**Unemployment. Types of Unemployment**

Unemployment is the number of adult workers who are not employed and are seeking jobs. To be classified as unemployed, a person must be able and willing to work, be actively seeking work, and be without a job. Everyone who fits this description is unemployed. The labour force is the total number of employed and unemployed workers. The unemployment rate is unemployment expressed as a percentage of the labour force.

The unemployment rate is determined by three different types of unemployment: frictional, structural, and cyclical. Understanding these conceptual categories of unemployment aids in understanding and formulating policies to ease the burden of unemployment. In fact, each type of unemployment requires a different policy prescription to reduce it.

For some unemployed workers, the absence of a job is only temporary. At any given time, some people with marketable skills are fired, and others voluntarily quit jobs to accept or look for new ones. And there are always young people who leave school and search for their first job. Workers in industries, such as construction, experiencing short periods of unemployment between projects and temporary layoffs are common. Other workers are seasonally unemployed. For example, ski resort workers will be employed in the winter but not in the summer, and certain crops are harvested “in season.” Because jobs requiring their skills are available once the unemployed and the job vacancies are matched, such workers are considered “between jobs.” This type of unemployment is called frictional unemployment, and it is not of great concern.

The fact that job market information is imperfect influences frictional unemployment in the economy. Because it takes time to search for the information required to match employer and employees, some workers will always be frictionally unemployed. Frictional unemployment is therefore a normal condition in an economic system permitting freedom of job choice. Improved methods of distributing job information through job listings on the Internet can help unemployed workers find jobs more quickly and reduce frictional unemployment. Unlike frictional unemployment, structural unemployment is not a short-term situation. Instead, it is long-term, or possibly permanent unemployment resulting from the non-existence of jobs for unemployed workers. Structural unemployment is unemployment caused by a mismatch of the skills of workers out of work and the skills required for existing job opportunities. Note that changing jobs and lack of job information are not problems for frictionally unemployed workers. While frictionally unemployed workers have marketable skills, structurally unemployed workers require additional education or retraining. Changes in the structure of the economy create the following three causes of structural unemployment.

First, workers might face joblessness because they lack the education or the job-related skills to perform available jobs. This type of structural unemployment particularly affects teenagers and minority groups, but other groups of workers can be affected as well.

Second, the consuming public may decide to increase the demand for Mazda RX-7s and decrease the demand for Chevrolet corvettes. This shift in demand would cause U.S. auto workers who lose their jobs and find jobs in another idustry in another location.

Third, implementation of the latest technology may also increase the pool of structural unemployment in a particular industry and region. For example, the U.S. textile industry, located primarily in the South, can fight less expensive foreign textile imports by installing modern machinery.

Cyclical unemployment is directly attributable to the lack of jobs caused by the business cycle. Cyclical unemployment is unemployment caused by the lack of jobs during a recession. When real GDP falls, companies close, jobs disappear, and workers scramble for fewer available jobs. Similar to the game of musical chairs, there are not enough chairs (jobs) for the number of players (workers) in the game. Because both frictional and structural unemployment are present in good and bad times, full employment does not mean “zero percent unemployment.”

Full employment is the situation in which an economy operates at an unemployment rate equal to the sum of the frictional and structural unemployment rates. Full employment therefore is the rate of unemployment that exists without cyclical unemployment.