

# Unemployment

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REF. Chapter 29.B (pp. 595-605)

# INTRODUCTION TO MEDIA LAW

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### **Monday, October 16, 2023**

10 AM - 1 PM, Room 12

and

3 - 5 PM, Room 12

### **Tuesday, October 17, 2023**

10 AM - 1 PM, Room 12

and

3 - 5 PM, Room 12

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### **2 ECTS-CFU credits for IECOLS and LMG/01 students**

In order to obtain the credits, students must register for the activity using the same procedure as for the exams (ESSE3), and attend the entire seminar.

**N.B.: the students who already obtained the ECTS credits for the same teaching activity in the Academic Year 2022/23 (Introduction to Media Law - Code C11441) will NOT get credits for this seminar.**

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For further information, please contact prof. Alessio Bartolacelli  
alessio.bartolacelli@unimc.it

<https://giurisprudenza.unimc.it/it/site-news/eventi/introduction-to-media-law-3>

# **First intermediate test**

## **27 October**

**Students must register on  
ESSE3**

### **TIME**

**Surname A-L: 09,00 - aula 9**

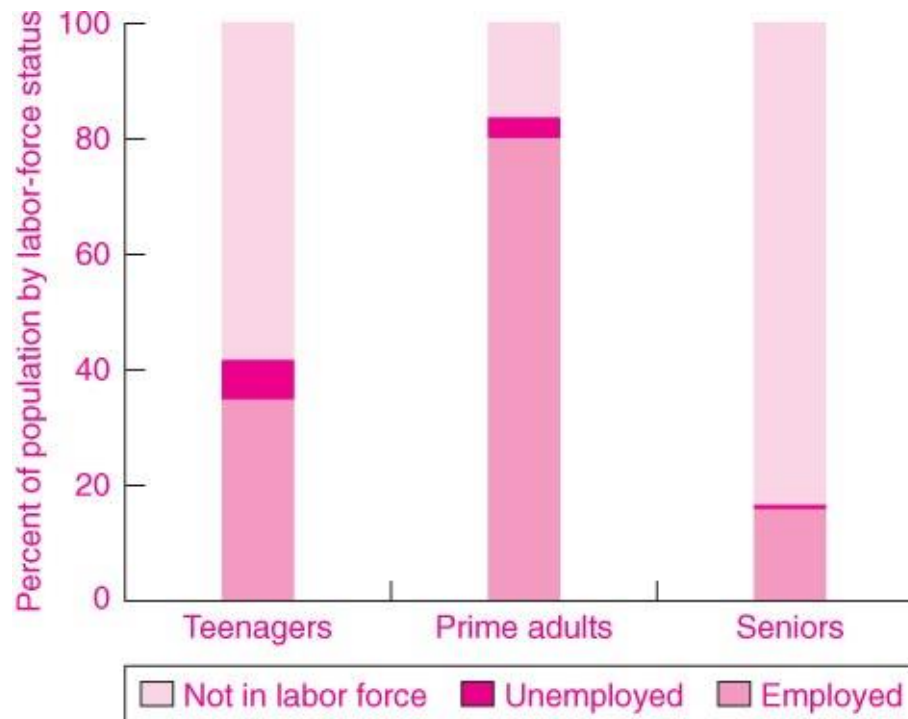
**Surname M-Z: 13,00 - aula C**

# Schedule of the lectures a.y. 2023/24

Day	Time	Hours	Topic	Reference
Fri 22 sept	09,00 - 11,00	2	Course introduction; introductory concepts	ch. 1 and 2
Fri 22 sept	13,00 - 16,00	3	The market: definition, demand, supply, equilibrium	ch. 3
Fri 29 sept	09,00 - 11,00	2	Introduction to macroeconomics	ch. 19.A
Fri 29 sept	13,00 - 16,00	3	National accounts	ch. 20
Fri 06 oct	09,00 - 11,00	2	The aggregate supply and demand (AD-AS model)	ch. 19.B, 22.A, 22.B
Fri 06 oct	13,00 - 16,00	3	Exercises aggregate supply and demand	other material
