

Learning Objectives

Chapter 28

In this chapter you will

- Learn about how to define unemployment
- Learn about the data used to measure the amount of unemployment
- Get an overview of unemployment in the EU
- Learn about the main causes of unemployment including:
 - Considering how unemployment can result from minimum wage laws
 - See how unemployment can arise from bargaining between firms and unions
- Examine how unemployment results when firms choose to pay efficiency wages

You should be able to

- Use data on the number of employed, unemployed, and not in the labour force to calculate the unemployment rate and the labour force participation rate
- Explain why some unemployment is inevitable
- Illustrate in a diagram the impact of the minimum wage on high wage and low wage sectors
- List the reasons why unions cause unemployment and, alternatively, why unions might increase efficiency in some cases
- Describe the four reasons why firms may choose to pay wages in excess of the competitive wage