors Abé et al. (2019) in Africa, Abid et al. (2023) in Algeria, and Přívara et al. (2023) in the European Union consistently highlight the reduction in economic growth and productivity, as well as the increase in public spending on social welfare programs as a consequence of unemployment. These studies emphasize how unemployment can limit economic development by affecting people's ability to contribute to the labor market and consume goods and services.

On the other hand, the study by Pedraja et al. (2022) in the Spanish autonomous community of Extremadura reveals a significant impact of unemployment on the sector's economy. This suggests that unemployment can have specific consequences on particular industries or regions, leading to economic imbalance and limiting growth opportunities. The study conducted by Rai et al. (2021) emphasizes how unemployment negatively affects demand, supply, production, and consumption, resulting in lower levels of economic development. This highlights the importance of a dynamic and active labor market to sustain economic growth.

Another relevant study was conducted by Purnomo et al. (2020) in Indonesia, where they suggest that higher levels of unemployment are associated with lower levels of economic growth, and vice versa. This indicates that unemployment can have a direct impact on a country's productive capacity and its ability to generate wealth and development. In the case of Su et al. (2022) in France, Germany, Italy, Spain, and the United Kingdom, they highlight the reduction in consumer spending, decrease in tax revenues, and increase in public spending on social welfare programs as effects of unemployment. However, it is emphasized that the specific impact of unemployment on the economy can vary depending on the context and severity of the unemployment situation. The

study by Görmüş (2019) in Turkey reveals an increase in poverty as a consequence of unemployment. This highlights that unemployment not only has economic implications but can also generate social inequality and exclusion.

Other studies, such as Bagchi & Paul (2018) in the Middle East and North Africa, Nafchi & Mohelská (2018) in Iran and Japan, Sehnbruch et al. (2022) in Chile, and Radulescu et al. (2019) in Central and Eastern Europe, also emphasize the negative impacts of unemployment on the economy, including decreased demand for goods and services, reduced economic growth, and decreased consumer spending. Additionally, other effects of unemployment on the economy are mentioned. For example, the study by Andresen et al. (2021) in Canada points out a higher incidence of crimes as a result of unemployment, which generates economic implications such as increased security costs, decreased investment, and productivity. The study by Ortiz et al. (2022) in Mexico highlights a decrease in income, affecting financial stability and impacting the informal sector. Similarly, Díaz & Mendoza (2021) in Mexico emphasize the reduction in demand for goods and services, which affects businesses and their economic activity. Mora (2021) in Colombia highlights the economic and social implications, including the deterioration of the labor market. Molero et al. (2019) in Ecuador find that higher levels of unemployment may be associated with lower levels of economic growth, and vice versa.

The study by Palomares & Van Ham (2020) in Spain emphasizes that unemployment hinders the efficient reallocation of resources and limits employment and economic growth opportunities. On the other hand, Bayar & Diaconu (2020) in the European Union highlight the reduction in economic growth and decrease in demand for goods and services as consequences of unemployment. The study by Kim et al. (2019) emphasizes the reduction in productivity, decrease in consumer spending, and an increase in social welfare costs as impacts of unemployment. Palley (2019) highlights low economic growth as a consequence of this issue. Noghanibehambari et al. (2021) in Iran underline lower levels of production and economic growth, increased social and fiscal costs, decreased consumption and aggregate demand, as well as social inequality and exclusion as consequences of unemployment.

Grigorescu et al. (2020) in Romania find a significant economic impact on public health and well-being due to unemployment. Meanwhile, Apergis et al. (2020) in the United States analyze the impact of unemployment on the economy through the credit transmission mechanism and provide recommendations for monetary policy makers. Finally, Ramos et al. (2023) in France revealed a negative impact on the mental health of the population, which can affect productivity and the overall well-being of the economy.

Conclusions

The causes of unemployment worldwide are multifactorial and can vary by region. Among the main causes are structural changes in industries, lack of employment demand, income inequality, lack of adequate education and training, as well as macroeconomic imbalances. These factors

interact with each other and contribute to the increase in the unemployment rate in different countries.

Unemployment has significant effects on the global economy. The most common effects include a reduction in economic growth, decreased productivity, decreased demand for goods and services, increased public spending on social welfare programs, and poverty. Additionally, unemployment can have repercussions on people's mental health, generate additional social and fiscal costs, and limit employment and economic growth opportunities.

Unemployment represents a global challenge that has a negative impact on the global economy. Its causes are diverse, and its effects are detrimental to both the unemployed individuals and society as a whole. It is crucial to address this issue through policies and strategies that promote job creation, adequate education and training, as well as investment in sectors that drive economic growth. In this way, the impact of unemployment can be mitigated, and sustainable economic development can be fostered worldwide.

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