

STUDY PAPER NO. 6

THE EXTENT AND NATURE OF FRICTIONAL UNEMPLOYMENT

SUMMARY

This report summarizes an attempt to identify and measure some of the types of frictional unemployment which must be expected even in periods of prosperity. The focus of this study was the period 1955-57, years of relatively full employment on the whole. Some of the principal findings are as follows:

1. The continuing entry of new workers into the labor market (including those who reentered after a period of absence) accounted for about 20 percent of the unemployed (ch. II). In the 1955-57 period, most new entrants were finding jobs after a relatively brief search.

2. Voluntary shifting from one job to another (job mobility) accounted for roughly 10 percent of the unemployed (ch. III). Persons changing jobs had a very high rate of unemployment (one in three) but only a small proportion of the work force (4 percent) was involved in such shifting at all.

3. Seasonal fluctuations in employment accounted for an estimated 20 percent of the unemployed (ch. IV). It is likely that the percentage would have been slightly higher had more detailed data been available to measure this factor.

4. Changes in the composition of the labor force affected the composition of the unemployed but were an almost negligible factor in the slight rise in the overall unemployment rate since the early postwar period. These changes will play a more prominent role during the 1960's.

5. A more significant factor was the tendency for the rate of unemployment to rise among workers in goods producing industries. These changes have raised unemployment by about 8-10 percent in the decade following World War II (ch. V).

There remain, of course, significant components of unemployment that have not been measured. For example, there is the problem of geographic pockets of unemployment (distressed areas) which will be the subject of a future report. There are also numerous short-term dislocations, e.g., secondary effects of labor disputes, which have not yet been measured systematically for the labor force as a whole. There may be a group of relatively unskilled or otherwise less employable persons who, except in periods of acute labor shortages, tend to become unemployed repeatedly during the course of a year. These and other aspects of the unemployment problem will have to be explored in future research.