

What are the Types of Unemployment?

Worksheet

The three main types of unemployment are frictional (normal job transitions), structural (jobs-skills mismatch), and cyclical (recessions). Natural unemployment = frictional + structural; cyclical is avoidable through better macroeconomic management.

Questions

1. A graduate job-hunting for 6 weeks is experiencing...

- A) Structural
- B) Cyclical
- C) Frictional
- D) Seasonal

2. Structural unemployment typically requires...

- A) Stimulus spending
- B) Job retraining
- C) Lower interest rates
- D) Price controls

3. During a severe recession, unemployment is likely...

- A) Frictional only
- B) Structural only
- C) Mostly cyclical (plus frictional/structural)
- D) Zero

4. Which unemployment type is most costly to the economy?

- A) Frictional
- B) Structural
- C) Cyclical
- D) All equal

5. A software engineer quits to relocate. It takes 8 weeks to find a new job. What type of unemployment?

6. Coal miners face layoffs as the economy shifts to renewable energy. Retraining takes 18 months. What type?

7. During a recession, demand drops and factories lay off 10% of workers. What type of unemployment?

8. Define: What is frictional unemployment?

9. Define: What is structural unemployment?

10. Define: What is cyclical unemployment?

Answer Key

1. C) Frictional — Short search time for a new match = frictional unemployment.
2. B) Job retraining — Structural mismatches need retraining or relocation, not macro policy.
3. C) Mostly cyclical (plus frictional/structural) — Recessions add cyclical unemployment on top of natural rates.
4. C) Cyclical — Cyclical unemployment means wasted output; it's avoided through better macro management.
5. Time searching = 8 weeks = relatively short Cause = time to find a fit, not skill/demand issue Type = Frictional unemployment This is a normal part of job transitions.
6. Cause = skills don't match available jobs Duration = long (18 months retraining needed) Solution = education/relocation Type = Structural unemployment
7. Cause = overall economic downturn, not worker skills Duration = tied to business cycle Solution = fiscal/monetary stimulus Type = Cyclical unemployment
8. Short-term unemployment due to normal job transitions and search time; unavoidable but temporary.
9. Long-term unemployment due to skills mismatch or industry decline; requires retraining or relocation.
10. Unemployment caused by business-cycle downturns and recessions; reduced by stimulus and recovery.

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