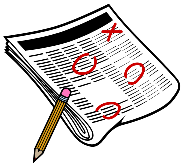
Name:
Period:



Types of Unemployment

There are four types of unemployment:

- *Frictional unemployment* includes people who are temporarily between jobs. They may have quite one job to find another, of they could be trying to find the best opportunity after graduating from high school or college.
- *Cyclical unemployment* is caused by too little spending in the economy. People are not buying many goods and services, so workers are laid off. Cyclical unemployment rises in recession.
- *Structural unemployment* involves mismatches between job seekers and job openings. Unemployed people who lack skills or have a poor education are structurally unemployed.
- *Seasonal unemployment* affects workers who have worked during the past year but are unemployed during other parts of the year due to changes in the weather.

****At full employment, we have frictional, structural, and seasonal unemployment, but cyclical unemployment would be zero.

<u>For each of the following situations, fill in the blank with they correct type of unemployment.</u>

1. A Wisconsin construction worker cannot find work in the winter. ___________
2. A computer programmer is laid off because of a long recession. ___________
3. A literary editor leaves her job in New York to look for a new job in San Francisco. ___________
4. An unemployed college graduate is looking for his first job. ___________
5. Slumping sales lead to the cashier being laid off. ___________
6. Advances in technology make the assembly-line worker's job obsolete. ___________
7. A high school dropout lacks the skills necessary for a particular job. ___________
8. An individual refuses to work for minimum wage. ___________
9. Workers are laid off when the local manufacturing plant closes because the product made there isn't selling. ___________
10. A glass blower becomes unemployed when a new machine does her job faster. ___________

And So On ...

One layoff ripples through the community, and around the world. Where will it stop?

BY BEN CASSELMAN
THE WALL STREET JOURNAL

The recession hit Chuck Smith on May 30, 2008, just after lunch.

The 42-year-old father of four was in his small office near Dallas when his boss walked in and closed the door. The boss' troubled look gave away the news.

Mr. Smith knew trouble was coming. **Metrostudy**, the housing-market research firm where he worked, had seen its business decline along with the home-building industry, eliminating the need for consultants like Mr. Smith.

But the layoff also launched a series of other actions that have rippled through the economy in unexpected ways, affecting the lives of individuals and companies in the Dallas area and across the ocean.

SHOPPING AT HAROLD'S

After the layoff, the Smiths sat down at the kitchen table one evening to crunch the numbers. The math wasn't pretty. Mr. Smith had earned about $90,000 at Metrostudy. His wife, Kimberly, earns about the same at a retail marketing firm, and would have to support the family. They concluded that they needed to cut their spending nearly in half.

The Smiths weren't unusually lavish spenders, but they rarely stopped to think before spending money: new computers at Christmas, new videogames for the kids' birthdays, a new car at the first sign of trouble from the old one. If the money in the checking account wasn't enough to cover it, well, that's what credit cards were for. They accumulated more than $25,000 in credit-card debt.

But now they realized that carefree spending had to go. Mr. Smith stopped scanning new video releases and buying DVDs that would go unwatched for months. Mrs. Smith stopped shopping at **Harold's**, the clothing store that had been a favorite of hers.

Thousands of other shoppers were making similar decisions to cut back, and the drop in sales sent Harold's, already struggling to compete with larger rivals, underwater. The 60-year-old chain filed for bankruptcy in November, and earlier this year, it closed all 43 of its stores in 19 states.

EATING OUT

Among the employees listening to the grim bankruptcy announcement at Harold's Dallas headquarters on

PHOTO: TOM PENNINGTON FOR THE WALL STREET JOURNAL (THE SMITH FAMILY)

Nov. 7 was Amanda Martin, who had worked for nearly five years at the chain as a merchandise planner.

Ms. Martin knew Harold's had been struggling, but the news still came as a shock. Her husband, Kyle, worked for **Belo**, a local media company that has faced its own recent financial challenges, and was pursuing an M.B.A. degree—a long-term investment they suddenly weren't sure they could afford. So the Martins, like the Smiths, sat down to figure out how to slow their spending.

In the end, the M.B.A. program stayed. But Ms. Martin's weekly shopping trips to **J. Crew** "just to see what's new" did not. Nor did the couple's frequent Wednesday night dinners at **Café San Miguel**.

At Café San Miguel, co-owner and chef Hugo Galvan already had noticed his regular customers were becoming less regular, and when they did come, they weren't ordering as many $7.50 pomegranate margaritas. So Mr. Galvan made savings adjustments of his own, buying less liquor, cutting back orders to his food suppliers and asking kitchen staff to carefully watch portion sizes.

So far, Mr. Galvan has been able to avoid laying off workers, but only by cutting back their hours by as much as eight a week. But that might not be enough.

"Most of my people, they've been with me since the beginning," Mr. Galvan says. "When it gets slow, someone's got to go home early."

THE BABYSITTER

For the Smiths, it was clear that cutting back on impulse purchases wasn't going to be enough to make the numbers balance out.

They took a hard look at one of the biggest expenses after their mortgage: child care. Between day care for their two- and three-year-old children, after-school care for the six- and 10-year-old, and summer programs for all four, the Smiths were set to pay $22,000 in child-care expenses last year. Now, with Mr. Smith free to stay home with the kids, those expenses are gone.

The Smiths' savings are Marty Kidd's loss. Mr. Kidd runs the day-care center where the Smiths had been sending their younger children, and said he has been losing five families a month to the economy as many make alternative arrangements. "Grandmas are coming out of the woodwork," Mr. Kidd says.

The local Boys and Girls Club, which runs the after-school program the Smiths' older kids had attended, is even more vulnerable. Enrollment has fallen 7% in the past year, and almost all the losses came from the 60% of children who pay the full, $180-a-month fee. That has made it hard for the program to pay for the 40% of students who receive financial aid—the needy children the program exists to help.

DIET AND EXERCISE

Some of the Smiths' smallest cuts reached the farthest. One of the first expenses to go was Mr. Smith's $43 monthly membership in **24 Hour Fitness**, a local fitness club. The chain has been trying to cut its own costs as customers scale back. So the company has pressured its own vendors, such as fitness-equipment manufacturer **Precor**, to slash prices. That has hurt profits at Precor and its Finland-based parent company.

Mrs. Smith has been more reluctant to cut out her own fitness spending, $40 sessions with her personal trainer, Kurt Moore. She has reduced them, but she warned Mr. Moore she may have to stop.

Mr. Moore has already lost a pair of customers to the weak economy, and others have reduced their sessions. So Mr. Moore and his wife are watching their spending, putting off plans for a $20,000 addition to their house and thinking twice about having a second child.

By many measures, the Smiths are fortunate. They can cover their mortgage for their modest house. They now buy generic cereal at **Wal-Mart** instead of brand names at **Target**, but they aren't worried about putting food on the table.

And the family has appreciated the one luxury Mr. Smith's layoff does afford: more time together. "We'll make it work," he says. "We have to make it work."

Read the article above and answer the following quesitons below:
1) Why did the Smiths change their spending habits? How did they do it?
2) How have Cafe San Miguel and Chef Hugo Galvan adapted to the economic downturn?