

Effects of unemployment in the usa essay sample



**ASSIGN
BUSTER**

Frictional Unemployment Definition:

Frictional unemployment is when workers leave their jobs to find better ones. It's usually thought of as a voluntary exit, but can also occur as a result of a layoff or termination with cause. The time, effort and expense it takes to find these new jobs is known as friction. It occurs because workers need to find out about possible new job opportunities, go on interviews and possibly move before starting their new jobs. It's an unavoidable part of the job search process. However, the good news is that it's usually short-term.

Causes of Frictional Unemployment:

Why does frictional employment exist? It's more logical for workers to hold onto their existing jobs until they find new ones. Often, however, workers must move for unrelated reasons before they can start searching for new jobs. They might have gotten married or have to care for elderly relatives. Other times, they might have saved enough money so they can quit unfulfilling jobs, and have the luxury to search until they find just the right opportunities. During a recession, frictional unemployment drops. Why? Workers are afraid to quit their jobs, even if they don't like them, because they know it will be more difficult to find better ones. However, cyclical unemployment more than offsets the decline in frictional unemployment, as businesses lay off employees whether they like their jobs or not.

Effects of Frictional Unemployment:

Frictional unemployment is not as harmful to an economy as the other types of unemployment, such as cyclical and structural unemployment. That's because a rise in frictional unemployment is simply an increase of workers moving toward better positions. Even if workers leave due to firings or

company-specific layoffs, it means they were out of sync with their positions or managers, or that they are leaving uncompetitive companies or industries. In any case, they will win positions that are better for them as a result. Frictional unemployment is actually a benefit for the economy. It allows companies the opportunity to find qualified workers. If there were no unemployment, if everyone stayed in their jobs until they found a new one, it would be more difficult, time-consuming and expensive for companies to bring on good workers. Labor costs would rise, creating cost-push inflation. On the other hand, worker pay would rise, possibly helping to reduce income inequality in the U. S. Frictional Unemployment Examples:

A good example of frictional unemployment is when students graduate from high school, college or any higher degree. Similarly, another example is mothers who are entering or rejoining the workforce after their children are old enough. They aren't counted in the frictional unemployment figures until they actively start searching for their career positions. Frictional Unemployment Rate:

The frictional unemployment rate is the number of workers who are actively looking for jobs and are only unemployed because they haven't yet found their new positions. Divide this number by the total number of the labor force to get the rate. The Bureau of Labor Statistics can give you some clues to approximate the frictional unemployment rate in the monthly Employment Report. Go to the " Employment Situation Summary Table A. Household data, seasonally adjusted." It supplies three important numbers, under " Reasons for Unemployment," that will give you a good estimate of those that

are frictionally unemployed: 1. Job leavers (those that voluntarily quit their jobs),

2. Reentrants,

3. New entrants.

Add these together, and divide by the total number of unemployed to get a good approximation of the frictional unemployment rate. (Source: Monthly Labor Review, Sources of Secular Increases in the Unemployment Rate)

Frictional Unemployment Solution:

Frictional unemployment can be reduced by bringing better information about jobs to the worker. This was accomplished a great deal by job matching services on the Internet, such as Simply Hired, Monster and Careerbuilder. Nevertheless, it still takes time to write a compelling resume (with no typos!), search for the right job, apply, wait for a response and go through the interview process. Furthermore, many job seekers still find the best source of new jobs is through their professional network. Even this has been helped by online services such as Facebook, Twitter and LinkedIn.

Frictional unemployment cannot be reduced through expansionary monetary policy, like other types of unemployment can be. In fact, it might even increase it. That's because, in a booming economy, jobs are in a higher supply. Often employers have a hard time find qualified candidates. In the expansion phase of the business cycle, workers feel more confident to quit their job in search of a better one — thus increasing frictional unemployment. Article updated June 9, 2012