American unemployment and how it effects the economy

Unemployment and the American Economy This essay examines the complicated relationship between American unemployment and the economy through an analysis of recent employment trends.

At the beginning of February the unemployment rate dropped from 10 percent to 9. 7 percent (Cook 2010). In a Newsweek article that considers these figures, Cook (2010) identified a number of causes for optimism. Cook discussed the positive correlation between jobs increased in health care, government, and retails fields, and indicated that the average work week increased to 33. 9 hours. Another positive occurrence was that over the last three months the overall job loss rate has over 100% less than the rate 3 months before that.

A New York Times (Leonhardt 2010) article discussing the same report indicated similar positive indicators and speculated on the nature of the connection between the economy and the unemployment figures. It attributed the lowered rates to both the general flux of the economy, and the most recent stimulus package. It states that, " All the well-known private economic research firms estimate that it's had a huge impact. IHS Global Insight, for instance, says the economy has about 1. 7 million more jobs today than it would have had without the stimulus."

While one would conceivably believe this to be indicative of a recovering economy a number of researchers argue that the percentage change is not as beneficial as observers might believe. Cook (2010) discusses that overall the unemployment rate remains awful, " men (10 percent), teenagers (26. 4 percent), African-Americans (16. 5 percent), and Hispanics (12. 6 percent)." Other negative indicators are that the number of people who have been unemployed for 27 weeks or more has actually increased with this report, and that the amount of people who have stopped looking for work has increased to over 1 million, from the 500, 000 figure of last year. It is also estimated that for the economy to keep pace with population growth, and the unemployment numbers to at least remain stable, the country would have to produce more than 140, 000 new jobs per month (Leonhardt 2010). Other researchers state that the findings also indicate that the recession is worse than was originally assumed. The New York Times (Leonhardt 2010) stated that the reports indicate the economy had 1. 4 million fewer jobs last year than was originally reported.

An Economist (2010) article points out that even when the economy begins to recover certain job sectors may never see pre-recession employment figures. It argues that, “ The past decade’s jobs in retail and in entertainment were largely supported by household borrowing. Not only is a new wave of borrowing unlikely to develop after the recession, but household deleveraging is nowhere near complete.” Reports such as this indicate that the recession and unemployment are not only temporary predicaments, but are components that are systematically reshaping the foundations of American society.

The Economist (2010) article also speculates on the interrelationship between wages, unemployment, and the economy. The article hypothetically asks if income growth could compensate for the large unemployment figures and actually contribute a beneficial effect to the economy. The article determines that this occurrence is implausible for a number of reasons. First, the employment market is such that job salaries have been kept in proportion to job growth, which is to say in large part negative. It states that, “ The plentiful supply of workers reduces the incentive for firms to hire quickly, and will allow companies to underpay well-qualified workers. Real earnings declined last year and are unlikely to experience rapid growth soon." This indicates that the high unemployment figures are correspondingly decreasing wages throughout the country.

References

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