Cyclical Unemployment

Cyclical unemployment is caused by the contraction phase of the business cycle. That's when the demand for goods and services falls dramatically. It forces businesses to lay off large numbers of workers to cut costs.

Cyclical unemployment creates more unemployment. The laid-off workers have less money to buy the goods and services they need. That further lowers demand.

Frictional Unemployment

Frictional unemployment occurs when workers leave their old jobs but haven't yet found new ones.

Most of the time, workers leave voluntarily, either because they need to move or have saved enough money to allow them to look for a better job.

Frictional unemployment also occurs when students are looking for that first job or when mothers are returning to the workforce. It also happens when workers are fired or, in some cases, laid off due to business-specific reasons, such as a plant closure.

Structural Unemployment

Structural unemployment exists when shifts occur in the economy that creates a mismatch between the skills workers have and the skills needed by employers.

An example of this is an industry's replacement of machinery workers with robots. Workers now need to learn how to manage the robots that replaced them. Those that don't learn need retraining for other jobs or face long-term structural unemployment.

A long recession often creates structural unemployment. If workers stay unemployed for too long, their skills have likely become outdated. Unless they are willing and able to take a lower-level, unskilled job, they may stay unemployed even when the economy recovers. If this happens, structural unemployment leads to a higher rate of natural unemployment.

Long-Term Unemployment

Long-term unemployment occurs for those actively looking for a job for over 27 weeks.5 The effects are devastating. Many employers overlook someone who's been looking for that long. The emotional and financial costs can be very damaging, according to a Pew Research Survey. For example, 38% have lost self-respect.

https://www.youtube.com/watch?v=6SmSCgZ0CcY

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