

Unemployment

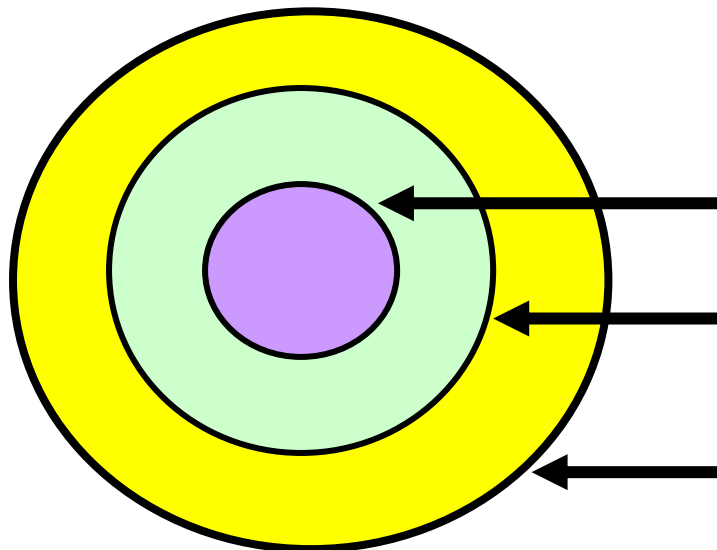
✚ In the lesson today we will be looking at the following issues relating to unemployment.

- a) – *Definition of unemployment*
- b) – *The measurement of unemployment and its problems*
- c) – *Consequences/costs of unemployment*
- d) – *Causes/Types of unemployment*
- e) – *Solutions to unemployment*
- f) – *Equilibrium and disequilibrium unemployment*



1) Give a definition for unemployment

2) Please label the diagram below using the following terms: **population**, **population of working age** and **labour force**



3) Give examples of people in each group.

Labour Force	Population of working age	Population
⇒	⇒	⇒
⇒	⇒	⇒
⇒	⇒	⇒

4) Imagine an economy with the following population statistics.

Population	100m
Population of working age	80m
Labour force	65m
Employed workers	50m
Self-Employed workers	13m
Unemployed workers	

i) Calculate the a) number of unemployed workers and the b) unemployment rate.

5) There are two main methods that can be used to measure the rate of unemployment.

a) The **first method** is known as the






b) This measures the number of people that are claiming

6) The **second method** is known as the _____. This is conducted by an organisation known as the _____ conducting a survey of the labour force (over 60,000 households involved).

7) Which of the two above measures do you think is likely to be more accurate and why?

8) In the table below indicate which groups in society are likely to be included within the ILO count but not the Claimant Count.

✚ However sometimes people can be claiming benefit and still have jobs.

✚ This means that they are included in the _____ but would not be included by the _____ .

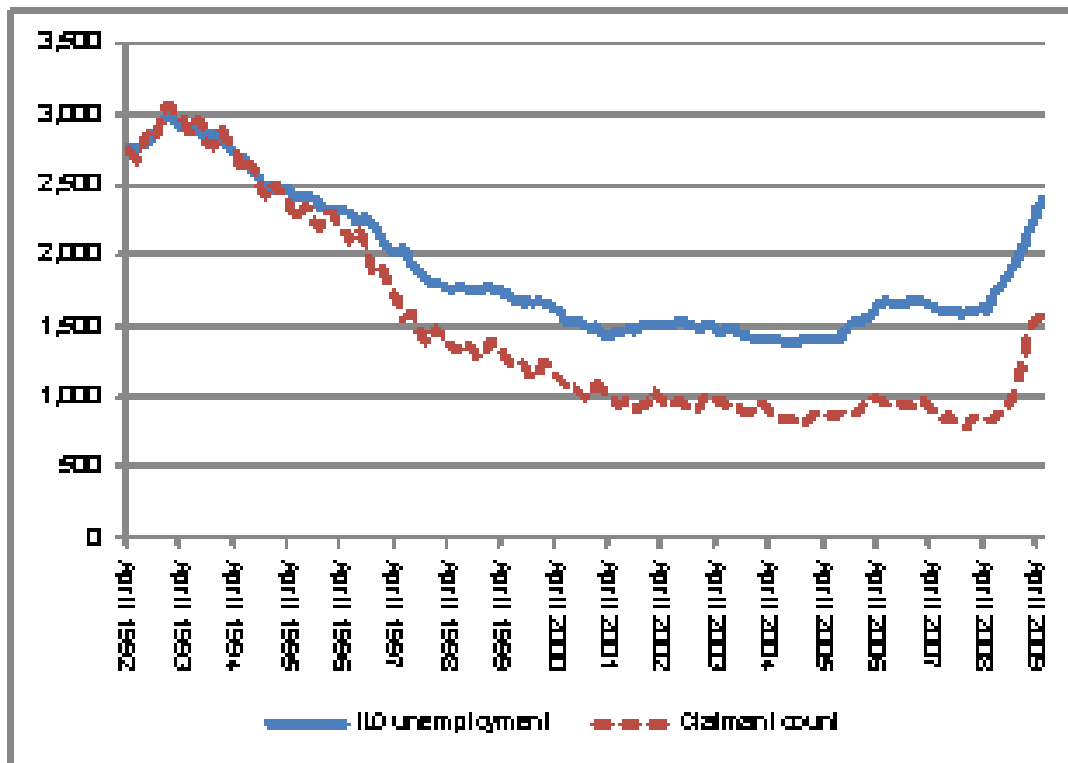
9) When would this occur ?

