

EURO CHALLENGE 2012



- **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

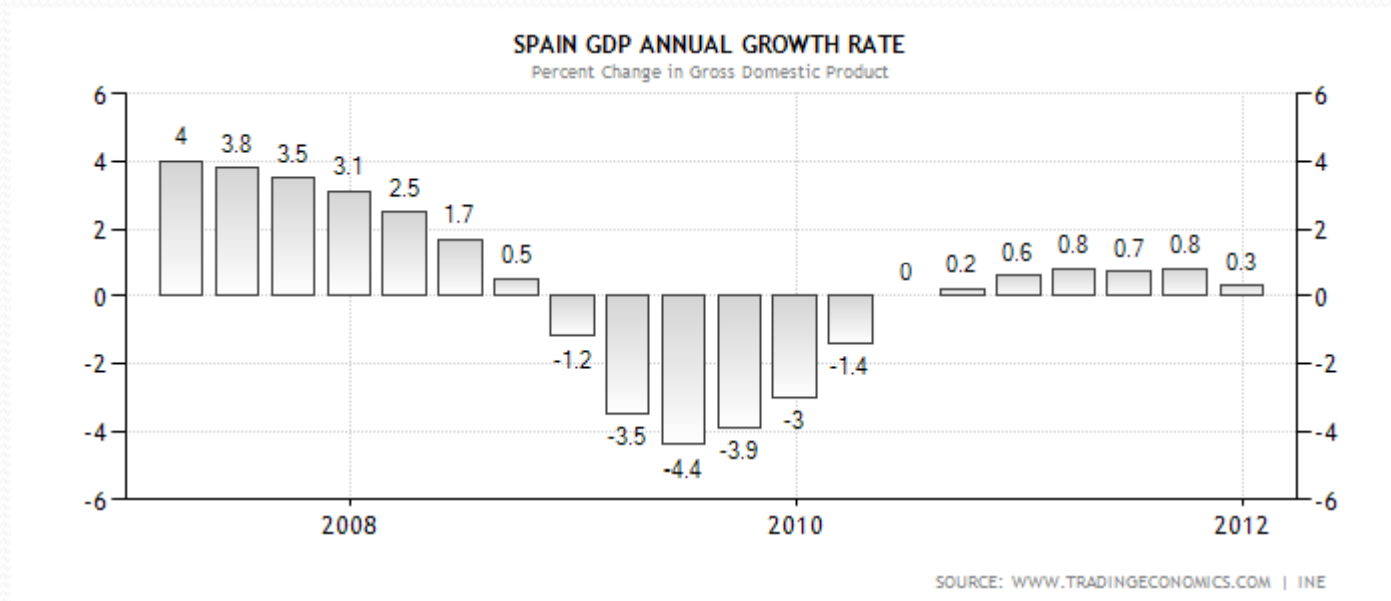
Employment rate - % of the working age population (ages 15 to 64 in most OECD countries) who are currently employed.



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)*

Spain's GDP annual growth rate





Unemployment in Europe (monthly) - Google Public Data Explorer - Windows Internet Explorer

http://www.google.com/publicdata/explore?ds=z8o7pt6rd5uqa6_8met_y=unemployment_rate&idim=country_group:eu&fdim_y=seasonality:sa&dl=en&hl=en&q=european+unio...

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Unemployment in Europe (monthly)
Unemployment
Unemployment rate

Clear

Compare by Country group

- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain**
- Sweden
- United Kingdom

Non EU countries

- Croatia
- Norway
- Turkey

Clear selections

Age group

Seasonality Seasonally adjusted data

Sex

Unemployment rate - Seasonally adjusted data

Year	Spain (%)	European Union (%)
1988	19.0	-
1990	15.0	-
1992	15.0	-
1994	21.0	-
1996	19.0	-
1998	17.0	-
2000	12.0	9.0
2002	11.0	9.0
2004	11.0	9.0
2006	8.0	8.0
2008	8.0	7.0
2010	18.0	9.0
2011 (Oct)	22.7	9.0

Data from Eurostat Last updated: Feb 27, 2012

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E.U Unemployment Rate last 3 yrs

- The European Union average is 9.6%
- 3 groups- low, medium & high

Low unemployment (below 5%)

- Austria, Luxembourg, Norway, the Netherlands and Switzerland.

Medium unemployment (5%-10%)

- Germany, France, Italy, U.K.

