

## Chapter 30

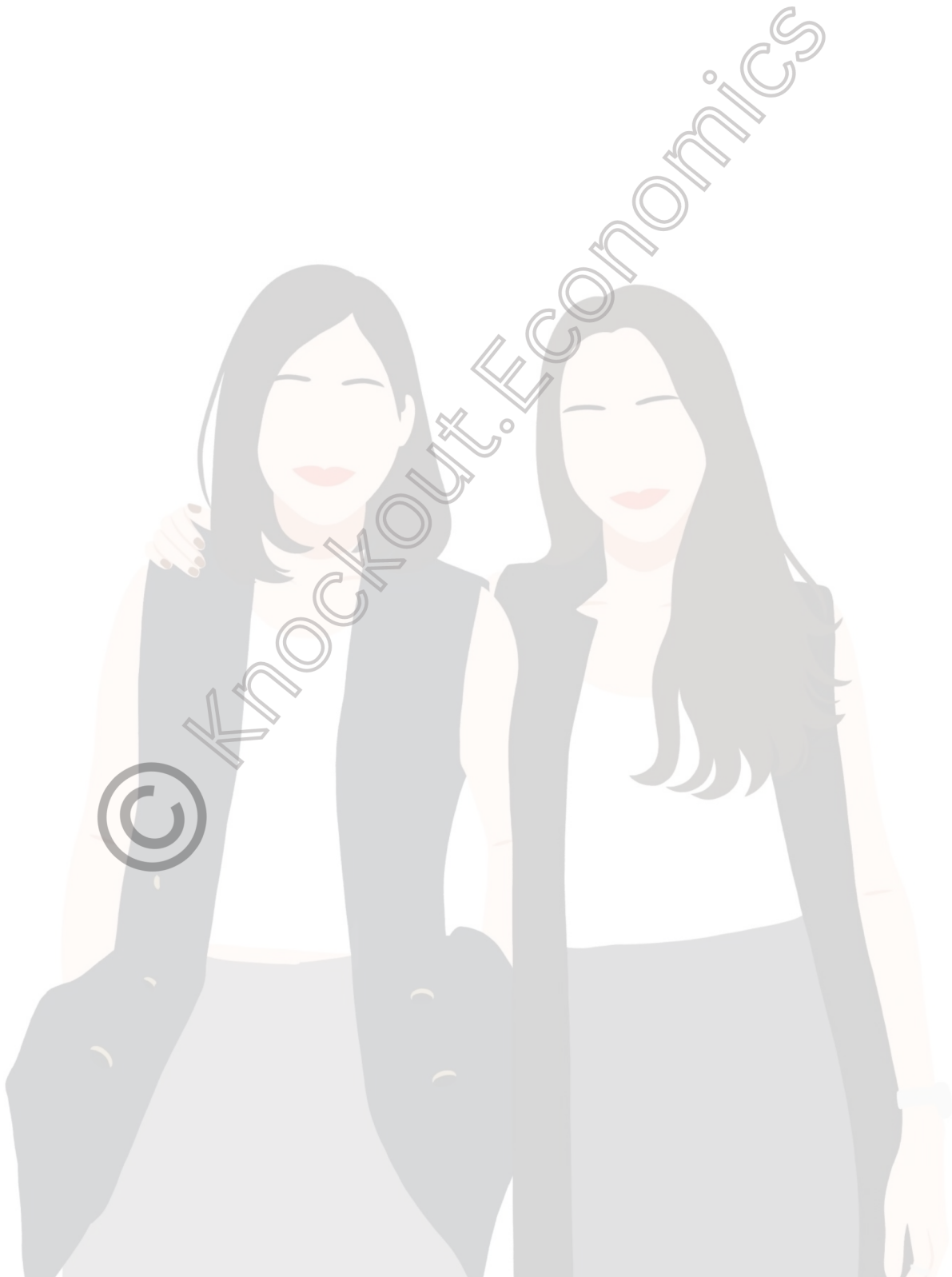
### Employment and unemployment

#### Key terms

1. Employment : being involved in productive activity for which a payment is received.
2. Unemployment : being without a job while willing and able to work.
3. Flexible labour force : a labour force is one which adjusts quickly and smoothly
4. to changes in market condition.
5. Economically active : those in the labour force, both the employed and the unemployed.
6. Economically inactive : those not in the labour force.
7. Labour market participation rate : the proportion of the working-age population who are in the labour force.
8. Claimant count : a measure of unemployment which counts as unemployed those
9. in receipt of unemployment benefits.
10. Labour force survey (ILO) measure : a measure of unemployment which counts as
11. unemployed people who identify as such in a survey.
12. Frictional unemployment : temporary unemployment arising from workers being in between jobs.
13. Structural unemployment : unemployment caused by long-term changes in the pattern of demand and methods of production.
14. Cyclical unemployment : unemployment caused by a lack of aggregate demand.
15. Search unemployment : unemployment arising from workers who have lost their jobs looking for a job they are willing to accept.
16. Casual unemployment : unemployment arising from workers regularly being between periods of employment.
17. Seasonal unemployment: unemployment caused by a fall in demand at particular times of the year.
18. Regional unemployment : unemployment caused by a decline in job opportunities in a particular area of the country.
19. Technological unemployment: unemployment caused by workers being replaced by capital equipment.

20. Full employment : when people who are willing and able to work get a job.

Unemployment is at its lowest possible rate



## **1. How to measure unemployment**

- Count those in receipt of unemployment-related benefits.
- Carry out labour force surveys

## **2. Causes and types of unemployment**

### 2.1 Frictional Unemployment :

- Casual unemployment : when workers are out of work between periods of employment.
- Seasonal unemployment : when workers are not in demand in some period of the year  
e.g. workers in tourism

### 2.2 Structural unemployment

- Regional unemployment : decline in jobs in a particular area.
- Technological unemployment : workers are replaced by machines.

### 2.3 Cyclical unemployment

## **3. Consequences of unemployment**

### **Advantages**

#### 3.1 Reduce inflation

: As people have less income to spend on goods and services

: There will be less spending and lower AD

### **Disadvantages**

#### 3.1 Lower standard of living

3.2 Firms receive less revenue and profit

3.3 Unemployment reflects inefficient use of resources

3.4 Government gains lower tax

## **4. Policies to reduce unemployment**

4.1 Reducing income tax

4.2 Cutting unemployed benefits

4.3 Providing education and training

4.4 Increasing in government spending to create job

4.5 Reducing interest rate to stimulate investment from producer