

What are the major reasons for unemployment?

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Unemployment occurs when a worker who is not currently employed is searching for a job without success. People leave their jobs for many reasons. Some do so voluntarily: they may return to school, take another job, or decide to leave the workforce to care for their children. Others lose a job they wish to keep: an employee might be fired for poor performance or let go because the company is downsizing. When macroeconomists consider unemployment, they explicitly look at workers who seek employment but are unable to secure it. We use the unemployment rate to monitor the level of unemployment in an economy. The unemployment rate is the percentage of the labor force that is unemployed.

The unemployment rate is one of the most important indicators of economic health



While some macroeconomic unemployment is natural, on the micro level unemployment is not fun

Useful vocabulary:

unemployment – безработица

the unemployment rate – уровень безработицы

reasons for unemployment – причины безработицы

to employ – нанимать (на работу)

to leave one's job – уйти с работы

the labor force – численность работающих, трудовые ресурсы

to be unemployed – быть безработным

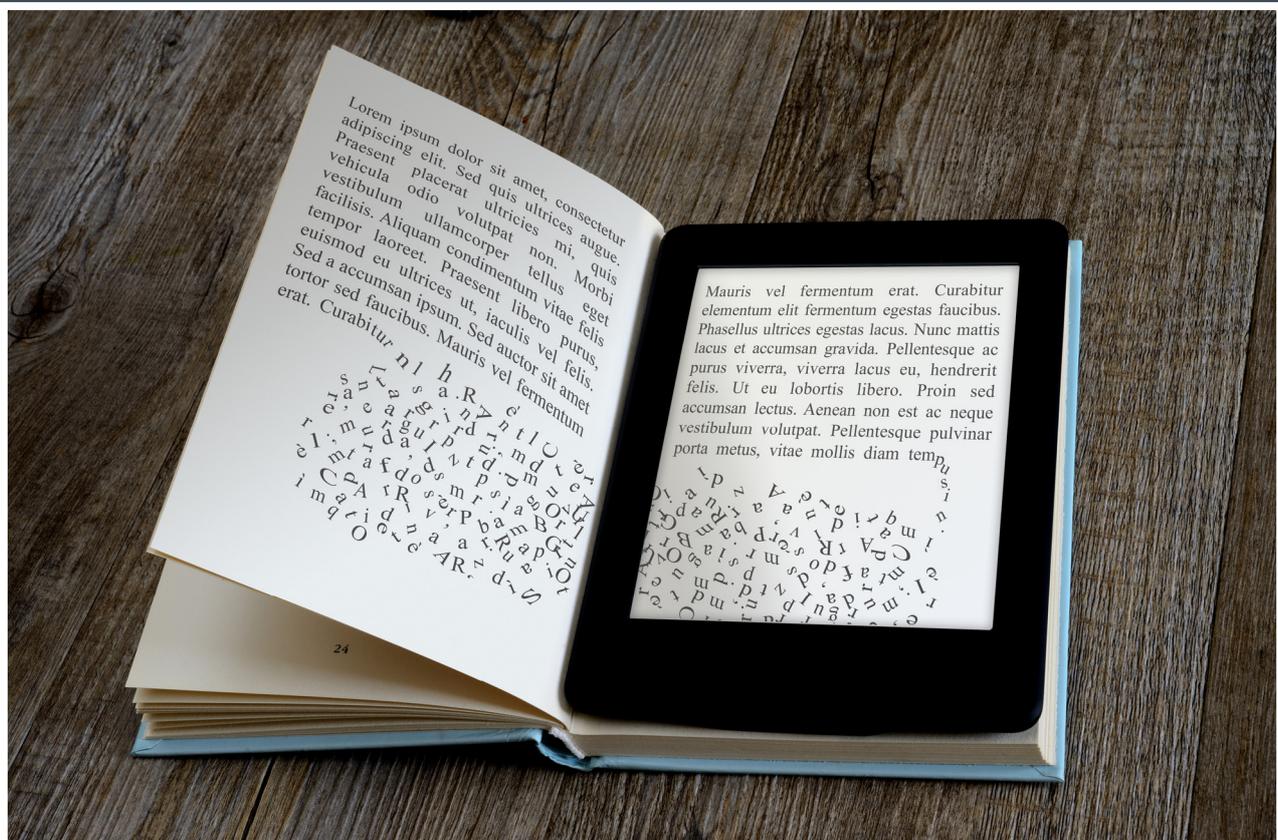
structural unemployment – структурная безработица