Fri 13 oct	09,00 - 11,00	2	Unemployment	ch. 29
Fri 13 oct	13,00 - 16,00	3	Inflation	ch. 30
Fri 20 oct	09,00 - 11,00	2	Money and the financial system	ch. 23
Fri 20 oct	13,00 - 16,00	3	Monetary policy and the economy	ch. 24
Fri 27 oct	09,00 - 11,00	2	<b>First intermediate test</b>	
Fri 27 oct	13,00 - 16,00	3	<b>First intermediate test</b>	
Fri 03 nov	09,00 - 11,00	2	Production and business organization	ch. 6
Fri 03 nov	13,00 - 16,00	3	Analysis of costs	ch. 7
Fri 10 nov	09,00 - 11,00	2	Perfect competition	ch. 8
Fri 10 nov	13,00 - 16,00	3	Monopoly, Oligopoly and monopolistic competition	ch. 9 and 10
Fri 17 nov	09,00 - 11,00	2	Industrial policy	other material
Fri 17 nov	13,00 - 16,00	3	Industrial policy	other material
Fri 24 nov	09,00 - 11,00	2	Case studies	other material
Fri 24 nov	13,00 - 16,00	3	Case studies	other material
Fri 01 dic	09,00 - 11,00	2	<b>Second intermediate test</b>	
Fri 01 dic	13,00 - 16,00	3	<b>Second intermediate test</b>	

# Unemployment: main definitions

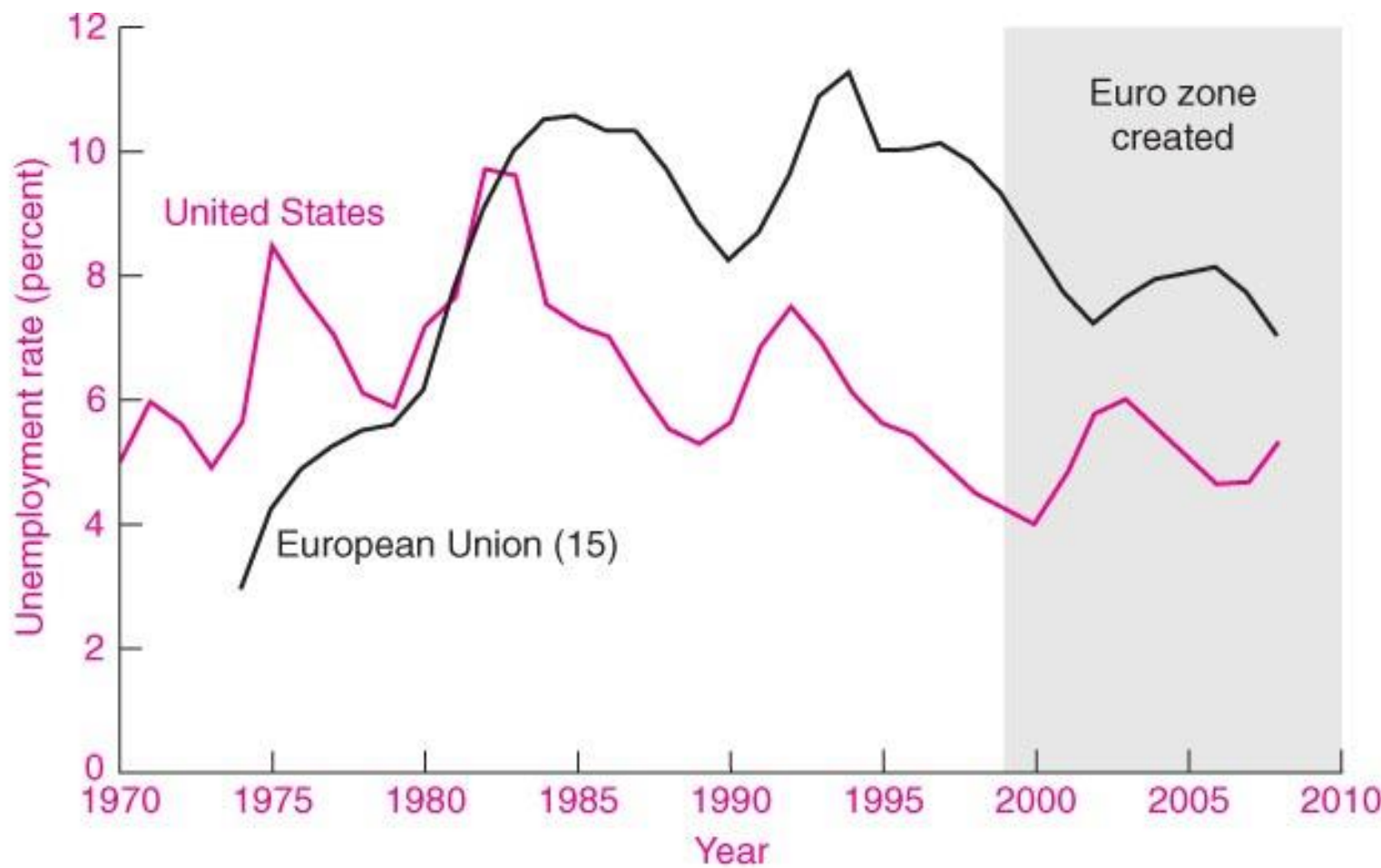
- **Employed.** People who perform any paid work, as well as those who have jobs but are absent from work because of illness, strikes, or vacations.
- **Unemployed.** Persons are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. An important point to note is that unemployment requires more than being without a job—it requires taking steps to find a job.
- **Labor force.** This includes all those who are either employed or unemployed.
- **Not in the labor force.** This includes people retired, too ill to work, or simply not looking for a job (around 34 percent of the adult population).
- The **unemployment rate** measures the fraction of the labor force that is looking for a job but cannot find it. Unemployment rises in business-cycle downturns and falls during expansions.