10) There are some groups of workers that are not included in either the ILO Count or the Claimant Count. These include :-

✚ *Part-time workers*

✚ *Workers on government training schemes*

✚ *Not actively seeking work*



11) – ‘**Hidden unemployment**’ is a problem in every economy and refers to people who do not have a job and might not be included in the government’s unemployment figures.

- _____
- _____
- _____



12) - In the table below try to identify the different types of unemployment and match them to their descriptors.

- **Structural**
- **Cyclical (Keynesian)**
- **Frictional**
- **Classical/
Real wage**
- **Seasonal**

Type of unemployment	Definition
◆	When an economy goes into recession unemployment rises because there is insufficient demand in the economy.
◆	This type of unemployment exists when the real wage rate is above that which is needed to clear the labour market.

◆	This type of unemployment occurs in some areas such as seaside resorts where jobs are plentiful in the summer but prospects are bleak in the winter. Workers such as ice-cream sellers are unemployed at certain times of the year.
◆	This is where there is a temporary mismatch of workers and jobs. The vacancies and the pool of available workers need to be combined.
◆	This is caused when an industry such as coalmining closes down as the economy evolves.

✚ Answer the questions below and identify which type of unemployment is being described?

1. A shipyard closes making its 1000 strong workforce redundant.



2. A factory making children's clothes is forced to make 100 staff redundant in a recession.

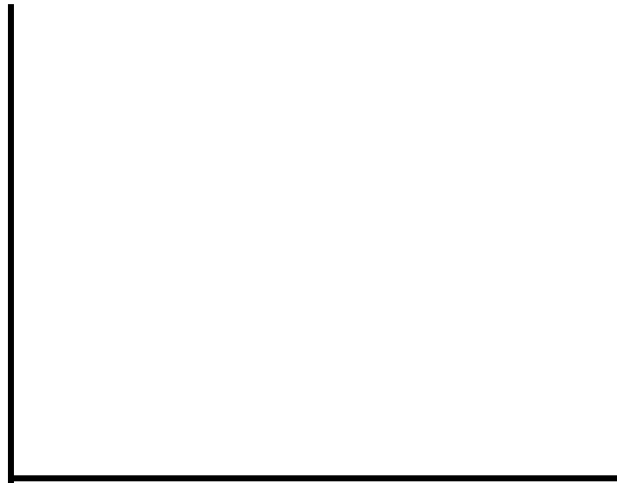
3. A Trade union negotiates higher wages for its members meaning that some members of the firm are laid off as the wage budget is exceeded.

4. A trained engineer is out of work whilst she looks for a new job.

5. Casual hotel workers in a seaside resort town are laid off.

✚ Draw a diagram to illustrate the aggregate (macroeconomic) labour market.

