

Lecture 05: Types on Unemployment

Unemployment occurs when people who are willing and able to work cannot find jobs. Economists classify unemployment into different types based on its causes. The three main types are frictional unemployment, structural unemployment, and cyclical unemployment.

1. Frictional Unemployment

Frictional unemployment happens when people are temporarily unemployed while searching for a new job. It occurs naturally in any economy as workers move between jobs, careers, or locations. For example, a recent university graduate looking for their first job or a worker who quits to find a better position experiences frictional unemployment. This type of unemployment is usually short-term and not considered a serious problem.

2. Structural Unemployment

Structural unemployment occurs when workers' skills do not match the jobs available. This can happen due to changes in technology, shifts in industries, or outsourcing jobs to other countries. For example, if a factory closes and workers do not have the skills for new types of jobs, they may remain unemployed for a long time. Governments and businesses often offer training programs to help workers adapt to these changes.

3. Cyclical Unemployment

Cyclical unemployment happens due to economic downturns. When demand for goods and services decreases, businesses earn less money and may lay off workers. This type of unemployment rises during recessions and falls when the economy recovers. For example, during a financial crisis, companies may reduce their workforce, leading to a higher unemployment rate.

Unemployment affects individuals and economies differently. While frictional unemployment is a normal part of a changing workforce, structural unemployment can be

long-term and requires training solutions. Cyclical unemployment, caused by economic downturns, depends on the overall health of the economy. Understanding these types helps policymakers create strategies to reduce unemployment and support workers.

Reading Comprehension Questions

A. True or False

- Frictional unemployment occurs when workers lack the skills needed for available jobs.
- Structural unemployment happens when industries change, and workers' skills no longer match job requirements.
- Cyclical unemployment is caused by economic downturns and recessions.
- Frictional unemployment is usually long-term and difficult to solve.
- Training programs can help reduce structural unemployment.

B. Short Answer Questions

- What is unemployment?
- What are the three main types of unemployment?
- Give an example of frictional unemployment.
- Why does structural unemployment occur?
- What happens to cyclical unemployment during an economic recession?

Vocabulary Section

Match each economic term with the correct definition.

Unemployment, Frictional unemployment, Structural unemployment, Cyclical unemployment, Recession, Outsourcing

- a) When workers are temporarily between jobs or searching for a better one.
- b) A period of economic decline, leading to reduced business activity and job losses.
- c) When people who are willing and able to work cannot find jobs.
- d) When businesses move jobs to other countries to reduce costs.
- e) When workers' skills do not match the jobs available due to industry changes.
- f) When businesses lay off workers due to economic downturns.