**FIGURE 29-4. Labor-Force Status of the Population, 2007**

How do Americans spend their time? This figure shows how **teenagers** (ages 16 –19), **prime-age adults** (ages 25 –54), and **seniors** (65 and older) divided their time among employment, unemployment, and not in the labor force. Many young workers are out of the labor force and in school, while most older workers are retired.

# Unemployment



**FIGURE 29-10. Unemployment in the United States and Europe**

While unemployment has remained low in the United States, European unemployment has risen sharply over the last two decades. Many believe that the rising unemployment was due to **labor market rigidities**. With the introduction of the Euro and the integrated European Central Bank in 1999, European unemployment has declined gradually.

# Consequences of unemployment

- Unused production capacity (waste of resources, inefficiency)
- Loss of production and wealth
- Social consequences (human and psychological; inequality)

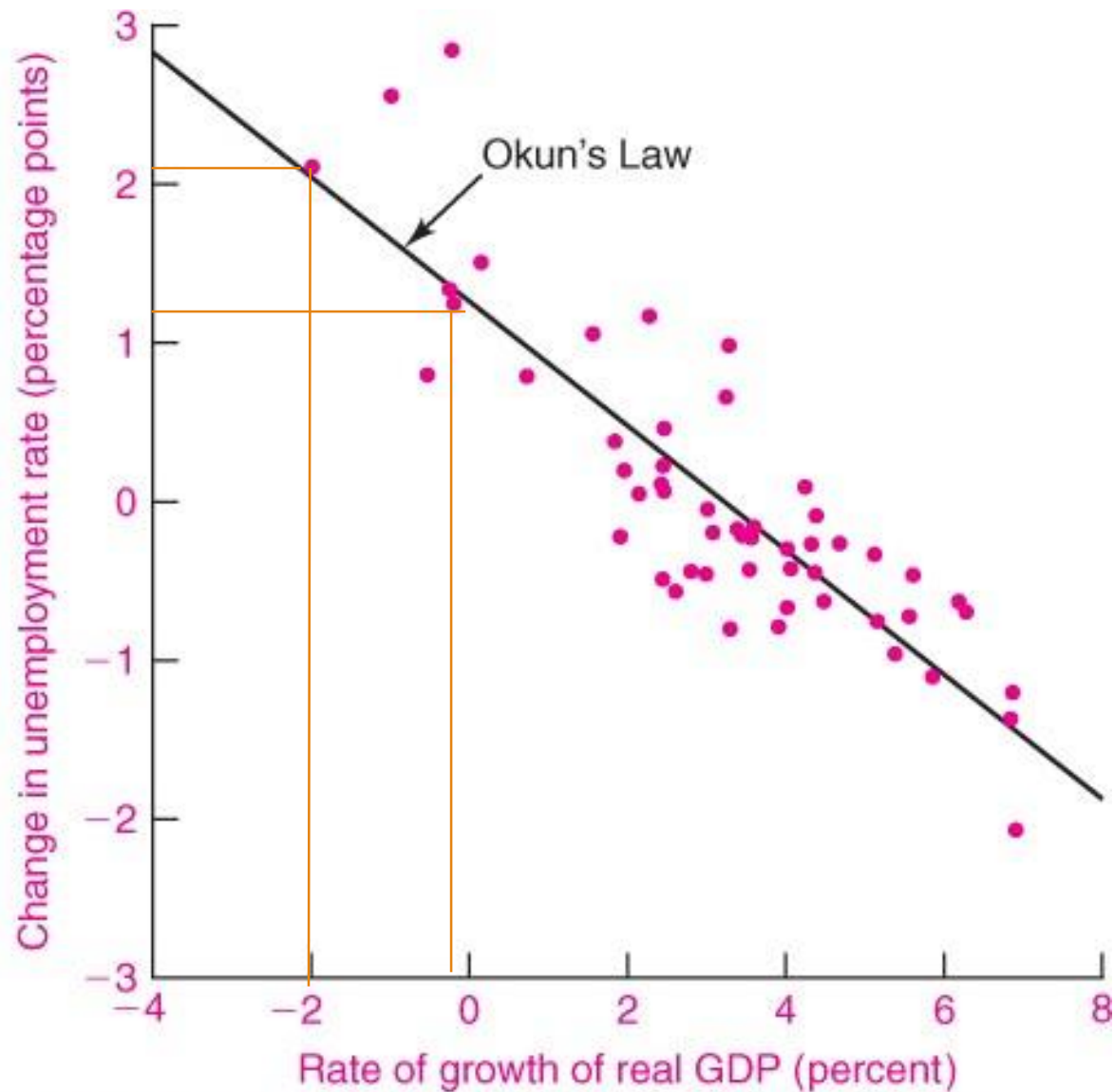


# Okun's Law

Okun's Law states that for every 2 percent that **GDP** falls relative to **potential GDP**, the **unemployment** rate rises about 1 percentage point (and vice versa).

N.B. If you want to bring the unemployment rate down, you need to have actual GDP grow faster than potential.