**Real
Wage
Rate**



Number of workers employed

✚ Define the terms that appear on the diagram

Aggregate Labour Demand

Aggregate Labour Supply

Disequilibrium unemployment

The first **two** types of unemployment that we are going to consider in more detail are known as ‘disequilibrium’ unemployment.

These types of unemployment occur when there are factors that prevent the aggregate labour market from clearing

Cyclical

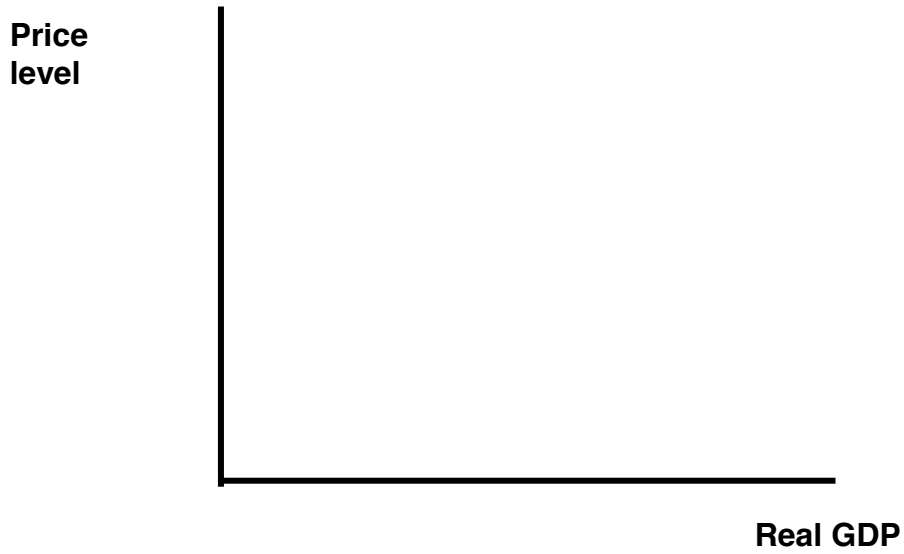
13) Illustrate the cause of cyclical unemployment on the aggregate labour market diagram below.

**Real
Wage
Rate**



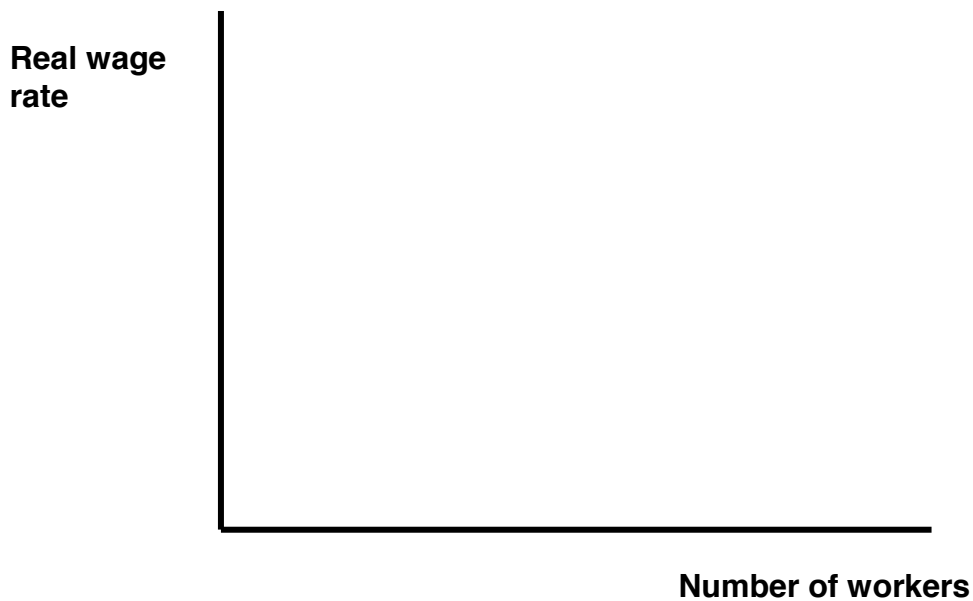
Number of workers employed

14) Now use an aggregate demand/aggregate supply diagram to illustrate the cause of cyclical unemployment.



15) What should the government do to reduce this type of unemployment?

