Unemployment= those who are of working age, who are without work, but who are available for work at current wage rates (in relation to number unemployed). In relation to unemployment percentage, it is a percentage of the total labour force (which is the number unemployed plus the number employed).

Measures of unemployment;
Claimant; those in receipt of unemployment related benefits.
Standardised unemployment rate; unemployed are defined as people of working age who are without work, available to start work within 2 weeks and are actively seeking employment. These figures are compiled from the national labour force surveys.

Standardised is likely to be higher to the extent that it includes people seeking work who are nevertheless not entitled to claim benefits, but lower to the extent that it includes those who are claiming benefits but not actively seeking work. The tougher the benefit regulations, the lower the claimant rate.

E.G. 2009; Standardised unemployment= 2.49 million (7.9%) claimant count 1.63 million (5%)
Disequilibrium unemployment= unemployment resulting from real wages in the economy being above the equilibrium level.
Equilibrium (natural) unemployment= the difference between those who would like employment at the current wage rate and those willing and able to take a job.

Types of disequilibrium unemployment;

Real wage unemployment; where trade unions use their monopoly power to drive wages above the market clearing level. Real wage rates were blamed by Thatcher for unemployment being so high in 1980s and 90s. Unions have some power in some industries to drive up wages, power has waned over years though. Labour markets have become more flexible. Globalisation has meant that many firms face intense competition from rival countries, so many firms refuse to allow large wage increases as they can simply use cheaper labour abroad.

Demand deficient or cyclical unemployment; associated with recessionary periods. Is caused by a fall in aggregate demand with no corresponding fall in the real wage rate. Recession->consumer demand falls and firms can't sell their current level of output. They will be prepared to build up stock but over time may reduce capacity and labour force. The longer a recession lasts-> the higher the demand deficient unemployment will.
As economy grows= demand deficient unemployment falls. It fluctuates with business cycle and as referred to as **cyclical unemployment.**

Growth in the labour supply; if labour supply rises with no corresponding increase in the demand for labour, the equilibrium real wage rate will fall. Real wage rate 'sticky' downward= unemployment. NOT AS SERIOUS AS DEMAND DEFICIENT UNEMP GENERALLY as supply of labour changes relatively slowly.

Types of Equilibrium Unemployment;