

**Subject Area:** Economics

**Level:** CSEC

**Curriculum Topic:** Types of Unemployment

**CSEC Economics Section 6 Objective 12**

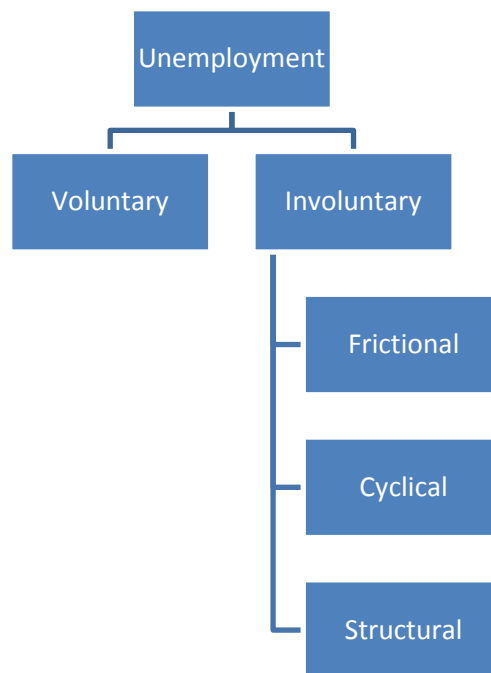
**Key teaching points:**

- Describe the different types of unemployment
- Discuss the causes and consequences of and solutions to the different types of unemployment

**Activity 1**

Access the following website or use your textbook to recap the different types of unemployment that exist. Use the diagram below as a guide.

<https://www.thoughtco.com/types-of-unemployment-in-economics-1148113>



**Activity 2**

Provide a definition for each type of unemployment in the spaces below.

**Voluntary unemployment**

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**Involuntary unemployment**

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**Frictional unemployment**

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**Cyclical unemployment**

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**Structural unemployment**

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### Activity 3

Access the following website.

<https://www.economicshelp.org/blog/1507/economics/wages-and-unemployment/>

Use the information provided to identify the type of unemployment caused when wages are set above the equilibrium wage rate. Indicate the causes of this type of unemployment.

#### Type of unemployment

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#### Causes

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#### Activity 4

Read the following passage and answer the questions that follow.

The unprecedented spread of COVID-19 is a global pandemic that can negatively impact global economies. One effect of this virus is economic shutdown as governments urge people to self-quarantine or ‘stay home’. Non-essential business are therefore closed and due to a steady decline in profits, they may be forced to remain closed. The demand for non-essential items has significantly decreased and it may not be economically viable for businesses that provide non-essential goods and services to continue operations.

1. Identify the type of unemployment that can result from the situation presented in the above scenario.

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2. For the type of unemployment identified in 1. above, explain the causes as indicated in the scenario.

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3. Establish two consequences of this type of unemployment and a possible short-term and long-term solution.

#### **Consequences**

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#### **Short-term Solution**

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#### **Long-term Solution**

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### Activity 5

Complete the following table with suitable responses and save as a revision tool for examinations.

<b>Type of unemployment</b>	<b>Causes</b>	<b>Consequences</b>	<b>Possible Solutions</b>
<b>Frictional</b>			
<b>Seasonal</b>			
<b>Cyclical</b>			
<b>Structural</b>			
<b>Real-Wage</b>			

## **Answer Key**

### **Activity 2**

Provide a definition for each type of unemployment in the spaces below.

#### **Voluntary unemployment**

Refers to persons who are jobless by choice rather than from a lack of opportunities.

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#### **Involuntary unemployment**

Refers to persons who are willing and able to work for a given wage but cannot find a job.

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#### **Frictional unemployment**

Refers to unemployment due to persons moving from one job to another.

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#### **Cyclical unemployment**

Occurs during economic decline when demand for goods and services fall and businesses respond by decreasing production and retrenching staff.

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#### **Structural unemployment**

Jobs are not available as skills possessed by persons are no longer required or jobs just do not exist although persons are willing to work.

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### **Activity 3**

#### **Type of unemployment**

Real wage unemployment

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#### **Causes**

Wages are set above the equilibrium level causing the supply of labour to be greater than demand.

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### **Activity 4**

Read the following passage and answer the questions that follow.

1. Identify the type of unemployment that can result from the situation presented in the above scenario.

**Involuntary – Cyclical unemployment**

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2. For the type of unemployment identified in 1. above explain the causes as indicated in the scenario.

**Economic shutdown, closure of businesses, decline in profits, decreased demand**

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3. Establish two consequences of this type of unemployment and a possible short-term and long-term solution.

### **Consequences**

1. The unemployed have less disposable income so demand for goods and services fall causing further economic decline.
2. More unemployment can result from the decline in aggregate demand.

### **Short-term Solution**

Provision of Social Benefits - Unemployment Benefits

### **Long-term Solution**

Expansionary Monetary Policy, Expansionary Fiscal Policy

## **Activity 5**

<b>Type of unemployment</b>	<b>Causes</b>	<b>Consequences</b>	<b>Possible Solutions</b>
<b>Frictional</b>	<ol style="list-style-type: none"> <li>1. Workers are fired</li> <li>2. Workers leave jobs voluntarily</li> <li>3. Women leaving labour force to become housewives</li> </ol>	<ol style="list-style-type: none"> <li>1. Allows businesses to find workers who are a better fit for the organisation</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide better information about availability of jobs eg. Job placement sites</li> </ol>
<b>Seasonal</b>	<ol style="list-style-type: none"> <li>1. Jobs are specific to a time of year eg. Agricultural workers, Christmas workers</li> </ol>	<ol style="list-style-type: none"> <li>1. Workers have no income in off-peak seasons</li> <li>2. Temporary migration of workers</li> </ol>	<ol style="list-style-type: none"> <li>1. Creation of jobs for off-peak seasons</li> <li>2. Provide better information about availability of jobs eg. Job placement sites</li> </ol>
<b>Cyclical</b>	<ol style="list-style-type: none"> <li>1. Downturns in business cycle</li> <li>2. Fall in demand</li> </ol>	<ol style="list-style-type: none"> <li>1. Closure of businesses</li> <li>2. Further unemployment</li> </ol>	<ol style="list-style-type: none"> <li>1. Expansionary monetary policy</li> <li>2. Expansionary fiscal policy</li> <li>3. Unemployment benefits</li> </ol>
<b>Structural</b>	<ol style="list-style-type: none"> <li>1. Occupational or geographical immobility of labour</li> <li>2. Technological advances</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase in natural unemployment rate</li> <li>2. Income inequality</li> </ol>	<ol style="list-style-type: none"> <li>1. Education and re-training for the unemployed</li> <li>2. Relocation of workers</li> </ol>
<b>Real-Wage</b>	<ol style="list-style-type: none"> <li>1. Trade union bargaining</li> <li>2. Minimum wage laws</li> </ol>	<ol style="list-style-type: none"> <li>1. Increased demand for unemployment benefits</li> </ol>	<ol style="list-style-type: none"> <li>1. Set minimum wages at equilibrium wage rate</li> <li>2. Reduce trade union bargaining powers</li> </ol>

