

Of the three main types of unemployment, cyclical unemployment is likely the worst for workers. Cyclical unemployment occurs when there is inadequate aggregate demand in the economy (1). This leads to layoffs and hiring freezes as companies experience reduced consumer spending and sales during recessions. Cyclical unemployment is widespread, leaving many people competing for limited job openings. It also tends to last longer than frictional unemployment, which is brief and occurs as people switch jobs, or structural unemployment, which is due to shifts in required job skills.

Prolonged cyclical unemployment can be demoralizing for workers as they struggle to find jobs despite having relevant skills and experience. It can lead to financial problems, loss of skills from being out of work, and mental health impacts from stress and uncertainty. The lack of income makes it difficult to pay bills and debts. Unemployment insurance helps but typically replaces only a portion of lost wages for a limited time.

Workers can take steps to reduce the impacts of cyclical unemployment by having an emergency fund to pay bills if laid off. Building transferable skills makes them qualified for more types of jobs. Networking and staying active in their industry help them hear about openings sooner. Education and training expand options. Starting a side business or freelancing provides alternate income sources. Staying positive and determined during the challenging job market can help reduce the psychological impacts.

Reference:

McConnell, C. R., Brue, S. L., & Flynn, S. M. (2012). *Macroeconomics* (19th ed.). McGraw-Hill.