Starting on unemployment …
… with cartoons

Oral presentation
Prep. in 5 minutes
Firstly, each pair work will pick out a random cartoon. Then, students will comment it, more specifically:
- they will first describe the cartoon;
- then they will present the main issue at stake in it.
Secondly, each pair work will orally present the picture displayed from the video.

I. The measure of unemployment

   A. Different measures …

1. <u>The definition of unemployment according to the International Labour Organisation (ILO)</u>

Document 1
The definition of unemployment is internationally agreed and recommended by the International Labour Organisation (ILO) – an agency of the United Nations.
Unemployed people are:
• without a job, want a job, have actively sought work in the last 4 weeks and are available to start work in the next 2 weeks, or
• out of work, have found a job and are waiting to start it in the next 2 weeks.
In general, anybody who carries out at least one hour's paid work in a week, or who is temporarily away from
a job (e.g. on holiday) is in employment. Also counted as in employment are people on government-supported training schemes and people who do unpaid work for their family' business.
Those who are out of work but do not meet the criteria of unemployment are economically inactive.
www.detini.gov.uk/unemployment_measures.pdf

     Table A shows some examples to illustrate how the classifications work.
According to the ILO, identify the economic situation for each one.

Table A: Examples of International Labour Organisation Classifications

Example	ILO Classification
Mr A reported to the interviewer that he worked 36 hours last week as a lorry driver	
Mrs B lost her job as a secretary three months ago. Every week she visits an employment agency to try to find a new job, which she would be able to start immediately	
Ms C looks after her one-year-old son. She neither holds a job, nor wants a job	
Mr D has no job from which he receives any pay or profit. However, he helps in his parents' shop for around 20 hours per week	
Mrs E is currently receiving training at a local hairdresser. This is being partly paid for by the Government. She works 28 hours a week and goes to college for 1 day per week	
Ms F is out of work, but stopped looking for new jobs a year ago as he does not believe any jobs are available	

2. The definitions of unemployment in the UK

Document 2: Unemployment figures explained by ONS

Employment and unemployment are among the most closely-watched economic indicators. But how are the figures drawn up? Who exactly is counted as unemployed? And why does ONS quote unemployment figures for a three-month period, when the number of Job Seeker's Allowance (JSA) claimants is given for a single month?

Some have questioned the way the Office for National Statistics compiles the figures. Here, Caron Walker, director of collection and production from the ONS explains how and why it is done:

The answers lie with the Labour Force Survey, the huge continuous survey that ONS uses to measure unemployment (along with employment and economic inactivity).

The unemployment figures use an internationally-agreed definition.

To count as unemployed, people have to say they are not working, are available for work and have either looked for work in the past four weeks or are waiting to start a new job they have already obtained. Someone who is out of work but doesn't meet these criteria counts as "economically inactive".

Each quarter the LFS covers 100,000 people in 40,000 households chosen randomly by postcode. That's about one in 600 of the total population.

The results are then weighted to give an estimate that reflects the entire population. Our survey has a very large sample size compared, for example, with opinion polls (a), which often sample around 1,000 people.

Even so, in any survey there is always a margin of uncertainty, in this case around plus or minus 3% for the unemployment level.

People sometimes ask why ONS doesn't increase the sample size to give monthly figures.

Put simply, it's a matter of resources. Surveys on this scale take a great deal of work. The cost of doing it on a monthly basis was estimated as at least £7 million a year back in the mid-1990s.So a rolling three-monthly survey remains the best solution for efficiently producing accurate yet manageable data. (…)

The other measure of joblessness - the claimant count - is published for each single month. It doesn't suffer from the limitations of sample size and sampling frame, because it derives from the numbers of Jobseeker's Allowance (JSA) claimants recorded by Jobcentre Plus, so a monthly figure is possible right down to local level.

But because many people who are out of work won't be eligible for JSA, it's a narrower measure than unemployment, typically about 1.5 million people recently, compared with about 2.5 million for unemployment. And it's not comparable with other countries' data, unlike the LFS measures which use internationally agreed definitions.

So that leaves us with the three-month on previous three-month comparisons as the most robust and most complete measure of joblessness, which is why it's the one that ONS uses for the headline figures in the monthly labour market statistical bulletins.

It might not be perfect, but it has clear advantages over the other ways we might do it. We believe the UK figures are as reliable as any produced internationally. And because so much of their strength lies in the sheer scale of our survey, we owe many thanks to all the people who freely give their time to take part.

http://www.bbc.com/news/business-22870886, 16 April 2014 Last updated at 09:15 GMT

(a) A poll is an interview of people on a smaller sample size than a Survey: 1,000 compared to the 100,000 people. In addition, in the first one you ask people ideas whereas the second refers to their living conditions (work, consumption, leisure …)

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1. The LFS categories an individual as unemployed if they:
   - Out of work
   - Actively seeking work
   - Been looking for work in the past four weeks
   - Are able to start work within two weeks

   Compare these categories to those given by the ILO in document 1.

