Different Types of Unemployment:

1. Frictionally Unemployed:
   Relatively brief periods of unemployment caused by people deciding to voluntarily quit work in order to seek more attractive employment.

2. Structurally Unemployed:
   Unemployment that results from fundamental technological changes in production, or from the substitution of new goods for customary ones.

3. Cyclically Unemployed:
   Unemployment associated with the downturn and recession phases of the business cycle.

4. Discouraged Workers:
   Unemployed people who give up looking for work after experiencing persistent rejection in their attempts to find work.

5. Underemployed Worker:
   Workers employed in jobs that do not fully utilize their productive talents or experience.
Number of Workers and Type of Unemployment:

<table>
<thead>
<tr>
<th>Total Number of Workers</th>
<th>10,250</th>
</tr>
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<tbody>
<tr>
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<td>150</td>
</tr>
<tr>
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<td>200</td>
</tr>
<tr>
<td>Cyclical Unemployment</td>
<td>500</td>
</tr>
<tr>
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<td>250</td>
</tr>
<tr>
<td>Underemployed Workers</td>
<td>300</td>
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</tbody>
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Total Unemployment = 150 + 200 + 500 + 250 + 300 = 1,400
True Unemployment Rate =

The Bureau of Labor Statistics (BLS):

Two Questions:

Q1. Are you presently gainfully employed?
Q2. Are you actively seeking employment?

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Labor Force = 10,250 – 250 = 10,000
Actual Unemployment Rate =

Actual Unemployment Rate = 8.5%
Natural Rate of Unemployment = \(\frac{150 + 200}{10000} = 3.5\%\)
Actual Rate of Unemployment = Natural Rate of Unemployment + Cyclical Rate of Unemployment
8.5% = 3.5% + 5%

Winners and Losers from Inflation:

Who Loses from Inflation?
- People on fixed income
- Lenders
- Savers

BLS’s Rate of Unemployment
150 + 200
10000
= 3.5%

Price Level

Aggregate Output

AD

AD2

AD3

AD1

AS

P1

P2

P3

0

Y1

Y2
Who Gains from Inflation?
- Borrowers
- Government

Moderating the Wins and Losses:
Variable Rate of Interest
Cost of Living Index (COLA)

Recessionary Gap:
The amount by which aggregate expenditure falls short of the amount needed to generate full employment national output.

Inflationary Gap:
The amount by which aggregate expenditure exceeds the level needed to generate full employment national output.