

Types Of Unemployment

There are three major types of unemployment including cyclical, frictional, and structural. Let's take a look at each one of them through the eyes of workers in the town of D-Han. As a matter of fact, I'd like to introduce you to a few of them and then find out what type of unemployment they're experiencing.

Cindy just graduated from college, and she's looking for work by scanning job sites, reading newspaper listings and attending job fairs. Good for you, Cindy. Cindy's dad, Matt, is a manufacturing worker in D-Han who loves to build oil rig equipment and wear hard hats. Matt's Uncle Fred works as a life guard at the YMCA in all the warm months. Fred's brother Jarvis is a high school gym teacher who is desperately trying to teach kickboxing to the school's pet guinea pigs with the help of the students. Jarvis also teaches a class on how to use vintage computer programs like Windows '93.

Okay, so this is the town of D-Han, and these are the workers we're talking about. Now, let's talk about the economy.

Cyclical Unemployment

Perhaps the most dramatic type of unemployment is cyclical. Cyclical unemployment occurs because of the cycles in which the economy experiences ups and down. That's why we call it “**cyclical unemployment**,” because it goes in cycles. When the economy enters a recession, many of the jobs lost are considered cyclical unemployment.

For example, during the Great Depression in the 1930s, the unemployment rate surged as high as 25% of the country. That means one out of four people were willing and able to work, but could not find work! Most of this unemployment was considered cyclical unemployment. Eventually, unemployment came down again. As you can see, at least part of unemployment can be explained by looking at the cycles, or the ups and downs of the economy.

Frictional Unemployment

Frictional unemployment occurs because of the normal turnover in the labor market and the time it takes for workers to find new jobs. Throughout the course of the year in the labor market, some workers change jobs. When they do, it takes time to match up potential employees with new employers. Even if there are enough workers to satisfy every job opening, it takes time for workers to learn about these new job opportunities, and for them to be considered for the position, interviewed and hired.

When Cindy graduates from college, she begins looking for work. Let's say it takes her four months to land a new job. During this time, she is **frictionally unemployed**.

Structural Unemployment

Structural unemployment occurs because of a lack of demand for a certain type of worker. This typically happens when there are mismatches between the skills employers are looking for and the skills workers have. Major advances in technology often replace the need for some types of workers. Also, employers may find lower costs of labor overseas. These are examples of structural unemployment.

When workers lose jobs because their skills are obsolete or because their jobs are transferred to other countries, they are structurally unemployed. It's structural unemployment because the whole **structure** of the economy has changed, not because of the regular ups and downs of it.

Other types of Unemployment

Seasonal Unemployment

Seasonal unemployment occurs when there is limited need for a specific type of work to be performed during certain times of the year. Often professionals who work in a specific season either charge fees for their services that provide the equivalent of an annual income or work in multiple fields with different prime seasons. One example of seasonal unemployment is lifeguarding. Because there is far more frequent swimming in warm seasons than cold seasons, lifeguarding can be described as a seasonal job. When the season is over, the lifeguard could be considered **seasonally unemployed**.

Technological Unemployment

We're all familiar with the headlines by now: "Robots are going to steal our jobs", "Automation will lead to joblessness", and "Artificial Intelligence will replace human labor". It seems like more and more people are concerned about the possible impact advanced technology could have on employment patterns. In its simplest sense, **technological unemployment** is just the replacement of human labor by machine "labor." This sort of replacement happens all the time, and has happened throughout human history. In many cases, the unemployment that results is just *temporary*: either the workers who are displaced find new forms of work or go back to some type of training or school to adapt. Examples include many forms of manufacturing and agricultural labor which have already been replaced by machines. This is why we no longer rely on humans to build cars, plough fields, and milk cows (there are still humans involved in those processes but their numbers are massively diminished when compared with the past). A more modern example would include self-checkout at the grocery store where the machines have replaced the check-out cashier.