………..

………..

………..

2. How does the claimant measure unemployment?

According to the CC some people may be out of work but do not get benefits for the following reasons:
- Household income may be relatively high if a partner or family member is economically active;
- Some people are ineligible for JSA, for example those who have not built sufficient National Insurance contributions in the past, or those who are not EU citizens;
- People who have left their previous job voluntarily or been dismissed for misconduct are ineligible for JSA.
- Some people may be too embarrassed to claim benefit, or do not understand that they may do so.

As they cannot get …………………….even if they are jobless, these people are not counting as ……………………… in the CC.

As a result, the CC ……………………… unemployment.

3. Compare the two measures of unemployment in the UK:

LFS: ………………………………..	CC: ………………………………..
Each ……………:…………….. survey	Each …………..:…………….. survey
Based on …………………….:……………..	Based on ………. who ……………………………..
Using the ………… definition of unemployment	Only …………………. claiming ………………. are recorded

4. Quote advantages and disadvantages of the two measures of unemployment:

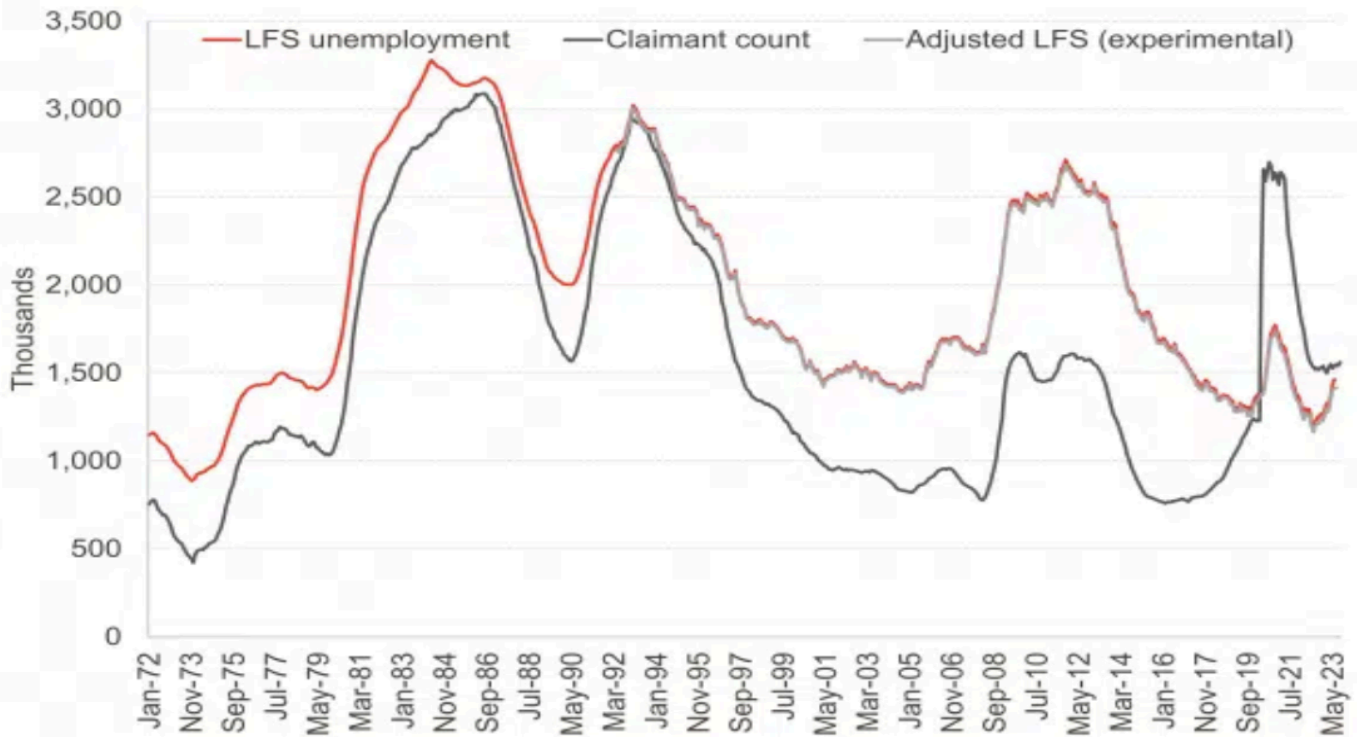|	Advantages	Disadvantages
LFS	Easy ………………... to LFS from those of foreign countries because LFS definition is very close to the ………. one	Updating data ……….. frequently: a quarterly survey.
CC	Getting data ………………: a monthly survey	Understating unemployment because of counting only ……………….

