

# [Unemployment in us economy](https://assignbuster.com/unemployment-in-us-economy/)

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Unemployment in US economy The unemployment turnover view has a strong base on the contemporary thinking about unemployment in the entire United States. Joblessness or unemployment takes place when an individual searches for another new job and devotes most of time searching for another job. Moreover, unemployment comes into being if an individual goes in search of a new employment after being out of labor force for a long time. The individuals in search of employment get employed in monthly duration in a range of 10% to 40%. The unemployment varies directly with separation rate and varies indirectly with the rate of searching for a job. For a long time, labor market students have believed that the time of acute rise in unemployment or recession were due to increased rates of separation from jobs and decreased rates of finding jobs. From this perspective, the period of recession starts by the trend of layoffs. The trends of layoffs are mainly done in industries of durable goods. As labor market gets crowded with those seeking for employment, the rate of finding jobs decreases and the after unemployment duration rises. In contrary, recent research and data have disapproved this argument. The new perspective views separations as to have no contribution to the increased problems of unemployment during the period of recession. The reason behind increased unemployment during the recession is difficulties in finding jobs, not the dumping of those seeking jobs by rates of separation into the labor market. The current view places its focus on decisions of hiring to be the main factor that explicates the variation in the cyclic unemployment. The market of labor extends its periods if newly hired number remains constant irrespective of the accessibility of job seekers (Burdett and Mortensen 63) Unemployment rate As the rate of separation is near a constant, the explanation for fluctuations in the rate of unemployment is on the falling variation rates of the unemployed. There are various ways used to measure unemployment rate. From the current population survey (CPS) data, workers do change jobs with no observable intervention on unemployment. Hence, there is a rate for finding jobs for those who hold jobs. Individuals do take up employment after being out of labor sector; therefore, there is an unemployment rate for the group. Moreover, this rate for those who are seeking for jobs is a vital concept. Unemployment rate is the rate at which one activity flows into employment compared to individuals who are searching for new jobs. Finding a denominator of any unemployment rate is quite challenging. Only a few number among the employed search for new jobs. Most of those who are employed have adequately comparative advantages that are strong in their present jobs that the probability for getting jobs that are better is small. The rate of finding new jobs for those who are employed, which took the denominator as total employment, would not record any substantial changes provided the numerator is constant. Getting the denominator for the unemployed faces the same problems. For this issue to be solved, avoid measuring unemployment rate. Then consider measuring unemployment that is inclusive of the unemployed in a month, though, seems to be absorbed into employment sector in a specific month. A CPS improvement was inclusive of questions that spot the group (Kodrzycki 44). It consists of individuals who are willing to work although believe there is no work available because of certain reasons. The marginalized workers also fall under this group. From the attached CPS data, reasons for adding individuals who are not in the labor force in the denominator but are likely to search for jobs is well illustrated. The data provide CPS transition matrix among three counties of being unemployed, lacking in the labor force, and working. Every month, approximately 7. 2% of individuals, not in the labor market in the past month are employed in the subsequent year. Approximately two third get employed and the other one third get unemployed. The increased rate of transition to employment from not being in the labor market implies that those who are unemployed are definitely job seekers. Both the unemployed individuals (12. 5 m) and individuals that are unemployed at the rate of 8. 1% transformed in April. Within the main groups that wok, the rates for unemployment for adult women 7. 4%, adult men 7. 5%, and teenagers 24. 9%, Hispanics 10. 3%, and Whites 7. 4% showed no or slim changes in April, whereas the rate for the Blacks stood at 13% decreased over that period. The unemployed rate stood at 5. 2% for Asians. Although they get employed without being unemployed, some job seeking activities had not been classified in CPS. There is the desirability for validation of including additional employed in expanded unemployment measure via tabulation of the transition matrix together with the group that is remaining which is firmly out of labor market and employed. Conclusion The contemporary thoughts have it those mechanisms that help in the explanation of the strong unemployment response are the tiny changes in external driving forces. The stickiness of wage is a plausible explanation for increased rate of seeking for jobs over the last twelve months(Barro 33). The significant labor market swings conditions during the period seem to be beyond the explanation. Changes that are subtle in the environment of the economy are the best way that can account for the movements in the rates of job seeking in any frequency. 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