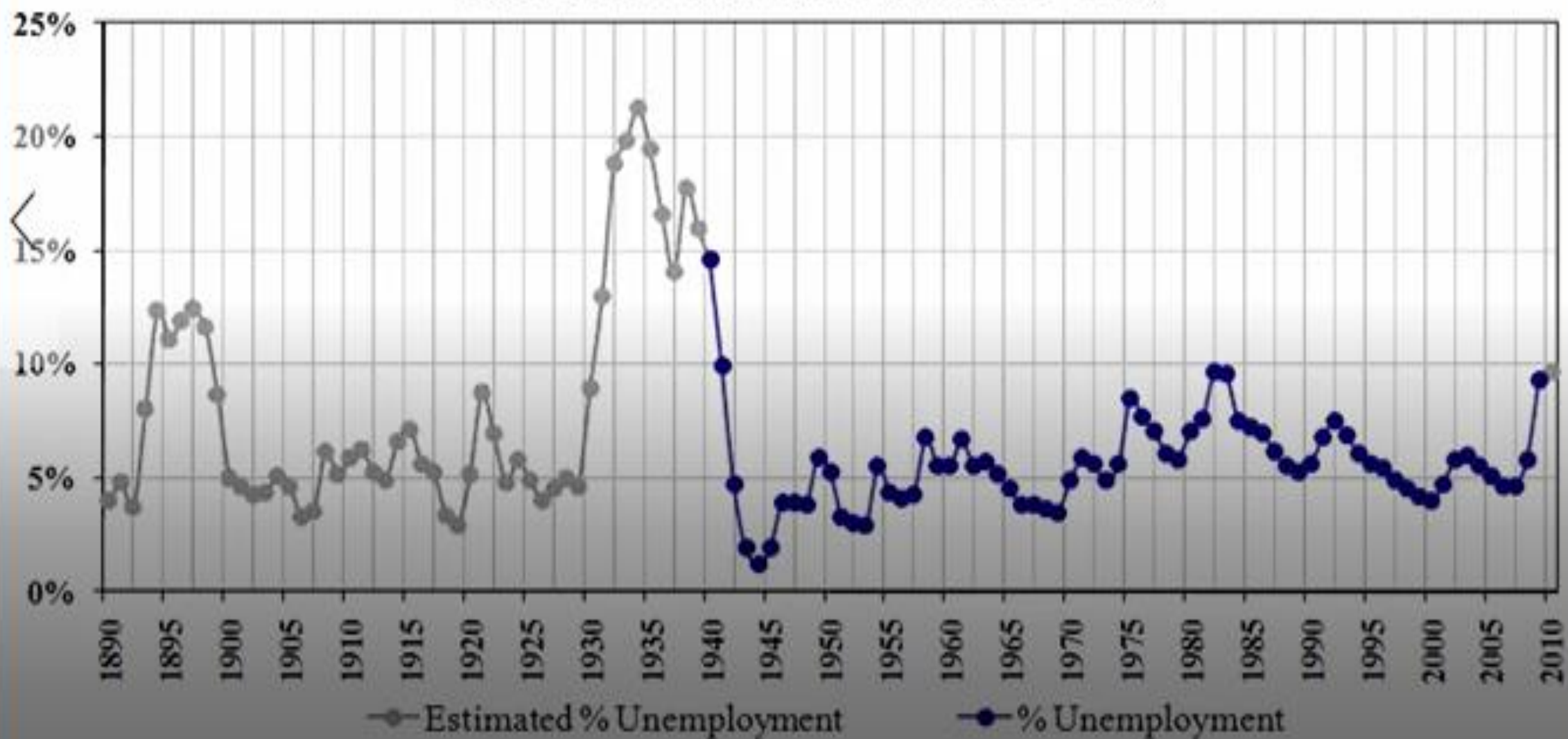


- Analyze the four kinds of unemployment and what difficulty is there in measuring them?

- Unemployment is another measure of economic activity. It is often used along with GDP and inflation to measure the health of a macroeconomic system.
- Unemployment rate- percentage of the civilian labor force that is unemployed but is actively looking for work.
- Don't count
 - People under 18
 - Retirees
 - Disabled
 - People not looking for work

United States - Unemployment Rate (1890 - 2009)



Four kinds

1. Cyclical- unemployment associated with the ups and downs of the business cycle. This is expected
rises during recession and falls during expansions

2. Structural unemployment- caused by changes in the economy, such as technological advances or discoveries of natural resources.

Results when workers are replaced by computers or other machines or when cheaper natural resources are found elsewhere, often affects less skilled workers.

3. Seasonal unemployment- caused by changes in the season and weather

Affects construction workers, farm workers, part time workers

4. Frictional employment- temporary between jobs because of firings, layoffs, voluntary searches for new jobs or retraining

Always exists to some degree because of the time needed between jobs to find new work and the imperfect match between job openings and applicants

- Full employment- condition of the economy when the unemployment rate is lower than a certain percentage established by economists studies 5% unemployment is the current rate.

- Unemployment is difficult to measure accurately because economists can not possible interview every person in and out of the labor force.
- Survey results are imperfect because of dishonest responses and the underground economy
- It is hard to distinguish between people who are not looking for work and those who are.