

# Example of essay on the natural rate of unemployment rise

Countries, United States



According to Mary and Daly, (2012) natural rate of unemployment refers to an economic concept that represents for the hypothetical rate of unemployment inconsistent with the long term levels of aggregate production. Rate of unemployment increased after the financial crisis and has persisted even after the crisis. According to the statistic it is higher than before the crisis due to the mismatch between the employer and the available skill of the laborers.

Frictional unemployment refers to the rate of unemployment due to the change of locality of the demographic factors. In other term it's the state of being unemployed due to change of occupations. It contributes to the increase in the natural rate of unemployment. After the 2009 financial crisis frictional unemployment was experienced due to the different changes that took place in the economy.

On the other hand, Structural unemployment is as a result of technical changes. It means that changes in consumer demand for the good and service would cause unemployment to people dealing with such goods. According to Diamond, (2011) this type of unemployment is critical to understand due to a wide range factor that contribute to it. It is the commonest type of unemployment that arise after the 2009 financial crisis in America

The United States economy has been experiencing high rates of unemployment due to the financial crisis. The crisis led to the rise of unemployment because the employer could satisfy the demand for the working opportunity. The financial crisis increases the labor for as compared to the demand for labor. It weakened the economy of the country for a

particular period. It adversely affects the American economy through the collapse of consumer confidence. The potential investors and consumers become afraid of uncertainty in business.

The financial crisis affects the real America economy because it led to the tumbling of the housing and stock market. The crisis interferes with the factor of production such as the stock and labor which very essential to the country's economy. The changes that took place in the economy have affected the interest of the consumer towards household product. In this context, it led to the structural unemployment due to the equilibrium shift of demand for the products.

The financial crisis is also attributed to have completely defined the current economy of America. It is responsible for the fall of most of the businesses that left a commendable percentage of people without jobs. The fall in the economy made most of the people to change their taste and preference hence changing their occupations to be able to cater for the needs and want. The shift of event would lead to the creation of a frictional unemployment. According to Schecter and Mazumder, (2010) they estimate an increase of the rate of unemployment by 5 percent. They approximate that the actual figure lies in between 5. 5 to 6 percent. It simply shows the gap of unemployment is 2. 7 percent as at the end of the 2011 fiscal year.

According to the bureau of labor it indicated a gap of 2. 5 percent in 2012. based on the statistic it is clear that the American economy has not obtained an employment equilibrium.

## **Work cited**

Daly, Mary C., et al. " A search and matching approach to labor markets: Did the natural rate of unemployment rise?." *The Journal of Economic Perspectives* 26. 3 (2012): 3-26.