16) Illustrate the government action on the **diagram below**.



17) What are potential disadvantages of these policies?

Real Wage/Classical

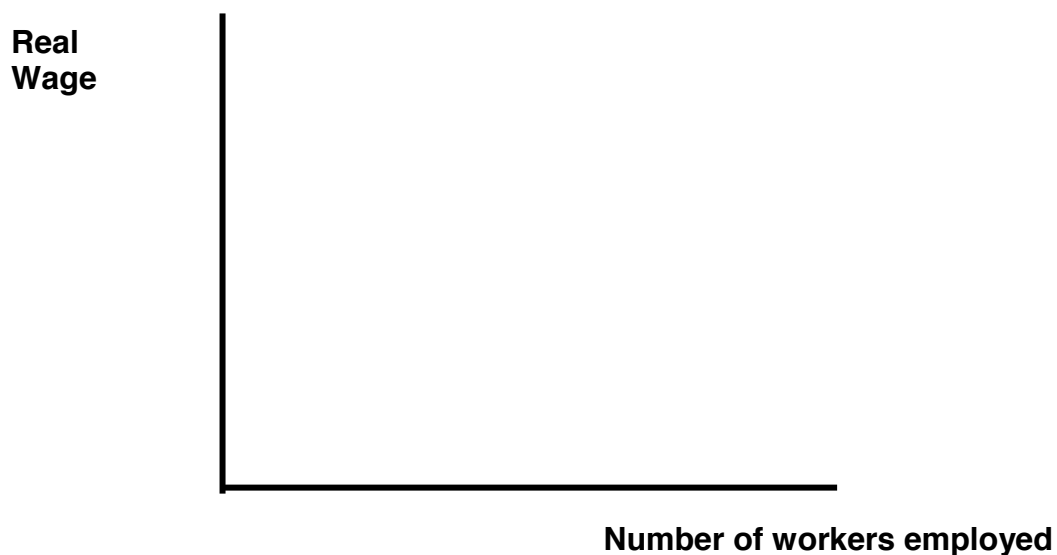
18) The second type of ‘disequilibrium’ unemployment is classical or real-wage unemployment.

✚ Illustrate this type of unemployment on the diagram below.



19) Why might this type of unemployment occur?

20) Illustrate and explain how the government might address the problem of real-wage unemployment.



21) Why might the government have difficulties in tackling this type of unemployment?

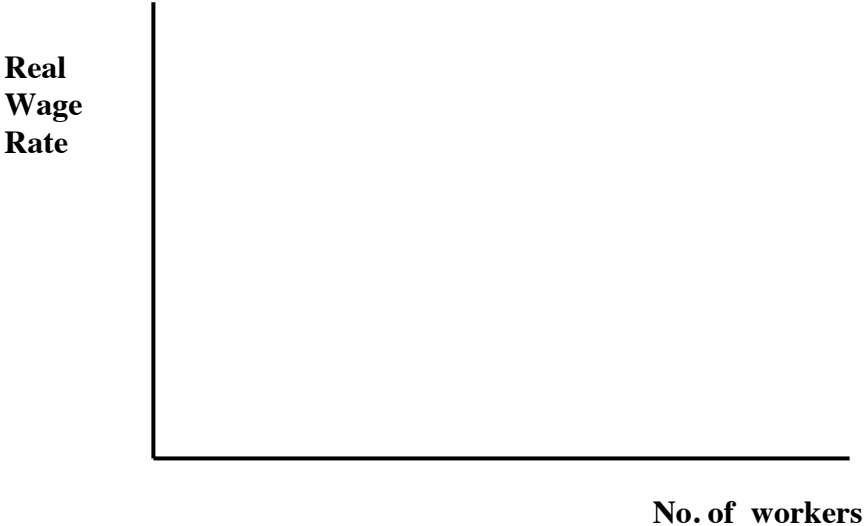


Equilibrium unemployment

✚ Even if there is no cyclical/demand deficient or real-wage unemployment in the economy, there are still likely to be unemployed workers. Unemployment can still exist even when the aggregate/macroeconomic labour market is in equilibrium.

✚ This type of unemployment is known as ‘**equilibrium unemployment**’. We can also refer to this as the ‘**natural rate of unemployment**’.