SUMP UP

Unemployment is measured in two different ways in the UK:
1. The **claimant count** (CC) measures unemployment as the total number of people ……….. working and …………….. Jobseeker's Allowance (JSA).
2. The **Labour Force Survey** (LFS) measures unemployment by conducting a sample ……….. of over 100,000 people every ……….. months. This is the government's official measure of unemployment and compares directly to data collected from all countries according to the …………………… …………………… …………………… (…….). The LSF measure therefore allows economists to judge economic …………………… in the labour market against other economies.

B. ... involve different data

2. In the UK

1. How many people are roughly unemployed in May 2023, according to:
   - the LFS: ………………………………………………………………………….
   - the CC:…………………………………………………………………………..

2. Why do the two measures of unemployment differ so much?
……..
……..
……..
……..
……..
……..

2. In France

Document 4: Unemployed people in France

- ▬ Chômeurs BIT
- ▬ Demandeurs d'emploi en fin de mois, catégorie A
- ▬ Écart DEFM catégorie A, chômeurs BIT
- ▬ Chômage BIT et halo autour du chômage

en milliers
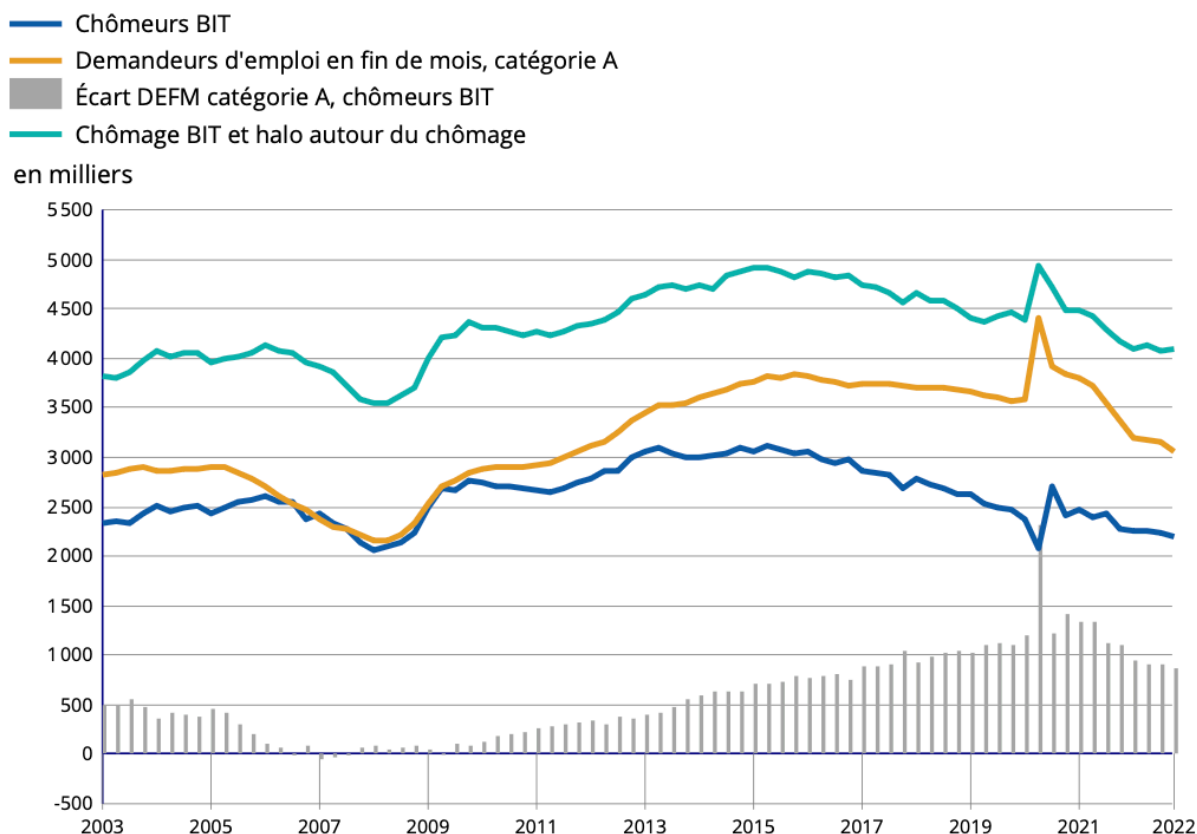
Champ : personnes vivant en logement ordinaire (chômeurs au sens du BIT), ensemble de la population y compris les personnes vivant en collectivité (inscrits en catégorie A);
France hors Mayotte.
Sources : Pôle emploi-Dares, STMT; Insee, enquête Emploi 2022, séries longues sur le marché du travail

1.   Fill in the text:

Catégorie A: people who are both out of work and seeking actively a job.