# Okun's Law



**FIGURE 29-5. Okun's Law Illustrated, 1955–2007**

# Types of unemployment

## 1. Equilibrium unemployment (frictional unemployment)

It arises when people become unemployed voluntarily as they move from job to job or into and out of the labor force. This is also sometimes called *frictional unemployment* because people cannot move instantaneously between jobs.

E.g.: Someone working at the local hamburger stand might decide that the pay is too low, or the hours are too inconvenient, and quit to look for a better job.

## 2. Structural unemployment

Structural unemployment is a **mismatch between the supply of and the demand** for workers. Mismatches can occur because the demand for one kind of labor is rising while the demand for another kind is falling and markets do not quickly adjust. We often see structural imbalances across occupations or regions as certain sectors grow while others decline. For example, an acute shortage of nurses arose recently as the number of skilled nurses grew slowly while the demand for nursing care grew rapidly because of an aging population.

## 3. Cyclical unemployment

It exists when the overall demand for labor declines in business-cycle downturns, as described in the Keynesian business-cycle theory. For example, in the major recession of 2007–2009, the demand for labor declined and unemployment rose in virtually every industry and region.

# The causes of unemployment

Many studies show that unemployment occurs because wages are **not flexible** enough to balance the labor market (**sticky wages**).

The "price" of "labor" would not be able to quickly adapt to changes in supply and demand (that is an anomaly compared to other markets).