22) Illustrate the natural rate of unemployment on the diagram on the next page. (now add an a ALF curve to the diagram used for question one)



23) A key question that confuses some students is, 'what is the difference between the aggregate supply of labour and the aggregate labour force?'

- ✚ The aggregate labour supply includes all the people who are willing and able to work at every given wage rate.
- ✚ The difference between ALS and ALF at the prevailing wage rate is accounted for by people who are willing and able to work in the general sense, but may not be willing or able to fill the vacancies that exist in the economy.

24) Why might a doctor that resigns from her job not take a job as a waitress?



25) Why might the plumber not take a job as a pilot?

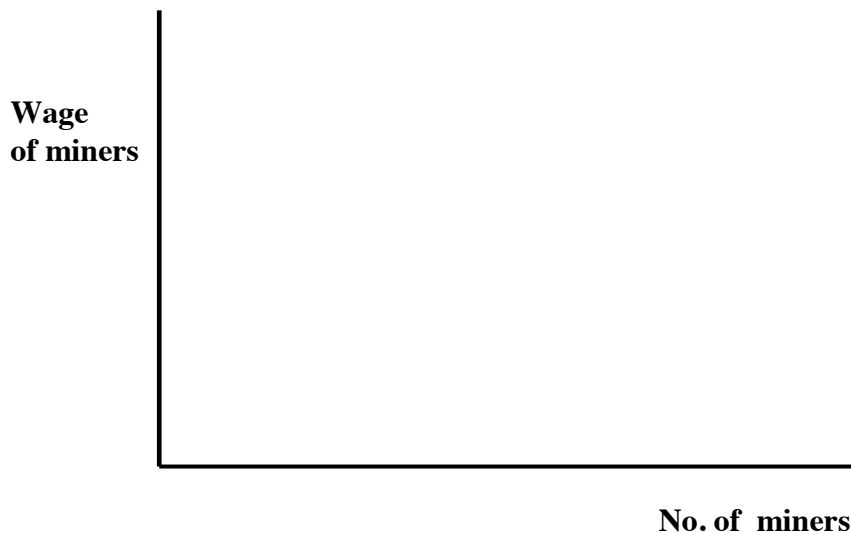
Structural Unemployment

26) What are the different possible causes of structural unemployment?

- ✚ _____
- ✚ _____
- ✚ _____



27) Illustrate structural unemployment using a diagram.



28) What is the difference between the fall in demand that leads to cyclical unemployment and that which creates structural unemployment?

29) For the types of equilibrium unemployment you have to try to think of **solutions** that government could adopt and complete the table below.

Type of Unemployment	Solution
<input type="checkbox"/> Frictional	
<input type="checkbox"/> Structural	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> Seasonal	

30) What are the potential drawbacks of each of your strategies to reduce equilibrium unemployment?

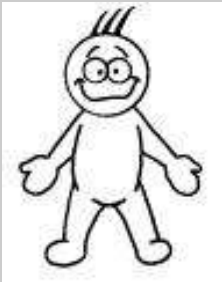













Costs of Unemployment


31) Unemployment has a detrimental effect upon whom?

1. _____
2. _____
3. _____
4. _____



32) State how the following groups are affected by unemployment.

<p>1.</p> 	<p> _____</p> <p> _____</p> <p> _____</p> <p> _____</p>
<p>2.</p> 	<p> _____</p> <p> _____</p>
<p>3.</p> 	<p> _____</p> <p> _____</p>
<p>4.</p> 	<p> _____</p> <p> _____</p>

 Draw **two** diagrams to show how the economy suffers when there are unemployed people.

**Price
Level**



Real GDP

**Consumer
Goods**



Capital Goods

**Costs of Unemployment
Film Exercise**

Watch the following clips/exerts from the two films below and answer the questions.

⇒ **The Full Monty**

1. How does the Full Monty highlight the potential costs of unemployment for the individual? (Think in the case of the lead character Gaz)

2. Why is Gaz not keen to take the job offered to him that pays £2.50 per hour?

3. How does unemployment have a detrimental impact upon Gerald (the old foreman)?

4. Think of the impact that unemployment had on the other characters in the film.

Dave

Romper
