

Economic. date: 25th october 2012.

[Finance](#), [Financial Analysis](#)



ECONOMIC. DATE: 25TH OCTOBER 2012. TUTORIAL 6: 1) List and explain the three different types of unemployment. Give an example for each. Answer:

Frictional Unemployment: The Glossary of Economics Terms defines frictional unemployment as: "Frictional unemployment is unemployment that comes from people moving between jobs, careers, and locations." Sources of frictional unemployment include the following:

- * People entering the workforce from school.
- * People re-entering the workforce after raising children.
- * People changing employers due to quitting or being fired (for reasons beyond structural ones).
- * People changing careers due to changing interests.
- * People moving to a new city (for non-structural reasons) and being unemployed when they arrive.

Cyclical Unemployment: The Glossary of Economics Terms defines cyclical unemployment as: "Cyclical unemployment occurs when the unemployment rate moves in the opposite direction as the GDP growth rate. So when GDP growth is small (or negative) unemployment is high." * Recession. Getting laid off due to a recession is the classic case of cyclical unemployment. This is why the unemployment rate is a key economic indicator

What About Seasonal Unemployment?: Seasonal unemployment is unemployment due to changes in the season - such as * a lack of demand for department store Santa Clauses in January. Seasonal unemployment is a form of structural unemployment, as the structure of the economy changes from month to month.

Structural unemployment: when the structure of industry changes.

- * As PCs replaced typewriters, typewriter factories shut down. Workers in typewriter factories became unemployed and had to find other industries to be employed in.

2) A country called "Macro-Mania" has 450, 000 adult population of which 120, 000 is

unemployed. 30, 000 are housewives, 350 are institutionalized and 1, 500 are full time students. Calculate: a. The Labour Force for “ Macro-Mania”? b. Its Unemployment Rate c. Its Labour Force Participation Rate. 3) Explain how unemployment is related to the minimum wage law. 4) Are the following workers more likely to experience short-term or long-term unemployment? Explain. a. A construction worker laid off because of bad weather b. A manufacturing worker who loses her job at a plant in an isolated area c. A stagecoach-industry worker laid off because of competition from railroads d. A short-order cook who loses his job when a new restaurant opens across the street e. An expert welder with little formal education who loses her job when the company installs automatic welding machinery. 5) Consider an economy with two labour markets, neither of which is unionized. Now suppose a union is established in one market. a. Show the effect of the union on the market in which it is formed. In what sense is the quantity of labour employed in this market an inefficient quantity? b. Show the effect of the union on the nonunionized market. What happens to the equilibrium wage in this market?