

# 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.

# Unemployment

## 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.

# Unemployment

## 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

# ARE YOU UNEMPLOYED!!!????



# Types of Unemployment

Type

Frictional  
Unemployment

Occurs when people take time to find a job or are “in between jobs”

Seasonal  
Unemployment

Occurs as a result of harvest schedules or vacations, or when industries slow or shut down for the season

Structural  
Unemployment

Occurs when workers' skills do not match the jobs that are available

Cyclical  
Unemployment

Occurs with economic downturns and improves when the economy improves



# 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

# Unemployment

## Measuring Unemployment

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

$$\text{unemployment rate} = \frac{\text{unemployed}}{\text{employed} + \text{unemployed}}$$

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

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

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



$$125.4 + 7.3 = 132.7$$

$$7.3 / 132.7 = 0.055$$

$$0.055 \times 100 = 5.5$$

# 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 over-qualified, or working part-time when full-time work is desired.**

# Unemployment

## 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.