

2.3 Unemployment

Name: _____ Class: _____ Date: _____

Total: 10 marks

KEY WORDS natural rate • unemployment rate • cyclical
 • frictional • full employment

Objective

Build the skills to answer exam questions on **unemployment**.

You must be able to:

- define the **labour force** and calculate the **unemployment rate**
- distinguish **frictional**, **structural**, and **cyclical** unemployment
- explain that the **natural rate** equals frictional plus structural unemployment
- relate **full employment** to the natural rate

1 Key knowledge and worked examples

Study these first. Each one shows the method for a question type used later.

■ The unemployment rate

$$\text{unemployment rate} = \frac{\text{unemployed}}{\text{labour force}} \times 100,$$

where the **labour force** = employed + unemployed (those actively seeking work).

■ Three types

- **Frictional** – between jobs, searching.
- **Structural** – skills or location mismatch.
- **Cyclical** – caused by a recession.

■ Natural rate

At full employment, cyclical unemployment is zero, so the **natural rate** = frictional + structural.

2 Practice

2.1 Write the formula for the unemployment rate. [1]

2.2 A country has 90 million employed and 10 million unemployed. Find the unemployment rate. [2]

2.3 Name the three types of unemployment. [2]

3 Exam-style questions

3.1 The natural rate of unemployment equals [1]

- ☐ **A** cyclical unemployment only
B frictional plus structural unemployment
C all three types added together
D zero

3.2 A worker laid off during a recession is [1]

- ☐ **A** frictionally unemployed
B structurally unemployed
C cyclically unemployed
D not unemployed

3.3 A country has a labour force of 50 million, of whom 46 million are employed.

(a) Find the number unemployed. [1]

(b) Find the unemployment rate. [2]

Solutions

Each answer shows the steps, then the **result**.

2.1

- unemployment rate = $\frac{\text{unemployed}}{\text{labour force}} \times 100$

2.2

- labour force = 100 million; rate = $\frac{10}{100} \times 100 = 10\%$

2.3

- frictional, structural, cyclical

3.1 B

- frictional plus structural unemployment.

3.2 C

- cyclically unemployed.

3.3

(a)

- $50 - 46 = 4$ million

(b)

- $\frac{4}{50} \times 100 = 8\%$