Insee: The measure is very close to the ILO measurement.

Recap the criteria. People who are able to work (conventionally over 15 and more) who are:
- Out ………. not even an hour during the week
- Actively …………… work during the month
- …………….. to start work within a fortnight.

Pôle emploi / France Travail from 2024: Jobseekers who are registered and receiving or not allowances/ benefits.

2. How many people are unemployed at the fourth quarter 2022 according to:
- Insee / ILO: ……………………………………
- DEFM / Catégorie A: ………………….. ;
- Calculate the gap: ………………………………………………………………..

3. Quote the main difference between the CC and "Pôle emploi" measure of unemployment.

……
……

Sum'up:

Comparison of unemployment measurement between the UK and France:
- Insee and LFS have the ………… measure of unemployment using the ………. Definition;
- However, the calculation of the number of jobseekers differs: in the UK the claimant count records only the JSA (and whose getting Universal-credit from 2013) whereas "Pôle emploi"/ "France Travail" in France counts any jobseekers …………. or ………… unemployment benefits.

II. Types of unemployment

1. Fill in the blanks, then match each type of unemployment to one or plus examples.

Frictional Unemployment

> During the Great Depression, the unemployment rate surged as high as …………%. That means ……….. out of …………. people were willing and able to work, but could not find work

> A student starts seeking work, hence he has the education and …….. necessary to start a ……..

Structural Unemployment

> A job every December dressing up as a Santa Claus and attending parties on Wall Street. Once Christmas is over, your Santa Claus job, of course, ……………………. as quickly as the salmon he enjoyed at the party.

Seasonal unemployment.

> A short-term contract engineer, who seeks a new position every 6 to 18 months, as his/her contract ……………….. This person has the skills to move to a new contract position.

Cyclical Unemployment

> With the passage of NAFTA, the US lost a lot of ……….-collar, factory-type jobs, but gained ………….-collar jobs. Workers laid off from their factory jobs couldn't very well apply right away for high-tech job; they would need to go back to …………… for a whole new type of training and education. Some who got laid off were older workers, who were not interested in going back school at all.

2. Give the main difference between:

- the frictional and structural unemployment:

- the seasonal and cyclical unemployment:

3. Complete the text presenting each type of unemployment.

Cyclical Unemployment

Over time, the economy experiences many ups and ……………… That's what we call **cyclical unemployment** because it goes in ……… Cyclical unemployment occurs because of these cycles. When the economy enters a recession, many of the jobs …. are considered cyclical unemployment

Frictional Unemployment

Frictional unemployment occurs because of the normal turnover in the labour market and the …….. it takes for workers to find new jobs. Throughout the course of the year in the labour market, some workers ………. jobs. When they do, it takes time to ……………potential employees with new employers. Even if there are enough workers to satisfy every job opening, it takes time for workers to learn about these ……..job opportunities, and for them to be considered, interviewed and hired.

Structural Unemployment

Let's talk about **structural unemployment** occurs because of an absence of …………. for a certain type of worker. This typically happens when there are mismatches between the ……… employers want and the ……… workers have. Major advances in technology, as well as finding ………. costs of labor overseas, lead to this type of unemployment.

When workers lose jobs because their skills are ………….. or because their jobs are ……………. to other countries, they are structurally unemployed. It's structural unemployment because the structure of the economy has changed, not because of the regular ups and downs of it.

Seasonal unemployment.

Seasonal unemployment happens when the structure of the economy changes from …………. to ……………… Some jobs close down because the seasons ……………..

SUM UP

Let's summarize what we talked about in this lesson. There are three main types of unemployment: cyclical, frictional and structural.

 Cyclical unemployment occurs because of the ……… and …………. of the economy over time. When the economy enters a …………………, many of the jobs lost are considered cyclical unemployment.

 Frictional unemployment occurs because of the normal …………. in the labour market and the ……….. it takes for workers to find new jobs.

 Structural unemployment occurs because of an ……………. of demand for a certain type of worker. This typically happens when there are mismatches between the skills …………… want and the skills that …………… have.

 Seasonal unemployment is a type of structural unemployment that happens when the structure of the economy …………from month to month. Some jobs close down because the ……….. change. When workers lose their jobs because of this, it's considered seasonal unemployment.

