



INTRODUCTION TO ECONOMICS

Module 13

FIZZA AFTAB

Reference Book : Economics by Paul A. Samuelson



Module 13 Lesson1

UNEMPLOYMENT

UNEMPLOYMENT

Unemployment is a situation in which some labour resources are not being used in the production of goods and services.

Employed. These are people who perform any paid work

Unemployed. Persons are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work

Not in the labor force. Population that is keeping house, retired, too ill to work, or simply not looking for work.

Labor force. $E + UE$ This includes all those who are either employed or unemployed

MEASURING UNEMPLOYMENT

Unemployment rate = No. of unemployed / total labour force *100

IMPACT OF UNEMPLOYMENT

1. Economic Impact

2. Social Impact

REASONS FOR UNEMPLOYMENT

1. Cyclical Unemployment

This is caused by inadequate or deficiency in aggregate demand in an economy to generate sufficient work for total working population. It is a serious type of unemployment that affects nearly all industries and is associated with trade cycle. It exists when the overall demand for labor declines in business-cycle downturns

2. Structural unemployment

It signifies a mismatch between the supply of and the demand for workers. Mismatches can occur because the demand for one kind of labor is rising while the demand for another kind is falling and markets do not quickly adjust.

3. Frictional unemployment

When people become unemployed voluntarily as they move from job to job or into and out of the labor force. This is also sometimes called frictional unemployment because people cannot move instantaneously between jobs

Policies for reducing Unemployment