

## Unemployment

The **unemployment rate** is the percentage of individuals in the civilian labor force who actively looked for a job during a particular month and could not find one. High unemployment is a signal that the economy is not working efficiently and that resources are being wasted. Low unemployment signals an efficient economy.

### Causes and Effects of Unemployment

Unemployment happens when people leave their old jobs for any number of reasons and have not yet found new jobs. These people have the skills for the jobs available in the economy, so their unemployment is usually brief. Unemployment can occur seasonally, based on holidays or weather patterns. It can also be **cyclical**, happening again and again in the same order, in response to changing business cycles. During a recession, for example, many people are laid off because there is no longer a demand for the goods and services they provide. Or sometimes a company tries to save money during a recession by laying off workers. Once the economy recovers and demand increases, these workers are sometimes rehired.

Sometimes unemployment can occur when a significant change in the economy reduces the demand for a particular group of workers and their skills. Technological innovations, changes in consumer demand, or decisions by businesses or governments can result in this structural unemployment. For example, when the printing industry became digital, jobs for manual typesetters disappeared. Retraining unemployed workers is often necessary with structural unemployment.

A high unemployment rate affects almost every part of the economy, and it places economic hardship on those who can least afford it. Government programs such as unemployment insurance and federal welfare help people to meet basic needs and participate in the economy while unemployed.

In a time of high unemployment, the government may also take steps to try to boost the economy. It may increase spending, for instance. By buying more goods and services, the government hopes to spur businesses to produce more. That will lead them to hire more workers, which reduces the unemployment rate.



### Think about Social Studies

**Directions:** Choose the best answer to each question.

1. What could it mean when the unemployment rate increases?
  - A. The overall number of jobless people has decreased.
  - B. Companies have become less efficient over time.
  - C. The economy is not working as efficiently as before.
  - D. Inflation has decreased, thereby decreasing GDP.
2. Which of these workers is most likely to undergo seasonal unemployment?
  - A. a newspaper reporter
  - B. a dentist
  - C. an automotive worker
  - D. a farmworker

## 21<sup>ST</sup> CENTURY SKILL

### Communication and Collaboration

Through communication, people can share stories of meaningful events in their lives. You can collaborate with these storytellers; to organize their stories into an essay. Most adults have been through some type of unemployment. Ask your friends or relatives to relate stories of unemployment. Then write a brief essay that connects their experiences with the knowledge you have gained about the US economy.