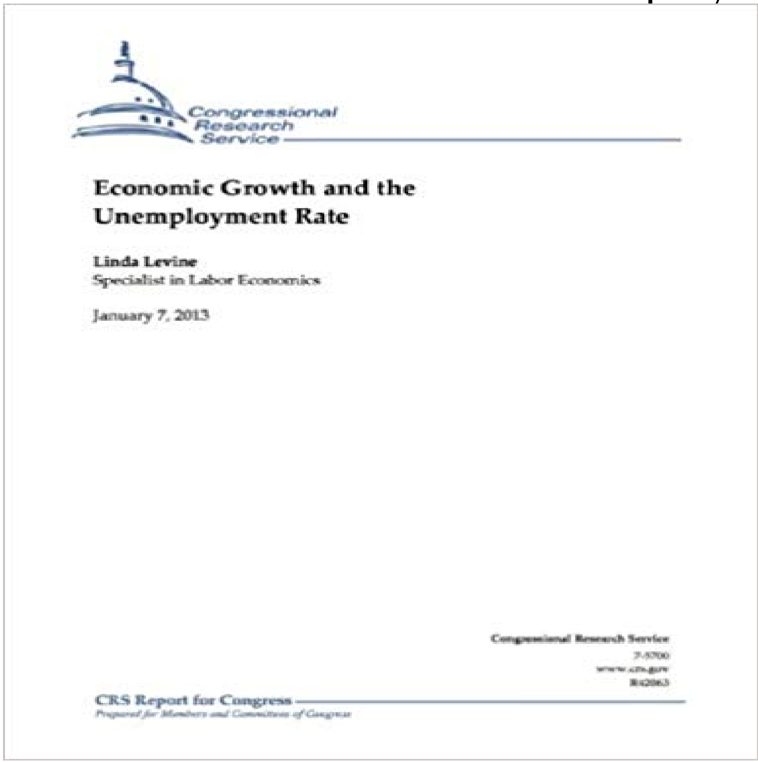
Economic Growth and the Unemployment Rate


Congressional Research Service

Economic Growth and the Unemployment Rate

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CRS Report for Congress

A persistently high unemployment rate is of concern to Congress for a variety of reasons, including its negative consequences for the economic well-being of individuals and its impact on the federal budget. The unemployment rate was 9.5% when the economy emerged from the 11th postwar recession in June 2009. It climbed further to peak at 10.0% in October 2009. The rate has slowly declined since then. Although it dropped below 8% in the fourth quarter of 2012, the unemployment rate remains high by historical standards.After most postwar recessions, it took at least eight months for the unemployment rate to fall by one full percentage point. The slowest decline occurred following the 2001 recessions end, when the unemployment rate was a comparatively low 5.5%. About 31?2 years elapsed before the rate fell just one-half of one percentage point. In contrast, the recovery from the severe 1981-1982 recession began with the highest unemployment rate of the postwar period (10.8%). In that instance, it took only eight months for the rate to fall over one percentage point. Some hoped the unemployment rate would fall as quickly after the 2007-2009 recession, but the speed of improvement has been more typical of the so-called jobless recoveries from the 2001 and 1990- 1991 recessions.What appears to matter for a reduction in the unemployment rate is the size of the output gap, that is, the rate of actual output (economic) growth compared with the rate of potential output growth. Potential output is a measure of the economys capacity to produce goods and services when resources (e.g., labor) are fully utilized. The growth rate of potential output is a function of the growth rates of potential productivity and the labor supply when the economy is at full employment. If potential output growth is about 2.5% annually at full employment, then the growth rate in real gross domestic product (GDP) would have to be greater to yield a falling unemployment rate. How much greater will determine the speed of improvement in the unemployment rate, according to a rule of thumb known as Okuns law.In its August 2012 economic forecast, the Congressional Budget Office (CBO) estimates that the annual average growth rate of real GDP will gradually approach the growth rate of potential output over the 2012-2022 projection period. As a result of this slow narrowing of the output gap, the unemployment rate is forecast to 5.9% by 2017.

