

EURO CHALLENGE 2011



- **PURPOSE:** to provide teachers tools to promote and enhance the student's ability to develop and present the chosen issues. Ultimately, increasing the chances to succeed in New York.



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- **Disclaimer:** The views expressed are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Atlanta or the Federal Reserve System



Unemployment

- People in the *labor force* without jobs
- Unemployment refers to the inability for willing workers to find gainful employment
- Labor resource not being used efficiently
- Unemployment is a macroeconomic phenomenon that directly affects people



Measuring

- **Unemployment Rate** - % of the civilian labor force that is unemployed.
- Willing, able and looking

Employment rate - % of the working age population (ages 15 to 64 in most OECD countries) who are currently employed.



Types of Unemployment

Structural: is the unemployment that arises when changes in technology or international competition change the skills needed to perform jobs or change the locations of jobs.

- Growth in Int'l trade: loss unskilled labor jobs
- **Cyclical:** is the fluctuating unemployment over the business cycle that increases during a recession and decreases during an expansion. It includes people who are not working because firms do not need their labor due to a lack of demand or a downturn in the business cycle. For example, if people are not buying many goods and services, workers are laid off.
- Global Recession



Unemployment & GDP

- Both are economic indicators
- Negative correlation
- Labor is a part of F.O.P. => goods & services (GDP)
- *Okun's law**- relationship between unemployment and GDP (understand the costs of unemployment)
- *% change in real GDP = 3% - 2 x (change in unemployment rate)*



Contributing Factors

- 12% of employment was in the R.E. industry
- Collapse.....
- High H/H Debt
- Upside down values
- Government Labor Laws
- Generous UI benefits- 2 yrs
- Poor education system
- Ability of the economy to accommodate changes in technology.
- Competition of a more global market



Impact on Individual

- Unemployment always hits individuals the hardest.
- Psychological: self respect, purpose, sense of achievement
- Health issues
- Income - Spending power
- Family tension and problems
- Standard of Living
- Loss of skills

Impact on Society

- Confidence
- Tension over taxes rise
- Insecurity amongst employees
- Crime and violence
- Suicide cases
- Social outing

Unemployment's impact on Government

- Unemployment benefits - taxes or borrow.
- Lost tax earnings
- Political issues-instability
- Fiscal policy - Expansionary
- Monetary policy - easing
- Labor policies- too rigid
- Need to restructure-benefit policies to employment policies.