

# **Student Essay on Employment Economics**

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# Essay

The five types of unemployment are frictional, seasonal, structural, cyclical and induced. Frictional unemployment occurs when workers are searching for jobs and businesses are looking for employees. Cyclical unemployment is caused by the downturns in the business cycle. Seasonal unemployment occurs because of the different times of the year when more or less workers are required. Induced unemployment occurs when policies are created by the government. Structural unemployment occurs when a worker's skills fail to match the requirements of some job opening. Frictional unemployment is the most difficult to cure because it is the most common. Plus, frictional unemployment implies that full employment is not desirable because both businesses and workers would be stuck in the job they had which might not be the best fit for the company or the worker. It damages the economy because both firms and workers expend resources trying to match job applicants with job openings. Information about job openings and applicants is costly.

Discouraged workers who are unenthusiastic about their prospects do not look for work and this actually deflates the actual unemployment number. On the other hand, unemployment statistics can be inflated by dishonest non-workers who claim to be available for work which in fact allows them to reap the benefits of unemployment, even though they aren't willing to work. There is also the fact that the survey conducted is limited.

Economic indicators are used to forecast the trends of the business cycle. They help the economy from suffering severe changes. With indicators the government or firms can step in to help protect the economy. The importance of indicators was clearer after the great depression. By using indicators it had been determined that the country could produce near its maximum output when a large war occurred. This prompted the unemployment rates to drop. Inflation rates also show when the price level increases. Inflation rates increased astronomically (ala OPEC in the 70s). However both unemployment rates and inflation rates can be decreased or increased by other factors as well.