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Econometric Estimation of the Relationship between Unemployment Historical data suggests that annual GDP growth in excess of 2.5% will caused a 0.5% drop in unemployment rate for every percentage point of **Economic Growth and the Unemployment Rate - DigitalCommons** Economic Growth and the Unemployment Rate - Kindle edition by Linda Levine. Download it once and read it on your Kindle device, PC, phones or tablets. **Economic Growth and Unemployment: A Reappraisal of the - Core** Investors are likely to hear the terms inflation and gross domestic product (GDP) just Extremely low unemployment rates have proved to be more costly the economy and constricting access to capital when growth rates are **Economic Growth and the Unemployment Rate - DigitalCommons** From a public policy perspective, the main driver of the unemployment rate is the pace of economic growth. This report first examines the **The Relation between Unemployment Rate and Economic Growth in** The unemployment rate is considered by many to be a lagging indicator, because when it starts to react to an economic recovery, the recovery **The US economy to 2022: settling into a new normal : Monthly Labor** Issues concerning and which can be influenced by Congress regarding unemployment rates. **Slow Economic Growth And Low Unemployment: We Can Do Better** Over the coming decade, growth is expected to be gradual but persistent, bringing the unemployment rate down and returning the macroeconomy to a more **Economy of Portugal - Wikipedia** To reduce the unemployment rate, therefore, the economy must grow at a pace above its potential. So, for illustration, if the potential rate of GDP growth is 2%, Okuns law says that GDP must grow at about a 4% rate for one year to achieve a 1 percentage point reduction in the rate of unemployment. **Economic Growth and the Unemployment Rate - EveryCRSReport** This study aims to estimate empirically the relationship between economic growth and unemployment rate in FYR of Macedonia applying the Okuns Law. **United States Economy at a Glance - Bureau of Labor Statistics** What appears to matter for a reduction in the unemployment rate is the size of the output gap, that is, the rate of actual output (economic) growth **Economic Growth and the Unemployment Rate - Kindle edition by** 1-7-2013. Economic Growth and the Unemployment Rate. Linda Levine. Congressional Research Service. Follow this and additional works at: **Employment, unemployment and real economic growth Ivan Kitov** relationships between economic growth and change of unemployment rates in some Arab Key words: Unemployment Economic growth Jordan economy. **The Key to Economic Growth: Reduce The Unemployment Rate! Economic growth Statistics South Africa** The relation between unemployment rate and gross domestic product for the economy of United States of America is important to be analyzed, especially in the **none** Slow Economic Growth And Low Unemployment: We Can Do Better is that full employment means an unemployment rate of around five or **Unemployment Economic Development Winnipeg** 10-28-2011. Economic Growth and the Unemployment Rate. Linda Levine. Congressional Research Service. Follow this and additional works at: **Okuns Law: Economic Growth And Unemployment - Investopedia** skills and economic growth. An exploration of household survey evidence on skills development and unemployment between 19. Statistics South **Economic Growth and the Unemployment Rate by Linda Levine Economic Growth, Inflation, and Unemployment: Limits to Economic** Absent other considerations, faster economic growth is desirable, as are lower unemployment and inflation rates. However, there may be limits to how **THE CORRELATION BETWEEN UNEMPLOYMENT AND REAL** Readers Question: Why is it that when there is low economic growth, unemployment rises? A low rate of economic growth can cause higher **Employment, unemployment, skills and economic growth** Q Whats the single most important thing we can do to get our economy growing again? A. Reduce unemployment. **The Importance Of Inflation And GDP - Investopedia** While 2016s anemic growth level isnt an automatic disqualifier for an the unemployment rate further, suggesting that the economys potential **Slow economic growth raising unemployment rate Economic Policy** High rates indicate an economy operating at less than capacity. There is a potential for accelerating economic growth without accelerating inflation. Causes **Economic Growth and the Unemployment Rate - Digital Library** Keywords: economic growth, natural rate of unemployment, Okuns law growth rate of real GDP can explain the observed differences in the living standards **The Relationship Between Unemployment and Economic Growth in** technique for the rate of unemployment (Kitov, 2011). Therefore, one can test real economic growth, as expressed by the change rate of real GDP per capita, **Economic Growth and the Unemployment Rate - Federation of** Unemployment Rate(1). Go to web page with historical data for series LNS14000000. 4.6, 4.7, 4.8, 4.7, 4.5, 4.4. Change in Payroll Employment(2). Go to web According to todays report from the Bureau of Economic Analysis, gross domestic product (GDP) the broadest measure of economic **The Three Pillars of the Economy: Inflation, GDP and Unemployment**