III. Keynesian unemployment versus Classical analysis

Text 1: Cyclical, Keynesian or demand-deficient unemployment

In the inter-war years in the 1920s and 1930s, John Maynard Keynes argued that deficient aggregate demand was the main cause of persistent mass unemployment in the UK economy. Pre- Keynesian economists (free market) did not accept this explanation. They believed that although deficient demand can occur in the economy, the resulting cyclical unemployment (as they called it) would quickly be eliminated by the self- regulating nature of market forces.

To explain the difference between the pre-Keynesian and Keynesian views on the deficient-demand in the economy, we must introduce Say's Law, named after an early 19th century French economist, Jean- Baptiste Say. In popular form, Say's Law states that supply creates its own demand. Whenever an output, or supply, is produced, factor incomes such as wages and profits are generated that are just sufficient, *if spent,* to purchase the output at the existing price level, thereby creating a demand for the output produced. States thus, there is nothing controversial about Say's Law, it is really a statement that is true by definition.

The controversial and critical issue concerns whether the *potential* demand or incomes generated are *actually* spent on the output produced. The pre-Keynesians believed that the incomes are spent and that Say's Law holds. Keynes argued that under some circumstances incomes are saved and not spent and that Say's Law breaks down and the resulting deficient demand causes unemployment.

A2 Economics, Philip Allan Updates 2009.

Questions:

1. What is the difference of view on cyclical unemployment between the free-market economists and Keynes.

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2. Fill in the diagram, thus state in your own words Say's Law.

SAY'S LAW

....
....
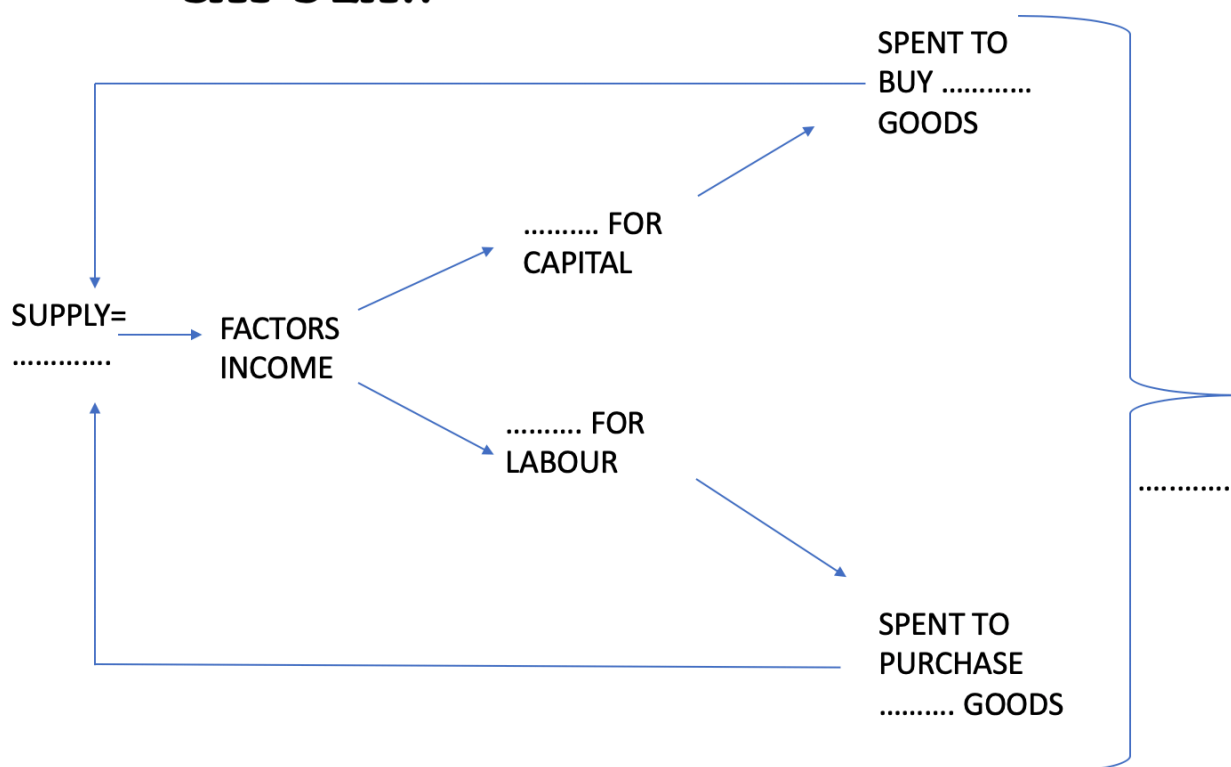
3. How Keynes explains unemployment from Say's Law?