frictional unemployment – фрикционная безработица

cyclical unemployment – циклическая безработица

economic downturn – экономический кризис

a decline in demand – падение спроса



Structural Unemployment

As new industries are created, some old ones are destroyed. The economist Joseph Schumpeter coined the term creative destruction to describe this process of economic evolution. Creative destruction occurs when the introduction of new products and technologies leads to the end of other industries and jobs. As some jobs

become obsolete, the result is structural unemployment, which is caused by changes in the industrial makeup (structure) of the economy. Although structural unemployment can cause transitional problems, it is often a sign of a healthy, growing economy.

Creative destruction in the retail book market means that when new products and jobs are created, other jobs are destroyed.



Frictional Unemployment

Even when jobs are available and qualified employees live nearby, it takes time for workers and employers to find one another and agree to terms. Frictional unemployment is caused by delays in matching available jobs and workers. Frictional unemployment is another type of natural unemployment: no matter how healthy the economy may be, there is always some frictional unemployment. Consider how a successful new product launch at McDonald's affects Burger King. Suppose that McDonald's

introduces a new product called the "Quad-stack," which is really just four Quarter Pounders stacked on top of one another. Also suppose that customers can't get enough of the new burger. Because of the spike in new business, McDonald's needs to hire more employees. At the same time, Burger King loses customers to McDonald's and decides to lay off some of its workers. Of course, the laid-off Burger King workers will take some time searching for new jobs. And McDonald's will take time deciding how many new workers it needs and which applicants to hire. Because some workers are unemployed during this transition, frictional unemployment results.

Cyclical Unemployment

The third type of unemployment, cyclical unemployment, is caused by recessions, or economic downturns. This type of unemployment generates the greatest concern among economists and policymakers. It is the most serious type of unemployment because it means that jobs are not available for many people who want to work. And while both structural and frictional unemployment are consistent with a growing, evolving economy, the root cause of cyclical unemployment is an unhealthy economy. The Great Recession of 2007-2009 lasted for 19 months and led to more cyclical unemployment than at any time in the previous 30 years.



Practice What You Know

The question

In each of the following situations, is the unemployment that occurs a result of cyclical, frictional, or structural changes? Explain your responses.

Workers in a high-end restaurant are laid off when the establishment experiences a decline in demand during a recession.

The answer

Cyclical changes. Short-run fluctuations in the demand for workers often result from the ebb and flow of the business cycle. When the economy picks up, the laid-off workers may be rehired.

Two hundred automobile workers lose their jobs as a result of a permanent reduction in the demand for automobiles.

The answer

Structural changes. Since the changes described here are long-run in nature, these workers cannot expect their old jobs to return. Therefore, they must engage in retraining to reenter the labor force. Because they will be unable to find work until the retraining process is complete, the lost jobs represent a fundamental shift in the demand for labor.

A new college graduate takes three months to find his first job.

The answer

Frictional changes. The recent college graduate has skills that the economy values, but finding an employer still takes time. This short-run job search process is a perfectly natural part of finding a job.

Recommendations

for reading

Mateer Dirk, Coppock Lee. Principles of Economics. URL: <https://b-ok.global/book/3700643/30bfe3?dsourc=recommend>

for watching

https://www.ted.com/talks/jason_shen_looking_for_a_job_highlight_your_ability_not_your_experience



Jason Shen “Looking for a job? Highlight your ability, not your experience”

Very few of us hold jobs that line up directly with our past experiences or what we studied in college. Take TED Resident Jason Shen; he studied biology but later became a product manager at a tech company. In this quick, insightful talk about human potential, Shen shares some new thinking on how job seekers can make themselves more attractive – and why employers should look for ability over credentials.

Jason Shen is the co-founder and CEO of Headlight, a performance hiring platform, creator of The Talent Playbook, and has been featured in the New York Times, Fast Company, Quartz and The Atlantic. He serves on the board of directors for the Presidential Innovation Fellows Foundation and runs The Asian American Man Study, an annual survey of American men of East, Southeast and Asian descent. Shen holds a BS and MS in Biology from Stanford University, where he was captain of the 2009 NCAA championship-winning men’s gymnastics team. In 2014, he set the Guinness World Record for most number of Aztec push-ups completed in one minute.