



Important Question

①. Different Types of Unemployment?

①. Unemployment is when an individual is not employed, have skills, and is seeking for work but cannot find any work.

• Frictional Unemployment: This type of unemployment is the least problematic for an economy. It occurs when people with their own choice / voluntarily change jobs.

— Graduates looking for jobs is an example.

— This takes time & effort, searching for a job, hiring new worker, matching the workers takes time & efforts resulting in "Frictional Unemployment".

• Cyclical Unemployment: All movements in unemployment, rise in recession (inflation) and low in peak period are all cyclical unemployment".

— Preventing low in this type of unemployment is the main reason to study economic & its policies.

• Structural Unemployment: This unemployment occurs when a technological change occurs in the economy in labor markets.

— Replacement of computers for a normal human accountant.

— The workers displaced / replaced often end up unemployed for very long time or leaving the labor force entirely.

• Natural Unemployment: It occurs when labor market is perfect equilibrium.

— This continues in healthy economy (full employment) and well functioning society.

— There is never 0 unemployment.

— Frictional, Cyclical, Structural are all parts of this type of u.