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Text 2: Classical or real-wage unemployment

Before the Keynesian area, economists believed that a large part of the high level of unemployment in the 1920s and 1030s was caused by excessively real wages in labour markets, which were insufficiently competitive for market forces to eliminate the problem. In recent years, the view that a large part of modern unemployment in the UK, especially youth unemployment, has been caused by too high a level of real wages has been revived by free-market and supply-side economists.
Assuming now the average real wage in the economy is w 1 rather than w. fe (Figure 1). At his wage, unemployment occurs.

Figure 1
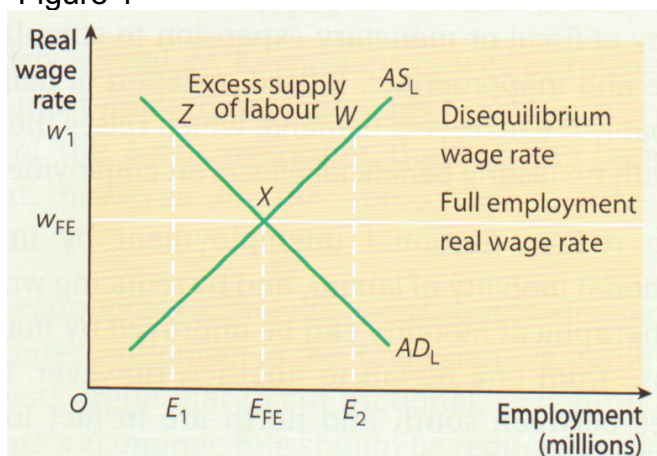
AS L : ....

AD L : ....

W FE : ....

E FE : ....

W 1 : ....

A2 Economics, Philip Allan Updates 2009.

Questions:
1. Fill in the definitions of the followings:
Real wage: wage is .... inflation
Supply-side economists: interpreted narrowly, their policies focus on the role of tax cut in .... personal incentives. Broadly, their policies aim at improving the ability of the economy to produce and supply more ....

2. What happens at W1 in figure 1?
....
....

3. How do free market forces solve unemployment?
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4. Find out at least 2 types of labour market rigidities which prevent any fall of real wage.
....
....
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....

SUM UP

Fill in the blanks in the table below:

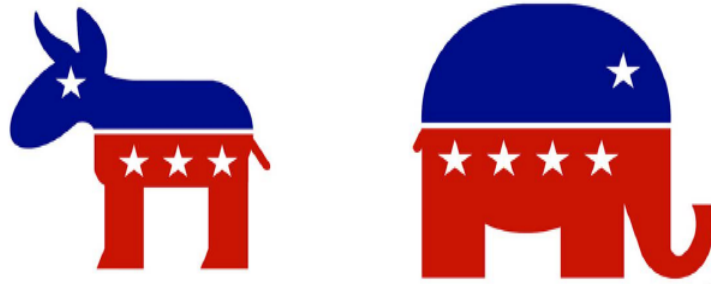| Unemployment analysis	Keynesian	Classical
Type of unemployment	……………………… unemployment	……………… unemployment
Cause of unemployment	The unemployment is caused by a continuing ………. of effective aggregate …………. in the economy resulting of a massive market …………...	It is a form of ………………… unemployment that occurs when the aggregate labour market fails to clear. This is caused by real wage rates being too ……… due to ……………… in the market such as ………… ……………... intervention or …………… …......
Policies to reduce unemployment	The market failure can only be cured by ……………… policies to modify the market and make it function better. More specifically, an increase of Government ……………... should stimulate aggregate demand (e. g carrying out public …………………..and creating public ………) in order to reduce unemployment.	The state economic role should be ……………… rather than ………………….. Obeying the dictum, 'markets and not government create full employment', the government's role should be to set the market ……….., i.e. to eliminate any …………. in the labour market.

To conclude on unemployment
Pros or cons in extending unemployment benefits?

Extending unemployment benefits is a controversial economics issue.
In the USA, points of view are opposite between the two main Parties: Democrat and Republican.
Before presenting the debate on this issue, we will introduce the headline for each party.

Step one: Recap who are the democrats and the Republicans in the USA.

➔ **Mean features of each party**

	Democrat	Republican
Philosophy	Liberal, left-leaning	Conservative, right-leaning
Traditionally strong in states	California, Massachusetts, New York	Oklahoma, Kansas, Texas
Symbol	………………………	………………………………
Color	Blue	Red
Founded	1824	1854
Website	www.democrats.org	www.gop.com
Famous Presidents	Franklin Roosevelt, …………………………………., Woodrow Wilson, ……………………, Barack Obama	…………………………, Teddy Roosevelt, …………………, …………………………………

According to http://www.diffen.com/difference/Democrat_vs_Republican

➔ **Main proposals for each party**

Liberal ➔ Democrat Party	Conservative ➔ Republican Party
A large majority of liberals' favor: - …………… wage - ……………….. health care. - The legalization of ……….-sex marriage, - ……………… gun control, - Environmental protection laws as well as the ……………. of abortion rights.	Conservatism involves supporting in: - Wages should be set up by the ….. ……….. - free market capitalism, ………. government, - Strong national defense, - …………… regulation and labor unions - Easing on individual rights and justice: ……….. -defense, ……… gun control.

