

# Unemployment research papers examples

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## **American Public University**

### UNEMPLOYMENT

#### Introduction

Unemployment is defined as the people who are not willing to participate in the labor force. In another word, unemployment is a preference made by the individuals. Unemployment is an essential social problem as well as it is an important macroeconomic indicator. Considering that the world population is increasing rapidly, and the global financial crisis has started a new era when many developed countries have got into trouble, the labor force is facing a harsh time. The unemployment rates even in the developed countries have reached 10% or exceeded 10%. Some developed countries could manage to keep the unemployment rate relatively lower by decreasing the real wages. High unemployment rates or relatively lower real wages are causing social problems, and the productivity of the labor is deteriorated (Haugen and Musser, 2011).

Therefore, the unemployment problem will force the economy managements of the countries to develop relatively better and innovative ways to overcome the problem. Even it is possible to claim that the unemployment theories need to be reviewed after the global financial crisis. In this essay, I will discuss the unemployment in the new era of the global economy.

### **Unemployment Types**

Unemployment is classified in some types as follows: 1) Frictional unemployment, 2) Cyclical unemployment, and 3) Structural unemployment. Frictional unemployment is that some people get unemployed because they

would like to change their industries and they might need to take a break or they might not be willing to work for short time. Frictional unemployment might be fruitful for the economies to transfer some workers to the newly developing industries. The cyclical unemployment is the unemployment that occurs due to the macroeconomic cycles. Sometimes, the economies can provide a high performance and the unemployment rate decreases while sometimes the economies slow down and the unemployment increases. The cyclical unemployment is not controllable generally. The structural unemployment occurs due to the structural problems in the economies. The structural problems might create a slow-down in the economy. For instance, the global financial crisis has started in the U. S. in 2008 because of a breakdown in the sub-mortgage insurance market. The breakdown in this market has spread to the financial sector and the bankruptcy of leading ten financial institutions caused loss of many businesses in the country and the unemployment rate increased over 10% in 2009. The economy managements mainly aim at managing the risk of the structural unemployment and it requires tackling the structural problems in the economy (Canale and Liotti, 2015).

## **Unemployment Rate in the Global Economy**

Unemployment has reached a peak after the global financial crisis and after the recovery policies, it has gone down. During the crisis, many businesses have bankrupted, and the number of available jobs in the economy has decreased. The graph below indicates that the unemployment has increased up to 10 % just after the crisis. The most striking information from the graph is the decline in the number of businesses rapidly in the American economy.

Until 2010, there was a negative view in the unemployment and the job creation statistics.

### **Graph 1: Unemployment and Job Creation**

The graph 1 is a way of exhibiting the demand for the labor and the supply of the labor. The unemployment rate is representing the labor supply while the job creation is representing the demand for the labor. We can easily convert the Graph 1 into a demand and supply graph for the labor.

The information of wages determined in the labor market is essential information. The Graph 2 indicates that the nominal wages went down just after the global financial crisis, and there exists a parallel movement between the job offerings and the nominal wages. The nominal wages is the wage offered to the workers, and it seems to be that the workers could not find jobs during the crisis, and they have accepted the low nominal wages. Considering that the unemployment rate has increased during the crisis, we might conclude that even the decreasing nominal wages could not help the economy managements tackling the unemployment problem (Haugen and Musser, 2011).

### **Graph 2: Nominal Wage Growth and Job Offerings**

The inflation rate after the crisis has gone down to almost 0% in many developed countries due to the low domestic demand and the decreasing exports of these countries. Therefore, the nominal wages are representing the real wages in the developed economies currently. The efforts spent on stimulating the domestic demand is expected to stimulate the labor markets.

### **Graph 3: Demand for Labor and Labor Supply**

The graph 3 summarizes the development in the labor markets in the developed countries after the crisis. The demand for labor decreased and the wages went down. At the new equilibrium, even though the workers accept relatively lower wage level, the economy cannot produce enough available jobs for the workers.

