

Types of unemployment

Structural unemployment

Caused by a change in the structure of the economy which causes a mismatch between the skills of those out of work and the skills needed to fill the available vacant job opportunities. This type of unemployment can last a long time because those affected by it have to retrain or move or both in order to find employment. Types of structural unemployment; technological, changes in the geographical location of industries and changes in the demand for a particular labour skill.

Cyclical unemployment/demand deficient unemployment

Caused by a lack of AD in the economy

Classical/real wage unemployment

Caused by the real wage being too high in the economy.

Natural unemployment

Proportion of the workforce who remain unemployed when the labour market is in equilibrium. Mainly made up of frictional, structural and seasonal unemployment.

Frictional/search unemployment

Time spent whilst workers leave one job and find another. A short term problem.

Seasonal unemployment

Unemployment caused by the changing of the seasons. Building workers, hotel workers are in less demand in the winter

Natural Rate of Unemployment.

The rate of unemployment that exists when the labour market is in equilibrium (no cyclical or real wage unemployment). It is usually made up of frictional, structural and seasonal unemployment.

NAIRU (Non accelerating inflation rate of unemployment)

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Full employment

The level of unemployment at which all those who wish to work have found a job.

Measuring Unemployment

Labour force survey

Surveys 60,000 households/100,000 people. Counts those who looked for work in the last 4 weeks and are available for work in the next 2 weeks. Usually a higher number and more accurate than the claimant count (includes 16-18 year olds and 60-65 year olds where the claimant count doesn't). Provides international comparisons because it is used internationally (internationally recognised, where claimant count is not).

In the UK another method is also used (though it is now a secondary measure)

Claimant count

Only counts those who are eligible for job seekers allowance. Age range 18 – 60. Must be able to prove that you are looking for work.