1. Describe each cartoon using both your economic acknowledge and information from the step one.
2. Find out and explain each point of view about extending unemployment benefits.

To conclude on unemployment

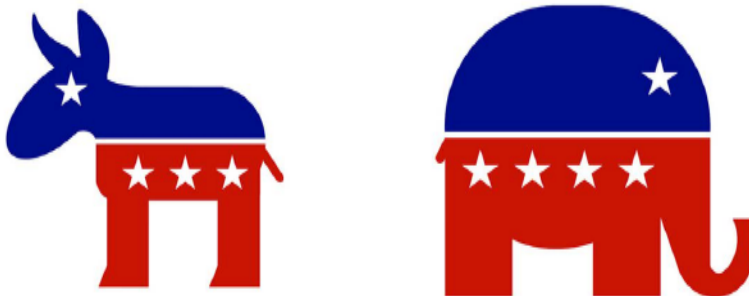Pros or cons in extending unemployment benefits?
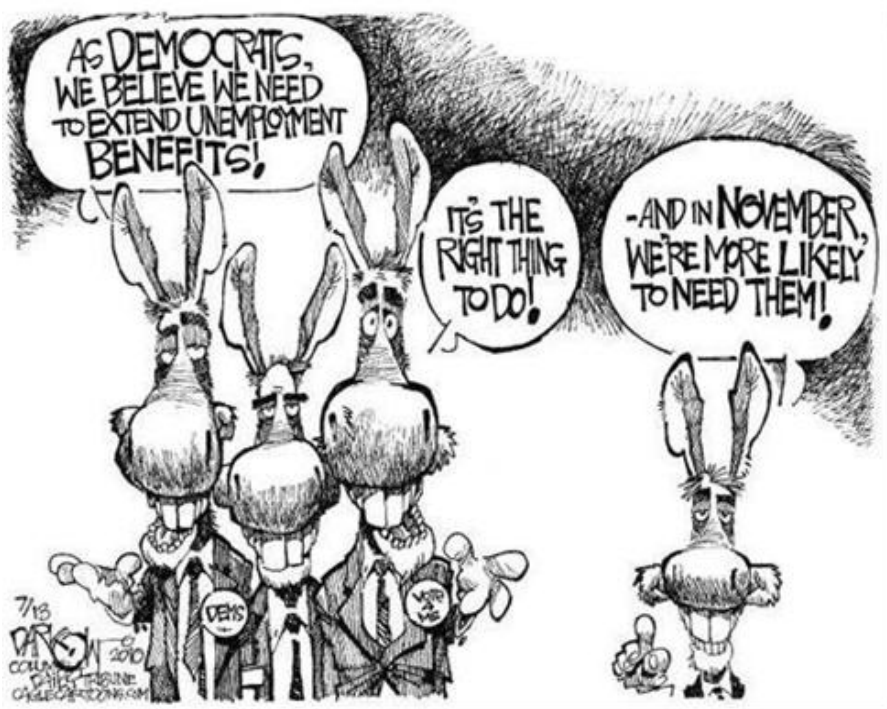
Extending unemployment benefits is a controversial economic issue.
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| **Step one: Recap who, in the USA, are the democrats and the Republicans.** |
| --- |

	Democrat	Republican
Philosophy	Liberal, left-leaning	Conservative, right-leaning
Traditionally strong in states	California, Massachusetts, New York	Oklahoma, Kansas, Texas
Symbol	Donkey	Elephant
Color	Blue	Red
Founded	1824	1854
Website	www.democrats.org	www.gop.com
Famous Presidents	Franklin Roosevelt, John F. Kennedy, Bill Clinton, Woodrow Wilson, Jimmy Carter, Barack Obama	Abraham Lincoln, Teddy Roosevelt, George Bush, Richard Nixon

According to http://www.diffen.com/difference/Democrat_vs_Republican

Step 2: A debate on extending unemployment benefits

3. Describe each cartoon using both your economic knowledge and information from step one.
4. Find out and explain each point of view about extending unemployment benefits.

