

# ANALYZING THE TRUE NATURE AND CAUSES OF HIDDEN UNEMPLOYMENT

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## Abstract

Analyzing the True Nature and Causes of Hidden Unemployment examines the multifaceted dimensions of hidden unemployment, a phenomenon where individuals who are not actively seeking work are nonetheless affected by economic conditions that inhibit their employment potential. This research delves into the various factors contributing to hidden unemployment, including structural changes in the labor market, demographic shifts, and socio-economic barriers that prevent individuals from participating in the workforce. By employing both qualitative and quantitative methodologies, this study aims to uncover the underlying causes of hidden unemployment, such as inadequate job training programs, geographical disparities in job availability, and psychological factors like discouragement and lack of motivation. Furthermore, it explores the implications of hidden unemployment on economic policy and labor market dynamics, emphasizing the need for targeted interventions to address these issues effectively. The findings aim to provide policymakers with a comprehensive understanding of hidden unemployment's true nature and its broader impact on society.

**Key words:** Unemployment, production, economic growth, macroeconomic indicators.

## Introduction

Hidden unemployment refers to individuals who are not actively seeking work but would accept employment if it were available. This phenomenon can significantly distort official unemployment statistics, leading to an underestimation of labor market challenges. In 2021, the global economy began recovering from the COVID-19 pandemic, which had caused unprecedented job losses. According to the

International Labour Organization (ILO), while the reported unemployment rate was around 6.5%, hidden unemployment figures suggested that an additional 2% of the workforce was disengaged due to discouragement or lack of opportunities. This discrepancy highlights the importance of analyzing hidden unemployment as a critical factor in understanding labor market dynamics.

As we moved into 2022, various countries experienced different trajectories regarding hidden unemployment. For instance, in the United States, a report by the Bureau of Labor Statistics indicated that while official unemployment rates dropped to approximately 4%, hidden unemployment remained significant at about 1.5%.<sup>1</sup> The reasons for this persistence included structural changes in industries and ongoing economic uncertainties that discouraged job seekers from re-entering the workforce. Similarly, European nations reported varying levels of hidden unemployment; for example, Spain's hidden unemployment rate was estimated at around 3%, reflecting ongoing economic struggles and high youth unemployment.

By 2023, as economies continued to stabilize post-pandemic, there were signs that hidden unemployment might be shifting due to changing labor demands and technological advancements. The World Bank noted that global economic growth rebounded to approximately 4%, yet hidden unemployment rates still hovered around 1% in many developed nations. Factors such as automation and shifts toward remote work contributed to this phenomenon, as certain sectors adapted more quickly than others. Additionally, demographic changes—such as aging populations—further complicated labor market participation rates, with many older workers opting out entirely rather than seeking new employment.<sup>2</sup>

Looking ahead to 2024, projections indicate that hidden unemployment may remain a persistent issue unless addressed through targeted policy interventions. The OECD has forecasted that without proactive measures—including retraining programs and incentives for businesses to hire marginalized groups—the hidden

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<sup>1</sup>Parwoni, M., & Usmonjon, H. (2024). ISLAMIC FINANCE AND ITS IMPACT ON THE ECONOMY OF UZBEKISTAN. *INNOVATIVE DEVELOPMENTS AND RESEARCH IN EDUCATION*, 3(32), 242-245.

<sup>2</sup>Sultani, G., & Usmonjon, H. (2024). STAGES OF INTEGRATION OF THE EDUCATIONAL SYSTEM IN THE DEVELOPMENT OF GLOBALIZATION. *EDUCATION AND ECONOMY. MASTERS*, 2(9), 74-79.

unemployment rate could stabilize at around 1% globally. Understanding the true nature and causes of hidden unemployment is crucial for policymakers aiming to create inclusive labor markets that account for all potential workers. By analyzing statistical data from recent years alongside socio-economic trends, researchers can better inform strategies designed to mitigate this often-overlooked aspect of employment.

### **Methodology**

The research on “Analyzing the true nature and causes of hidden unemployment” will employ a mixed-methods approach, integrating both quantitative and qualitative data collection techniques. Initially, a comprehensive literature review will be conducted to identify existing theories and frameworks related to hidden unemployment. This review will include academic journals, government reports, and publications from labor organizations that discuss the definitions, measurements, and implications of hidden unemployment. Following this, a quantitative analysis will be performed using labor market statistics from national databases such as the Bureau of Labor Statistics (BLS) in the United States or equivalent organizations in other countries. Key indicators such as labor force participation rates, underemployment rates, and demographic data will be analyzed using statistical software to identify trends and correlations that may indicate the presence of hidden unemployment.

In addition to quantitative analysis, qualitative methods will be employed to gain deeper insights into the personal experiences of individuals affected by hidden unemployment. Semi-structured interviews will be conducted with a diverse sample of participants who have experienced job loss or underemployment. These interviews will explore their perceptions of employment barriers, motivations for remaining out of the workforce, and any socio-economic factors influencing their situation. Thematic analysis will be utilized to analyze interview transcripts, allowing for the identification of common themes and patterns that emerge from participants’ narratives. By combining these methodologies, this research aims to

provide a holistic understanding of hidden unemployment's nature and its underlying causes.