With "inadequate" level of wages **involuntary unemployment** is created (because wages are either too high compared to their equilibrium level for companies to be payed or too low for workers to be accepted)

# The causes of unemployment

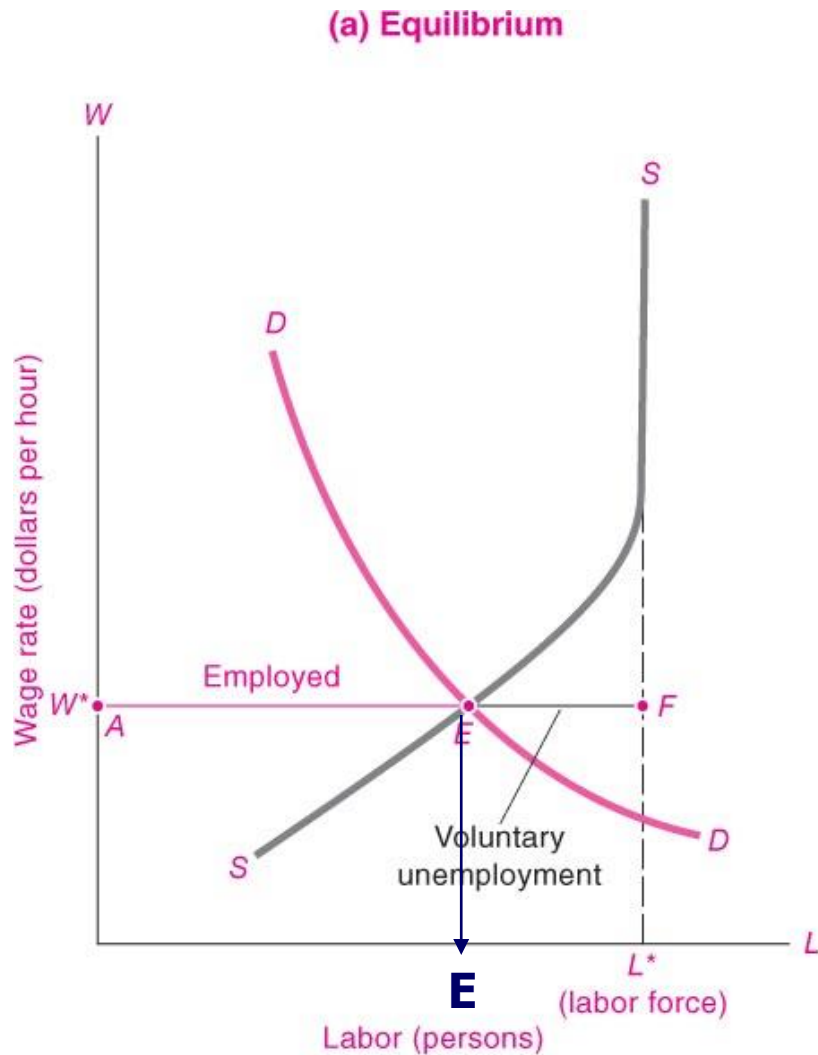


FIGURE 29-6. Equilibrium vs. Disequilibrium Unemployment

$D$  = labor demand of firms  
 $S$  = labor supply by workers. Once the full employment of the workforce has been reached ( $F$ ), supply cannot increase (inelastic) even if wages increase.