High unemployment (10% and above)

-Estonia, Greece, Hungary, Ireland, Portugal, **Spain** and Turkey, Latvia

Unemployment Rates

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU-27	8.7	8.5	8.9	9.0	9.1	9.0	8.2	7.2	7.1	9.0	9.6
Euro area	8.5	8.1	8.4	8.8	9.0	9.1	8.5	7.6	7.6	9.6	10.1
Belgium	6.9	6.6	7.5	8.2	8.4	8.5	8.3	7.5	7.0	7.9	8.3
Bulgaria	16.4	19.5	18.2	13.7	12.1	10.1	9.0	6.9	5.6	6.8	10.2
Czech Republic	8.7	8.0	7.3	7.8	8.3	7.9	7.2	5.3	4.4	6.7	7.3
Denmark	4.3	4.5	4.6	5.4	5.5	4.8	3.9	3.8	3.3	6.0	7.4
Germany	7.5	7.6	8.4	9.3	9.8	11.2	10.3	8.7	7.5	7.8	7.1
Estonia	13.6	12.6	10.3	10.0	9.7	7.9	5.9	4.7	5.5	13.8	16.9
Ireland	4.2	3.9	4.5	4.6	4.5	4.4	4.5	4.6	6.3	11.9	13.7
Greece	11.2	10.7	10.3	9.7	10.5	9.9	8.9	8.3	7.7	9.5	12.6
Spain	11.1	10.3	11.1	11.1	10.6	9.2	8.5	8.3	11.3	18.0	20.1
France	9.0	8.3	8.6	9.0	9.3	9.3	9.2	8.4	7.8	9.5	9.7
Italy	10.1	9.1	8.6	8.4	8.0	7.7	6.8	6.1	6.7	7.8	8.4
Cyprus	4.9	3.8	3.6	4.1	4.7	5.3	4.6	4.0	3.6	5.3	6.5
Latvia	13.7	12.9	12.2	10.5	10.4	8.9	6.8	6.0	7.5	17.1	18.7
Lithuania	16.4	16.5	13.5	12.5	11.4	8.3	5.6	4.3	5.8	13.7	17.8
Luxembourg	2.2	1.9	2.6	3.8	5.0	4.6	4.6	4.2	4.9	5.1	4.5
Hungary	6.4	5.7	5.8	5.9	6.1	7.2	7.5	7.4	7.8	10.0	11.2
Malta	6.7	7.6	7.5	7.6	7.4	7.2	7.1	6.4	5.9	7.0	6.8
Netherlands	3.1	2.5	3.1	4.2	5.1	5.3	4.4	3.6	3.1	3.7	4.5
Austria	3.6	3.6	4.2	4.3	4.9	5.2	4.8	4.4	3.8	4.8	4.4
Poland	16.1	18.3	20.0	19.7	19.0	17.8	13.9	9.6	7.1	8.2	9.6
Portugal	4.0	4.1	5.1	6.4	6.7	7.7	7.8	8.1	7.7	9.6	11.0
Romania	7.3	6.8	8.6	7.0	8.1	7.2	7.3	6.4	5.8	6.9	7.3
Slovenia	6.7	6.2	6.3	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.3
Slovakia	18.8	19.3	18.7	17.6	18.2	16.3	13.4	11.1	9.5	12.0	14.4
Finland	9.8	9.1	9.1	9.0	8.8	8.4	7.7	6.9	6.4	8.2	8.4
Sweden (1)	5.6	5.8	6.0	6.6	7.4	7.7	7.1	6.1	6.2	8.3	8.4
United Kingdom	5.4	5.0	5.1	5.0	4.7	4.8	5.4	5.3	5.6	7.6	7.8
Croatia	:	:	14.8	14.2	13.7	12.7	11.2	9.6	8.4	9.1	11.8
Turkey	:	:	:	:	:	9.2	8.7	8.8	9.7	12.5	10.7
Norway	3.2	3.4	3.7	4.2	4.3	4.5	3.4	2.5	2.5	3.1	3.5
Japan	4.7	5.0	5.4	5.3	4.7	4.4	4.1	3.9	4.0	5.1	5.1
United States	4.0	4.8	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.6

(1) Break in series, 2001.
Source: Eurostat (une_rt_a)