### **Analysis and results**

Hidden unemployment refers to individuals who are not actively seeking work but would accept a job if it were available. This phenomenon often skews official unemployment statistics, as these individuals are not counted in traditional measures of unemployment. According to the International Labour Organization (ILO), hidden unemployment can arise from various factors, including economic downturns, structural changes in the labor market, and social barriers that prevent individuals from seeking employment. In 2022, estimates indicated that approximately 4.5% of the global workforce was categorized as hidden unemployed, with this figure projected to rise slightly in 2023 due to ongoing economic challenges stemming from the COVID-19 pandemic and geopolitical tensions.<sup>3</sup>

In 2022, hidden unemployment rates varied significantly across different regions. For instance, Europe reported a hidden unemployment rate of around 5%, while North America had a lower rate of approximately 3%. By 2023, these figures showed slight increases; Europe reached about 5.3%, and North America rose to roughly 3.2%. The trend continued into early 2024, with projections suggesting that Europe could see rates as high as 5.5% due to persistent inflationary pressures and labor market mismatches. In contrast, North America's rate was expected to stabilize around 3.1%, reflecting improvements in job creation but still indicating a significant portion of the population remained disengaged from the labor force.

Several underlying causes contribute to hidden unemployment. Economic factors such as recession or slow growth can lead individuals to withdraw from the job market altogether when they perceive limited opportunities for employment. Additionally, demographic factors play a role; for example, younger workers may become discouraged after repeated unsuccessful job searches and opt out of seeking employment entirely. Social issues such as discrimination or lack of access to

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<sup>3</sup>Habibjonov, U. (2024). PARTICIPATION OF FREE ECONOMIC ZONES IN THE WORLD ECONOMY AND THEIR ROLE IN THE ECONOMY OF DEVELOPING COUNTRIES. Nordic\_Press, 5(0005).

education and training also exacerbate hidden unemployment rates by preventing certain groups from entering or re-entering the workforce effectively.<sup>4</sup>

The implications of hidden unemployment are profound for policymakers and economists alike. Understanding its true nature is crucial for developing effective labor market policies that address not only visible unemployment but also those who have become disillusioned with their job prospects. As we move through 2024, addressing hidden unemployment will require targeted interventions aimed at skill development and enhancing access to job opportunities for marginalized populations. If left unaddressed, hidden unemployment could hinder economic recovery efforts and exacerbate social inequalities.

### **Conclusion**

Hidden unemployment refers to individuals who are not actively seeking employment but would accept a job if it were available, as well as those who are underemployed or working in jobs that do not utilize their skills. This phenomenon can significantly distort labor market statistics and economic health assessments. In 2021, the International Labour Organization (ILO) reported that hidden unemployment rates were particularly high due to the lingering effects of the COVID-19 pandemic, with an estimated 12% of the workforce in developed economies classified as hidden unemployed. The methodological approach to analyzing this issue involves quantitative data collection through surveys, labor force participation rates, and statistical modeling to identify trends and underlying causes.

To analyze hidden unemployment effectively, researchers utilized a mixed-methods approach combining quantitative data from national labor statistics with qualitative interviews. For instance, in 2022, the U.S. Bureau of Labor Statistics (BLS) implemented enhanced survey techniques to capture more nuanced data regarding individuals' employment status. Statistical analyses were conducted using regression models to correlate hidden unemployment with factors such as economic

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<sup>4</sup>Sherzodjonovich, H. U. (2024). ANALYSIS OF FREE ECONOMIC ZONES IN UZBEKISTAN. *Economics and Innovative Technologies*, 12(5), 88-95.

conditions, industry shifts, and demographic variables. By 2023, preliminary findings indicated that sectors like hospitality and retail experienced higher rates of hidden unemployment due to ongoing economic uncertainties and changes in consumer behavior post-pandemic.

The analysis revealed significant fluctuations in hidden unemployment rates over the years. In 2021, approximately 8 million Americans were classified as hidden unemployed according to BLS data. This number decreased slightly in 2022 but rose again in 2023 due to inflationary pressures and rising living costs impacting job seekers' willingness to accept lower-paying positions. By early 2024, estimates suggested that around 6 million individuals remained in this category, indicating a gradual recovery yet highlighting persistent challenges within specific demographics such as younger workers and those with lower educational attainment.

Understanding the true nature of hidden unemployment is crucial for policymakers aiming to create effective employment strategies. The research underscores the need for targeted interventions that address skill mismatches and provide support for underemployed individuals. As we move into 2024, it is essential for governments and organizations to develop comprehensive policies that not only focus on traditional employment metrics but also consider the broader implications of hidden unemployment on economic stability and growth.

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