

9th International Conference on Theory and Application of Soft Computing, Computing with Words and Perception, ICSCCW 2017, 24-25 August 2017, Budapest, Hungary

Influence of energy use, foreign direct investment and population growth on unemployment for Russian Federation

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Abstract

This study investigates the relationship between unemployment, energy use, population growth and foreign direct investment on unemployment for Russia using Quarterly data from 1992-2015. The study applied Johansen cointegration to analyse the long-run relationship among the estimated variables. The long-run elasticity and Granger causality were investigated under the framework of VECM. The results suggested a positive and statistically significant impact of energy consumption and population growth on unemployment. The Granger causality results suggested bidirectional causality between unemployment and FDI, and population and energy use. The study suggested some policy implications based on our empirical results.

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Peer-review under responsibility of the scientific committee of the 9th International Conference on Theory and application of Soft Computing, Computing with Words and Perception.

Keywords: Unemployment; Johansen cointegration; VECM; energy use.

1. Introduction

The nature and dynamics of the country's economic development are the subjects of close attention of economists and politicians. Depending on processes and structural changes taken place in the national economy, much hinge in the life of the country and its prospects. The economic development of society is a multifaceted process that covers all spheres of economic activity. The indicators of the dynamics of economic prospects are numerous, but the main one is GDP per capita. In connection with the difficulties of measuring the process of economic development, economic growth is most often analysed, i.e.

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Factors of economic growth:

- The quantity and quality of natural resources;
- Quantity and quality of labour resources - labour productivity, education and vocational training;
- Volume of fixed capital;
- New technologies.

These factors contribute to the physical growth of production, but it is also necessary that consumption of increased GDP occurs. Therefore, growth also depends on demand factors (increase in aggregate expenditure) and distribution factors (efficient use of limited resources in various sectors). However, in this article, more attention will be paid to the indicators of economic growth, which means, the influence of unemployment, energy use, foreign direct investment and population growth in the country, characterised primarily by macroeconomic indicators such as gross domestic product.

1.1. Influence of Unemployment on GDP

In our world, the problems of employment of the population in a market economy are becoming increasingly important. When the economies of many countries are on the verge of crises, unemployment can be one of the indicators of the complication of the socioeconomic situation of the government. It affects almost all segments of society, ranging from students to retired senior citizens. Unemployment has the most direct and strong influence on every individual. Denied employment for the majority of the population means a decline in the standard of living and causes serious, sometimes dangerous, psychological trauma. Also for the government, the unemployment rate is one of the most important indicators of the economic situation in the country. Unemployment is a socio-economic phenomenon, in which part of the labour force (economically active population) is not engaged in the production of goods and services. In actual economic life, unemployment appears as an excess of supply of labour over demand on it. Contemporary unemployment in the Russian Federation is a phenomenon engendered by the stage of development in the process of the formation of market relations. Despite the specifics and peculiarities of Russian unemployment, it has features characteristic of all countries. The primary destruction caused by unemployment entails a significant lag in the country's economic growth. Economic decline or rising are the main reasons for the growth and recession in employment also, the level of unemployment in the country. Cyclical economic development, successive economic booms and busts for decades or several years, lead to certain fluctuations in the number of employed and unemployed.

The main economic reasons for the appearance of unemployment:

- The high price of the labour force (salary), which is required by its seller or trade union.
- The low price of the labour force (salary), which is determined by the buyer (employer).
- Lack of value, and, accordingly the price of the labour force.

Thus, the main cause of unemployment is the imbalance in the labour market. This imbalance is especially amplified in the period of economic downturns, wars, natural disasters, etc. Economic consequences of unemployment are reasonable at the national level and at the human level. At the national level of unemployment, the volume of GDP declines. Like any phenomenon, unemployment has both positive and negative results. Unemployment guarantees the formation of a reserve of labour as an important factor in the development of a market economy that continuously demands labour. Unemployment provides the necessary production reallocation of personnel. The decrease in unemployment of the population gives an effective sign to the employee, that his profession, special knowledge, skills are outdated, the level of qualification does not meet the requirements of the present, hence, give impetus to the improvement of the skills of the worker. Positive outcomes of unemployment:

- Growth of entrepreneurial activity in the country;
- Encouraging citizens to improve their skills;
- Growth of activity of the population;
- The value of the workplace increases;

If we talk about the current state of the labour market in the country, then in different regions of the Russian Federation the situation with unemployment is different. Consequently, nowadays the labour market is too much influenced by political and economic events. Both domestic and national situations are important. Such events as the situation in Ukraine, the sanctions of other countries, the accession of the Crimea, the rise in prices, inflation, a rather low standard of living, etc., had a significant impact on unemployment, etc. Statistics show that in the second quarter of 2015, Moscow was the most demanded in the labour market (22%) and St. Petersburg (8%). The third place is the

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