

Unemployment

10-1. Definition of Unemployment: is the condition of not having a job, often referred to as being "out of work". It is measured in terms of the unemployment rate, which is the number of unemployed workers divided by the total civilian (labor force).

10-2. Labor Force: The number of employed and unemployed people. To be unemployed a person must be at least 16 years old, actively looking for work and not working at all.

10-3. Duration of Unemployment: The average duration of unemployment for all unemployed workers over the past decade is 15.2 weeks.

10-4. Discouraged Workers : Workers who have dropped out of the labor force and are not looking for work because of the poor job market.

10-5. Underemployed: People who are in a job that they don't belong (either over-skilled or under-skilled).

10-6. Types of unemployment

10-6.1. Frictional : This unemployment includes people being temporarily between jobs, searching for new ones. It arises because either employers fire workers or workers leave, usually because the individual characteristics of the workers do not fit the individual characteristics of the job.

The solve: The best way to lower this kind of unemployment is to make available more and better information to job-seekers and employers, perhaps through job-banks in centralized computers (as in some countries in Europe)..

10-6.2. Structural : This contains a difference between the workers looking for jobs and the jobs available. Even though the number of jobs may be equal to the number of the unemployed, but the unemployed workers haven't the skills needed for the jobs — or are in the wrong part of the country to take the jobs offered.

Structural unemployment is a result of the dynamic changes of a capitalist economy (such as technological change).

The solve: Structural unemployment may be solved by rises the aggregate demand. This means, they may fit the job vacancies that are created when the economy recovers.

10-6.3. Cyclical: This type of unemployment exists due to not enough effective aggregate demand. Gross domestic product is not as high as possible because of demand failure.

In this case, the number of unemployed workers over the number of job vacancies, so that if even all open jobs were filled, some workers would remain unemployed. This kind of unemployment happens together with unused industrial capacity.

The Solve: Keynesian economists see it as possibly being solved by government deficit spending or by expansionary monetary policy, which aims to increase non-governmental spending by lowering interest rates.

10-6.4. Technological : Caused by the replacement of workers by machines.

10-6.5. Classical : In this case, the number of job-seekers over the number of jobs. However, the problem here is not aggregate demand failure but the fact that real wages are too high relative to the market-equilibrium wage.

The solve: Some economists argue that minimum wages encourage low wage employers to invest in employee training, reducing staff turnover.