$L^*$  = total workforce

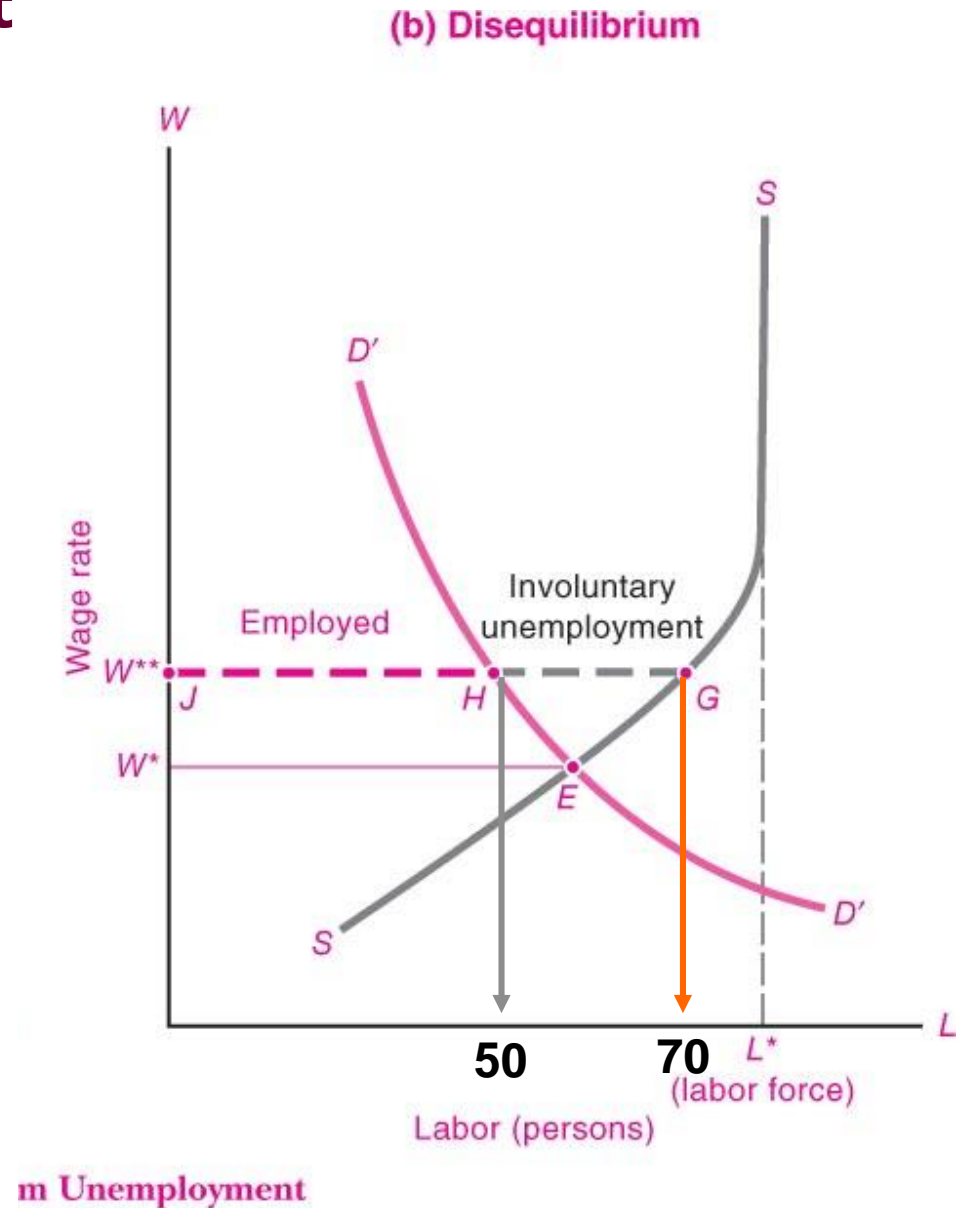
If wages are perfectly flexible, they quickly adjust to balance labor supply and demand (in point  $E$ ).

The  $E$ - $F$  segment represents members of the workforce who would like to work but only at a higher wage rate. All the **unemployment** found on the market is **voluntary**.

# The causes of unemployment

With **rigid wages (sticky wages)**, if the wage is higher than the equilibrium one, companies hire fewer workers (J-H) than those that would like to work (J-G).

Involuntary unemployment is created (H-G).



# The causes of unemployment

The main causes behind **wage rigidity** are:

- existence of **minimum wage laws**, which prevent wages from falling;
- strong role of **trade unions** and **collective bargaining**. Unionized wages are not determined by the balance between supply and demand, but by bargaining between the representatives of the trade unions and those of the companies;
- “**Efficiency wage theories**”. Wages are kept by companies at high levels, to make workers more productive (ensure good health of the workforce). The turnover of workers is reduced, the best workers are attracted, commitment is stimulated, etc ...