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

Spain's increasing Unemployment Rate

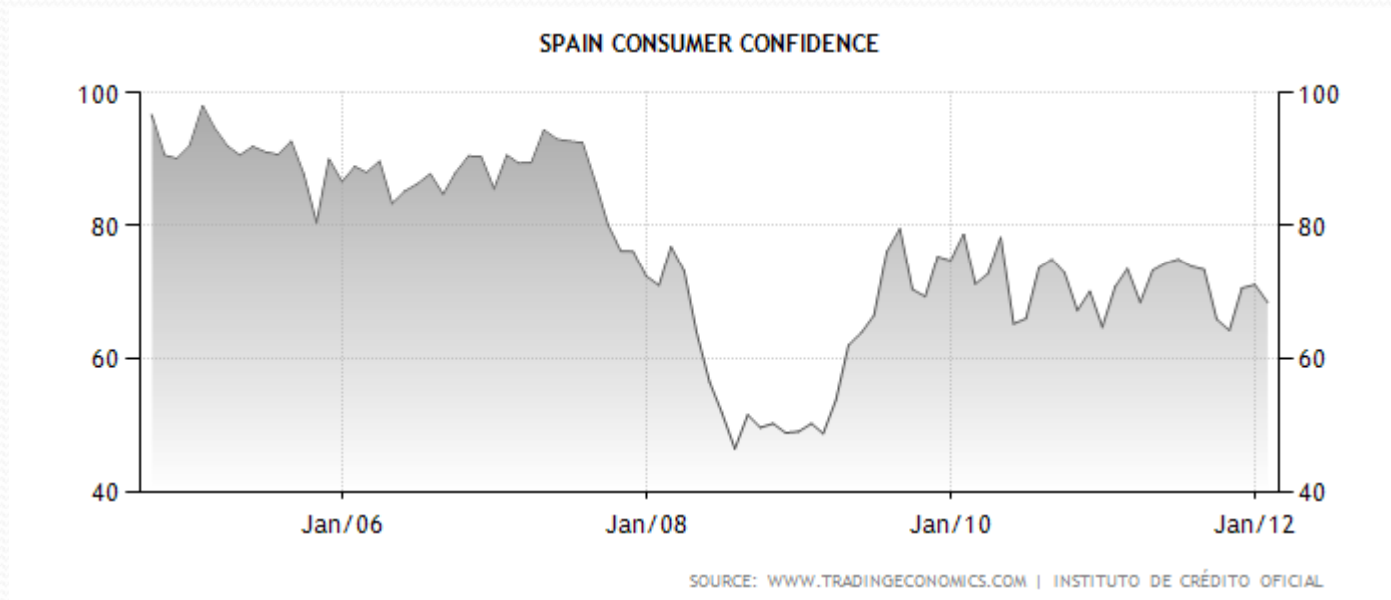




Impact on Individual

- 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

Spain's consumer confidence



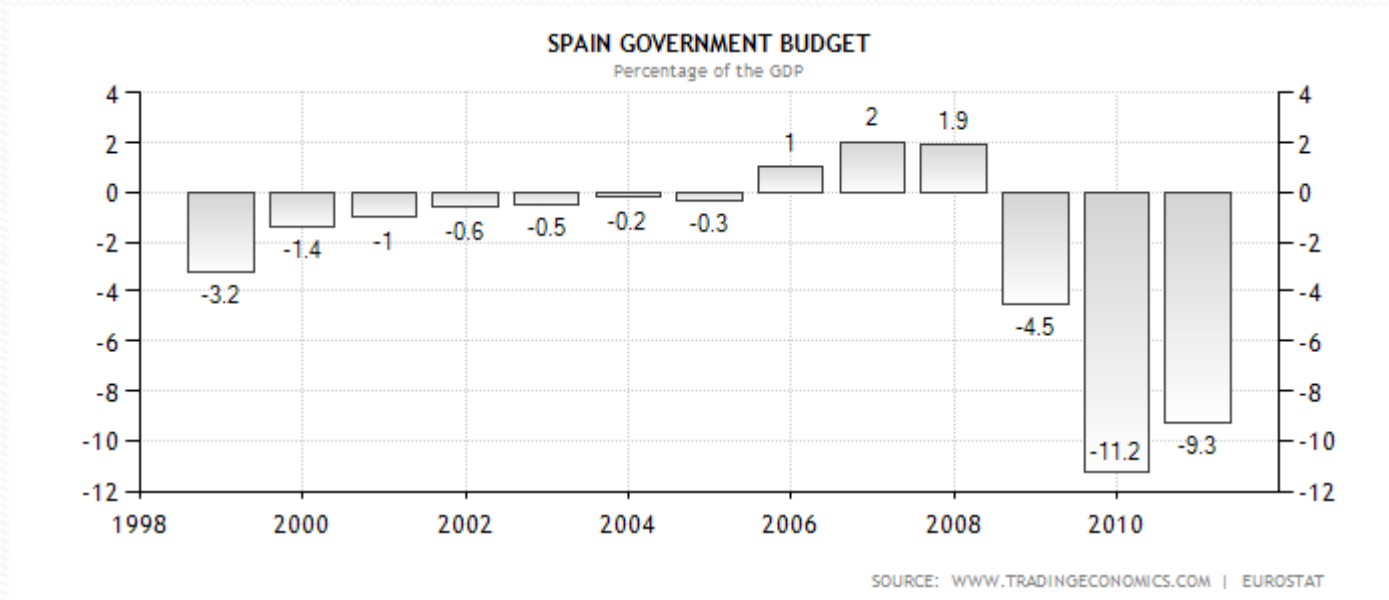
Impact on Society

- 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.

Deficit





Stats and graphs

- <http://www.tradingeconomics.com/spain/unemployment-rate>