

2 EXTENT AND NATURE OF FRICTIONAL UNEMPLOYMENT

A more detailed discussion of the focus and results of the present study is included in the introductory chapter which follows.

INTRODUCTION

It has been generally recognized that some unemployment is unavoidable in a free market economy where employers and workers are constantly adjusting to changes in the level and structure of demand and to opportunities for employment or increased income. This so-called frictional unemployment is in contrast with the cyclical unemployment resulting from periodic generalized dislocations between production and effective demand.

Frictional unemployment may be defined as that level of joblessness that could not be reduced significantly in the short run by increased aggregate spending. At this level of employment and unemployment, increased demand would theoretically result in heightened inflationary pressure rather than increased employment and reduced unemployment.

The acceptance of the fact of an unavoidable minimum level of unemployment in our economy raises the inevitable question of what that level ought to be. Federal Government action to minimize unemployment without unduly stimulating inflationary pressures demands, as a prerequisite, as complete an understanding as possible of the nature of frictional unemployment. This is especially true since frictional unemployment is not a single form of unemployment, but rather a complex of many factors—economic, institutional, and personal.

An extremely important portion of frictional unemployment is a direct result of seasonal fluctuations in employment, which reflects the effects upon both production and distribution of weather, crop cycles, model changeovers in industry, holidays, etc. A second form of frictional unemployment results from the tremendous movement into and out of the labor force each month. A third source of frictional unemployment is the very high degree of mobility between jobs in the American labor force.

Frictional unemployment has been popularly identified with short-term unemployment. Also included, however, may be unemployment of a longer duration associated with long-term declines in occupations, industries, and areas, reflecting the development of new products, changing tastes, developing technology, etc.—sometimes called structural unemployment. This is a form of long-term frictional unemployment. However, to complicate identification and estimation even further, long-term unemployment is not necessarily a function exclusively of structural changes in the economy. It may also be associated with personal characteristics of workers, such as age, color, sex, education, physical condition, and so forth.

Our present system for collecting employment and unemployment statistics, although relatively comprehensive and technically refined, is not currently designed to include inquiries of employees as to the reason for layoff or unemployment. It is doubtful that respondents would have the knowledge to provide an answer, even if asked. This is especially true in the case of continuing unemployment. Whereas a person might know the specific reason for his having become unemployed, it probably would be impossible for him to provide a meaningful answer as to why he continued to be unemployed, since this depends