### **Labor Force Participation**

The labor force participation rate is an essential indicator of being a well-developed economy. The labor participation rate is calculated as a ratio between the people who are willing to work and the population in the working ages. In the developed economies, the majority of the population takes responsibility in the production processes while the less developed economies and the developing economies face the problem of low participation rate.

### **Graph 3: Labor Force Participation Rate**

The graph 3 exhibits that the developed strong economies could manage to involve more than half of their working population in the labor force. However, the developing economies are far away from the half. The economic development plans aim at increasing the participation in the production. If the majority of the population takes responsibility in the production, the national economies can do the relatively better performance. Also, increasing the productivity and the efficiency of the working population is important in terms of economic development. In another word, the labor productivity is one of the economic development determinants.

## **The Consequences of Unemployment**

Unemployment is a two-sided fact: Social and economic. The social aspect of unemployment is relevant to the economic development of the households and savings. If the households can generate enough income, they can provide their sustainability, and they can make the expenditures of the consumption and the investment (Haugen and Musser, 2011).

The economic aspect of unemployment depends on a cost-efficiency analysis. Some of the population works and produces for the whole population. Therefore, every nation has to have enough workers in the economy for the production. The dependent populations like housewives, family workers, and the other unemployed people do not make enough contribution to the production. Considering that the social states provide social security for every citizen, the population has to be able to produce enough for the whole population. Unemployment causes a cost for the society. The unproductive part of the population consumes as much as the working population consumes. Therefore, the working population has to cover the cost of living for the people not working (Haugen and Musser, 2011).

Consequently, the unemployment influences the individuals and the society negatively. The loss of productivity might be an important problem while the number of the unemployed people is increasing and the social state is still paying the social security services for the whole population. Also, considering that a developing economy needs new investments continuously, unemployment might create a negative influence on the investments, and it might stop the economic development.

## **The Benefits of the Unemployment**

Unemployment is not something desired in general; however, unemployment might create an opportunity for the economies for transforming the labor force into relatively more productive workers or the workers in the newly developing industries. The developed countries implement a "back to school" program for promoting the workers' learning new professions. These programs might increase the mobility of the workers. The mobility of the workers among different cities and different industries might be efficient for the national economies. The mobility in the labor force will ease finding workers in the newly developing industries. Also, sometimes, some industries face a crisis and the workers with high mobility can easily be transferred to the other industries and the economy might get rid of the undesired result of the unemployment (Moffitt, 2014).

## **Managing the Unemployment**

Unemployment might be managed through developing macroeconomic policies. The social security institutions handle managing the risks of the unemployment. The unemployment is harmful to the individuals and the national economy.

Considering that the modern world economy is producing crises at a high frequency, and the increasing unemployment is one of the main outputs of these crises, the governments need to develop well-planned unemployment policies. Managing the risks of the unemployment is possible. Many governments forms an unemployment insurance fund and during the high unemployment times, this fund finances the unemployed people (Canale and Liotti, 2015).

However, for a relatively more efficient unemployment policy, the governments should be able to produce a system that forces the unemployed people to be more mobile between the industries and the cities. Therefore, the governments should develop a system that leads the unemployed people to the relatively better industries in terms of development and job opportunities through providing the necessary education and other needed things (Moffitt, 2014).

## **Conclusion**

Unemployment has been one of the most important macroeconomic problems up to today; however, nowadays, the global crises with the new characteristics have created an unemployment problem that is very complex to solve. In the past, implementing demand-sided expenditure increasing economy policies would decrease the unemployment. Nowadays, there is a relatively bigger problem, the loss of trust in the national economies of the developed countries. Therefore, implementing simple economy policies are not solving the unemployment problem.

Tackling the unemployment problem requires developing a well-planned economy policy that includes economic interventions to the markets and the economy as well as developing psychological promotions for the workers. Consequently, the global economy is facing a new era and the economy managements need to understand the necessities to developing policies (Canale and Liotti, 2015).



## References

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