ECONOMIC CHALLENGES

Economic Challenges

UNEMPLOYMENT

WHAT IS UNEMPLOYMENT?

Take a second and write down what you think unemployment is?

Is it possible to ever have a 0% unemployment rate?
Who is considered unemployed?



WHAT IS UNEMPLOYMENT?

Even in good economic times, unemployment affects millions of Americans. The employment rate provides an important clue to the health of the entire economy.

Measuring Unemployment

employed Any person 16 years old or older (1) who works for pay, either for someone else or in his or her own business for 1 or more hours per week, (2) who works without pay for 15 or more hours per week in a family enterprise, or (3) who has a job but has been temporarily absent with or without pay.

unemployed A person 16 years old or older who is not working, is available for work, and has made specific efforts to find work during the previous 4 weeks.

Measuring Unemployment

not in the labor force A person who is not looking for work because he or she does not want a job or has given up looking.

labor force The number of people employed plus the number of unemployed.

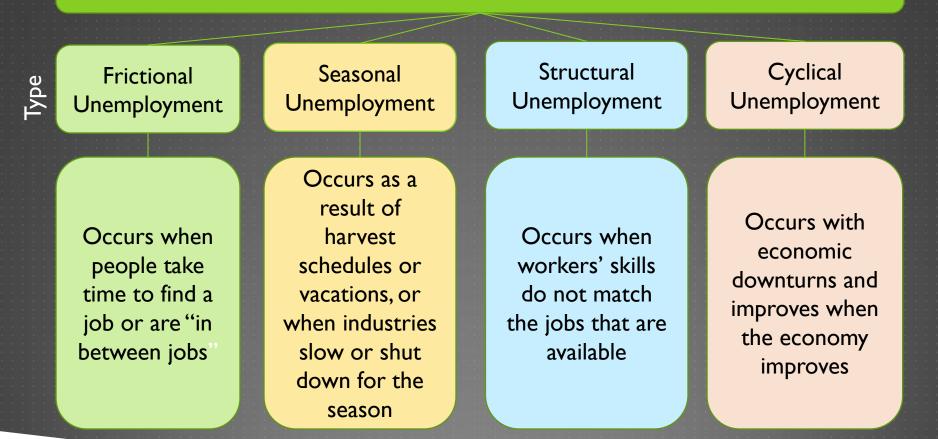
labor force = employed + unemployed

population = labor force + not in labor force

AREYOU UNEMPLOYED!!!????



Types of Unemployment

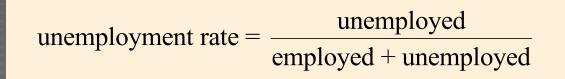


HOW IS UNEMPLOYMENT CALCULATED?

The unemployment rate is calculated by dividing the number of unemployed people by the total labor force and multiplying the result by 100

Measuring Unemployment

unemployment rate The ratio of the number of people unemployed to the total number of people in the labor force.



labor force participation rate The ratio of the labor force to the total population 16 years old or older.

labor force participation rate = $\frac{\text{labor force}}{\text{population}}$

DETERMINE THE UNEMPLOYMENT RATE FOR A MONTH IN WHICH 125.4 MILLION PEOPLE WERE EMPLOYED AND 7.3 MILLION PEOPLE WERE UNEMPLOYED.



7.3/132.7=0.055 0.055×100=5.5

FULL EMPLOYMENT

Full employment means that nearly everyone who wants a job has a job.
But is everyone in those jobs happy with those jobs?

The level of employment reached when there is no cyclical unemployment.

Cyclical Unemployment – Unemployment that rises during economic downturns and falls when the economy improves

UNDEREMPLOYED

Working at a job for which one is overqualified, or working part-time when full-time work is desired.

Components of the Unemployment Rate

Discouraged-Worker Effects

discouraged-worker effect The decline in the measured unemployment rate that results when people who want to work but cannot find jobs grow discouraged and stop looking, thus dropping out of the ranks of the unemployed and the labor force.