

Effects of unemployment on us

[Business](#), [Work](#)



The current total unemployment in US is getting higher because of several reasons. Firstly, the reason of the current total unemployment is 10 percent and it is higher than the year before is because many of the citizens stopped looking for job and so they are considered as unemployed workers. They are technically workers that have the potential to work but refuse to find a job. Besides that, the jobless rate continue rising is also because more people foresee the signs of an improving economy and by then, they will start looking for jobs again when inflation happens so that they will manage to get higher pay than their current jobs.

This is because when an economy is growing and is an expansion, the demand for workforce would be high so that productivity can be increased to fulfil the excessive demand. At that time the wages will be higher than when economy is in an inflation condition. However, when an economy is in a recession, unemployment is usually rising. The estimated unemployment rate in year 2012 will be lower than 17.4 percent because the US' workers have foresee the growing economy in the future which means inflation will happen. When inflation happens, US' workers will start looking for jobs. To have a closer understanding about the estimated unemployment rate in year 2010, there is a graph below the graph that our group took from [http://www.radingeconomics.com/Economics/Unemployment-Rate.aspx? Symbol= USD](http://www.radingeconomics.com/Economics/Unemployment-Rate.aspx?Symbol=USD) that discussed about the unemployment rate from July 2008 to July 2010.

[pic] * The table above displays the monthly average. As for the unemployment rate for year 2010 based on the article, the unemployment rate would be negative as the actual potential will be lesser than potential output because of the recession. During recession, the actual output will be <https://assignbuster.com/effects-of-unemployment-on-us/>

lesser because of fewer demands from consumer so the productivity level will never achieve a potential level at that time. The GDP gap in year 2010 is estimated to be around 9 percent as the unemployment rate on December 2010 is stated as 17.

4 percent. [pic] GDP gap and Okun's Law: the GDP gap is the difference between potential and actual GDP. Economist Arthur Okun quantified the relationship between unemployment and GDP as follows: For every 1 percent of unemployment above the natural rate, a negative GDP gap of 2 percent occurs. This is known as " Okun's law. "