

Types of Unemployment

There are three types of unemployment:

- *Frictional unemployment* includes people who are temporarily between jobs. They may have quit one job to find another, or they could be trying to find the best opportunity after graduating from high school or college.
- *Cyclical unemployment* 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.
- *Structural unemployment* involves mismatches between job seekers and job openings. Unemployed people who lack skills or do not have sufficient education are structurally unemployed.

At full employment, we have frictional and structural unemployment, but cyclical unemployment would be zero. At full employment, the level of unemployment is called the *natural rate of unemployment*.

For each of the following situations, put the appropriate letter before the example.

F if it is an example of *frictional* unemployment.

C if it is an example of *cyclical* unemployment.

S if it is an example of *structural* unemployment.

- ___ 1. A computer programmer is laid off because of a recession.
- ___ 2. A literary editor leaves her job in New York to look for a new job in San Francisco.
- ___ 3. An unemployed college graduate is looking for his first job.
- ___ 4. Advances in technology make the assembly-line worker's job obsolete.
- ___ 5. Slumping sales lead to the cashier being laid off.
- ___ 6. An individual refuses to work for minimum wage.
- ___ 7. A high school graduate lacks the skills necessary for a particular job.
- ___ 8. Workers are laid off when the local manufacturing plant closes because the product made there isn't selling.
- ___ 9. A skilled glass blower becomes unemployed when a new machine does her job faster.

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