

# The natural rate of unemployment essays example

[Literature](#), [Russian Literature](#)



The Natural Rate of unemployment (NRU) is the lowest rate of unemployment possible an economy can sustain in the long run. It occurs even when the economy is healthy, at full employment, because workers are always looking for better jobs, and until they find it, they are usually unemployed. Unemployment is the state of looking for employment and subsequently failing to secure one. Frictional Unemployment occurs when workers are transitioning from one field of unemployment to another. It is that period when many workers are unemployed because they leave their jobs without having another one lined up. Structural unemployment arises due to reasons such as a result of the convergence of many market factors and their interplay in the economy. Changes in the technology can adversely affect workers the employment status of the majority of low-level workers. Due to changes in technology, machines that are efficient and cost employers adopt effectively. The workers who were providing that labor are rendered unemployed. A similar situation occurs when workers lack the necessary skills for a particular job, or when the number of unemployed workers is more than the available jobs.

According to scholars, three factors have changed since the financial crises are; mismatch between characteristics of job openings. This factor leads to an increase in structural unemployment because workers apply for jobs for which they are not qualified. The skills and attributes of workers applying are mismatched. When this mismatch persists, structural unemployment increases. Mismatch also increases frictional unemployment. When posting job vacancies, employers have to take time making sure that there is a match between the job and the worker. If the search for a perfect match

takes too long, frictional unemployment increases. The availability of extended unemployment benefits reduces the intensity of job search thereby contributing to an increase in frictional unemployment. The unemployed is not motivated to look for jobs because they are still receiving benefits even if they are unemployed. Most of the workers claim that they are looking for a job just to receive a benefit receipt. Uncertainty about economic conditions contributes to a rise in structural unemployment this is because employers suppress the hiring of new workers. Employers who are uncertain about the future tend to be cautious about hiring more. They therefore advertise fewer vacancies, thus reducing the job-finding rate of the unemployed. This increases structural unemployment because the quantity of labor supplied is more than the quantity of labor demanded. Employers would rather concentrate on raising productivity and output than increase their human resource capital.

However, the aforementioned factors have not caused a permanent increase in the natural unemployment rate. Contemporary economists argue that the increase in the natural rate is transitory; as a cyclical recovery in the labor market proceeds, they expect that natural rate to fall back to a value close to its pre-recession level. These factors contribute differently to a rise in the natural rate. The contribution from mismatch is very limited compared to extended unemployment benefits, which has a larger contribution.

Uncertainty about economic conditions also contributes greatly to the natural rate due to the suppressed hiring of workers. However, none of the effects of these contributions is permanent. Assuming that, the benefits expire, and uncertainties are resolved, those effects disappear almost

immediately.

Full employment equilibrium is the acceptable level of unemployment somewhere above 0%; it occurs when there is no cyclical unemployment. The natural rate of unemployment differs from one country to another. Economist William Dickens estimated The United States' full employment rate to be about 5.5%. Most economists and financial scientists postulate that the natural rate of unemployment should be five percent. The United States' current unemployment rate, as at January 2014, was 6.6%. The United States' current unemployment rate exceeds the natural rate by 1.6%; therefore, it has not yet achieved full employment equilibrium.

### **Works Cited**

Daly, Mary, et al. "A Search and Marketing Approach to labor market: Did the Natural Employment Rate Increase?" *Journal of Economic Perspectives* (2012): 3-26.