

## Current unemployment: cyclical or structural?

Economists don't just see *unemployment*; they see different kinds of unemployment, two of which are *cyclical unemployment* and *structural unemployment*.

Cyclical unemployment decreases and increases along with the ups and downs of the business cycle's periods of economic growth and recession. Cyclical unemployment due a recession subsides as business gets better, sales pick up, and consumer confidence improves. During a recession, the number of unemployed exceeds the number of job openings, but those without jobs have the experience and skills that employers will want as bust becomes boom.

Structural unemployment is described as resulting from some mismatch between the employers looking to hire and the unemployed seeking jobs—for example, where an “old” industry is in terminal decline while a very different “new” industry emerges. It might be that the number of job openings is large relative to the number of unemployed but that the unemployed lack the skills that employers are seeking. The geographical form of structural unemployment occurs when jobseekers are in one place while job openings are in another.

At any given time, total unemployment is likely to be a combination of both cyclical and structural unemployment (plus a couple of other types of unemployment). Knowing which type of unemployment predominates is important, especially during a time of high unemployment, because each type requires a different remedy. Economists studying labor markets have long sought

methods to distinguish the cyclical from the structural.

In “Recent College Graduates and the Labor Market” (*FRBSF Economic Letter*, Federal Reserve Bank of San Francisco, Mar. 21, 2011), Bart Hobijn, Colin Gardiner, and Theodore Wiles present a way to determine whether structural factors are predominant in the current unemployment rate.

The authors compare BLS unemployment data for recent college graduates with corresponding data for the labor force as a whole. The reason for this comparison is that recent college graduates—being highly (and recently) educated and ready to move for a job—are less likely to be affected by structural factors related to skills and geography. The authors find that the labor market for recent college graduates is just as bad, or even worse, than the labor market for all workers. This finding is taken as evidence that structural factors are not a substantial contributor to current unemployment; in other words, the authors contend that current unemployment is mostly cyclical in nature. A similar analysis of data on part-time work and the earnings of recent college graduates supports this conclusion.

## Male Hispanic immigrants and occupational risk

In recent years, social scientists, policymakers, and mainstream media have noted that Hispanics, especially men, account for a disproportionately large share of workplace fatalities, a trend that began around 1998. What's more, among Hispanics, immigrants account for a disproportionately high percentage

of workplace deaths. The rise in fatalities in the workplace among Hispanics has been attributed partially to low levels of English-language proficiency; with this in mind, professors Alberto Dávila, Marie T. Mora, and Rebecca González have written an article titled “English-Language Proficiency and Occupational Risk Among Hispanic Immigrant Men in the United States” (*Industrial Relations*, April 2011, pp. 263–96) that focuses on whether English-language skills affect the relationship between occupational risk and earnings for male Hispanic immigrants in the United States. In their analysis, the authors use data from the Census of Fatal Occupational Injuries, the Survey of Occupational Injuries and Illnesses, and the 2000 U.S. Census.

There are at least three ways in which English proficiency could affect occupational risk: (1) Limited-English-proficient (LEP) workers may not fully understand safety instructions because of the language barrier. (2) LEP workers could end up in more dangerous jobs because their lack of English proficiency has severely restricted their employment options. (3) The LEP might be, on average, less risk averse than workers with English fluency and might therefore choose riskier jobs in order to make more money.

Dávila, Mora, and González find that LEP Hispanic immigrant men had a significantly higher incidence of fatalities and injuries in 2000 than did Hispanic immigrant men who were proficient in English. The occupational risk experienced by Black American men was similar to that experienced by English-proficient Hispanic men. In addition, the authors find data which they believe

suggest that most LEP Hispanic immigrants with dangerous jobs actually were not pushed into those jobs but instead sought them in order to avoid the lower pay typically associated with weak English skills. By comparing data on Hispanic workers who have U.S. citizenship with data on those who do not, the authors find support for the hypothesis that undocumented workers seek

riskier jobs because they are less risk averse as a group; most of them demonstrated a tolerance for risk by making the typically dangerous illegal trip across the border and into the United States.

The data in the article also show that LEP Hispanic men received greater wages in compensation for unsafe working conditions than English-proficient men (including

Whites and Blacks). The authors speculate that many undocumented workers, a large number of whom are LEP, may be earning a premium in dangerous positions because their employers find it more cost effective to pay them a little more but not have them covered by workers' compensation insurance than to properly report workers' compensation information. □