A debate on extending unemployment benefits
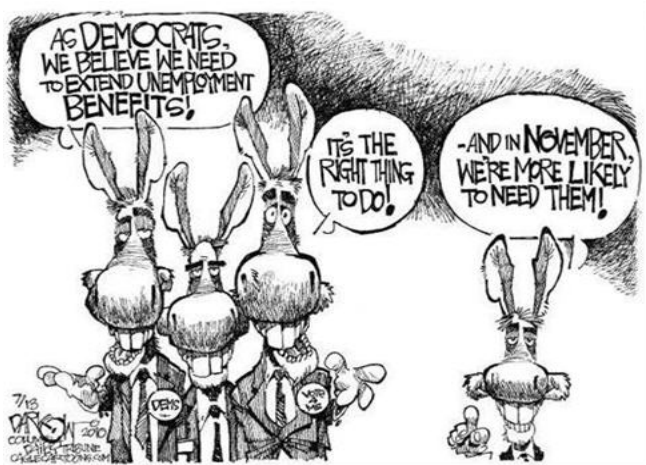
1. The two cartoons address opposite views about extended unemployment benefits between the two main parties in the US: the Democrat party and the Republican party or the Grand old party, G.O.P.
On the first picture we can recognize Democrats through donkeys. Extended benefits are deemed as a crucial issue especially in the context of the General Election which takes place every four years in November in the USA.
By contrast Republicans advocate for cutting any extended unemployment allowances. The second cartoon represents a hospital bedroom with two characters: a jobless patient, lying in a bed and an elephant, symbolizing a Republican, is a doctor. The unemployed man is very weak and sick and he is able to breathe thanks to a machine. But the doctor is cutting off the tube which could make him more dependent. As a result extended benefits can't help the sick man as a jobless.

2. Debate about extending unemployment benefits which means increasing the duration of allowances

> e.g.: Unemployment benefits extensions are federal programs that occurred from 2009 - 2013 that extended unemployment benefits beyond 26 weeks.
> Unemployment benefits were originally created by the Social Security Act of 1935 to allow the millions who had lost jobs due to the <u>Great Depression of 1929</u> to buy food, clothing and shelter.

<u>**Democrats**</u> will want extended unemployment benefits for some reasons:

- Unemployment benefits provide a lifeline to the jobless when they need it most. They give those without jobs enough money to supply the basics of life.

- Unemployment benefits boost economic growth. The government should transfer money to workers who will immediately spend it. This is supposed to increase aggregate demand and stimulate the economy. This theory is a recycled version of Keynesian economic theories.
Unemployed people use the money to buy basic shelter, food, and clothing. As a result, every dollar spent on unemployment benefits stimulates $1.64 in demand. (Source: Moody's Economy.com study)
How can $1 create $1.64? That's because of the ripple effect (contagion). For example, a dollar spent at the grocery store pays for the food. It also helps pay the clerk's salary, the truckers who haul (transport) the food, and even the farmer who grows it. The clerks, truckers and farmers then buy groceries, which pays more staff, and on it goes. This ripple effect keeps demand strong.
As a result, extending benefits permits to sustain the economic growth durably or to prevent the breadlines involved by the depression.

- Conversely, without these benefits, demand would drop. Then retailers would need to lay off their workers, increasing unemployment rates.

- Unemployment benefits help tide people over until they can get a job. Extending benefits will permit matching employers and employees' jobs needs.

<u>**Republicans**</u> will whish cutting off unemployment benefits for the following:

- They commonly point to the deficit. The downside (disadvantage) of unemployment benefits is that it can, like any other <u>government spending</u>, increase <u>budget deficits</u>, and add to the government debt. More broadly, conservatives look for a less state' role in the economy and they aim for an equilibrium budget.

- According to GOP, **employment benefits breeds (generates) unemployment. Because** unemployment benefits simply offer an incentive to remain unemployed. Unemployed individuals may be discouraged from searching for a job (or taking certain jobs right away) if unemployment benefits are extending. They might be more dependent on government spending because of a longer duration of allowances that disincentives to go back to work. For instance, generous or lengthy jobless benefits in Europe artificially inflate the unemployment rate. Consequently, extended unemployment benefits cause workers to remain unemployed longer.

- Unemployment benefits are ineffective: unemployment insurance doesn't help workers gain new skills or move to areas with jobs.
- Any stimulus from unemployment insurance benefits will be counteracted by the anti-stimulus of the higher taxes needed to pay for them. Hence, tax increases harm job creation.

A debate on extending unemployment benefits
CORRECTION

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- Unemployment benefits are ineffective: unemployment insurance doesn't help workers gain new ………….. or move to areas with jobs.

- Any stimulus from unemployment insurance benefits will be counteracted by the anti-stimulus of the higher taxes needed to pay for them. Hence, tax increases harm ……….. creation.