

# Goal: Limit Unemployment



Talk to your neighbor about what it means to be unemployed. Are there people without jobs who might NOT be considered unemployed? Why might a person who wants to work not have a job? Are some reasons for unemployment WORSE for the economy than others? Without looking at your phones, what do you think the unemployment rate in the U.S. is today? What about Japan? What might explain the difference?

# Learning targets

- *I can define the labor force, the unemployment rate and the labor force participation rate (LFPR).*
- *I can calculate the unemployment rate and the LFPR.*
- *I can explain how changes in unemployment and labor market affect the unemployment rate and LFPR.*
- *I can compare the unemployment rates and labor force participation rates of the U.S. and Japan and hypothesize explanations for differences in the two countries' data.*

# What Exactly is the Labor Market?



# What is Unemployment?

**Unemployment rate** = The percent of people in the labor force who want a job but are not working.

$$\text{Unemployment rate} = \frac{\# \text{ unemployed}^*}{\# \text{ in civilian labor force}} \times 100$$

To qualify as \*unemployed you must be:

1. Jobless,
2. looking for a job (made an effort to find job in last four weeks), and
3. available for work

# **Who is in the Civilian Labor Force?**

Civilian labor force = Unemployed + Employed\*

# Who is Considered Employed\*?

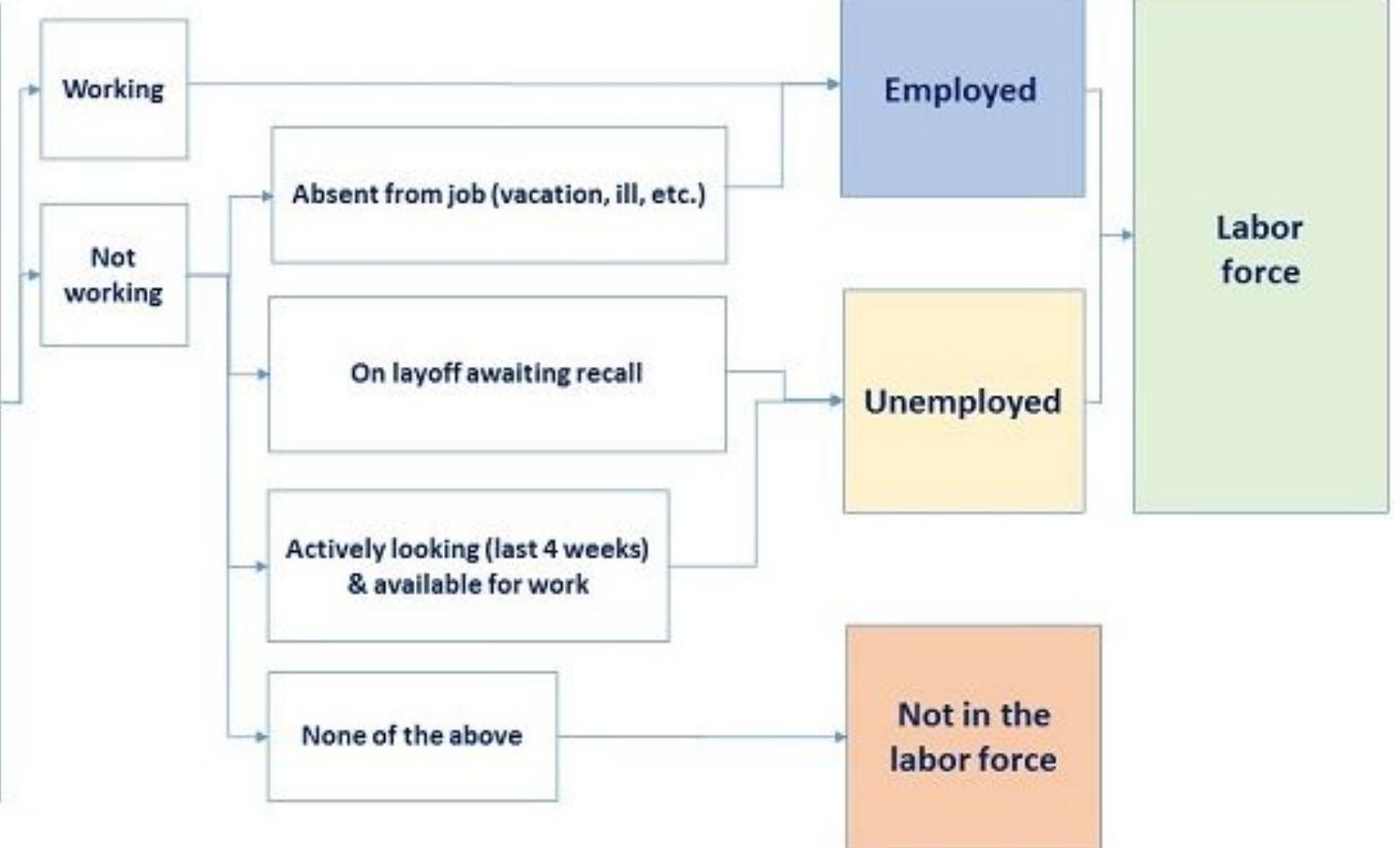
\*Employed = Did any work (as little as 1 hour!) for pay or profit during the survey reference week, including:

- Part-time employees who are looking for a full-time job
- Temporary work
- Underemployed: people who are in a job that is not what they trained for (e.g., an engineer who is a Starbucks barista)

# **Who is NOT in the Labor Force?**

- Discouraged workers that have given up looking for a job
- Active military
- Ppl 15 years old and younger
- Ppl in hospital or jail (“institutionalized”)

Civilian  
noninstitutional  
population  
age 16 and older



# Employed, Unemployed, Not in LF?

- 1. Your retired grandparent
  - 2. A 16 year old high school student who applied for work
  - 3. A 16 year old high school student who quit work for sports
  - 4. A single mom looking for a second job
  - 5. A college student who works part time at a grocery store
  - 6. A prisoner serving a 5 year sentence
  - 7. A teacher that doesn't work during the summer
  - 8. You
- 1. **Not in the labor force**
  - 2. **Unemployed**
  - 3. **Not in the labor force**
  - 4. **Employed**
  - 5. **Employed**
  - 6. **Not in the labor force**
  - 7. **Employed**
  - 8. **???**

# Are You Unemployed?

<https://www.youtube.com/watch?v=Ulu3SCAmeBA>



# Unemployment rate calculation

- Calculate the unemployment rate for the country of Brownsville that has 100 citizens:
- ▶ 22 of them are children
  - ▶ 7 are prisoners
  - ▶ 21 are stay-at-home parents
  - ▶ 25 are working various part-time jobs
  - ▶ 10 are working full-time
  - ▶ 10 are out of work, but are looking for work
  - ▶ 5 are out of work but stopped looking for a job

# Unemployment rate calculation

The country of Altimina has a population of 150,000. According to the latest data, there are 20,000 people under the age of 16, and 30,000 people who are over the age of 16, but not looking for work. Currently, there are 5,000 people who are 16 or older and actively looking for work.

The president of Altimina has asked you what the size of the labor force is, what the number of unemployed is and what the unemployment rate for Altimina is.

# Criticisms of the Unemployment Rate

The unemployment rate can misdiagnose the actual unemployment rate:

## Discouraged Workers are not included in the unemployment rate-

- Some people are no longer looking for a job because they have given up. If people leave labor force the unemployment rate falls

## Underemployed Workers are not included in the unemployment rate-

- Someone who wants more hours (or a better job) but can't get them is still considered employed.

## Race/Age Inequalities-

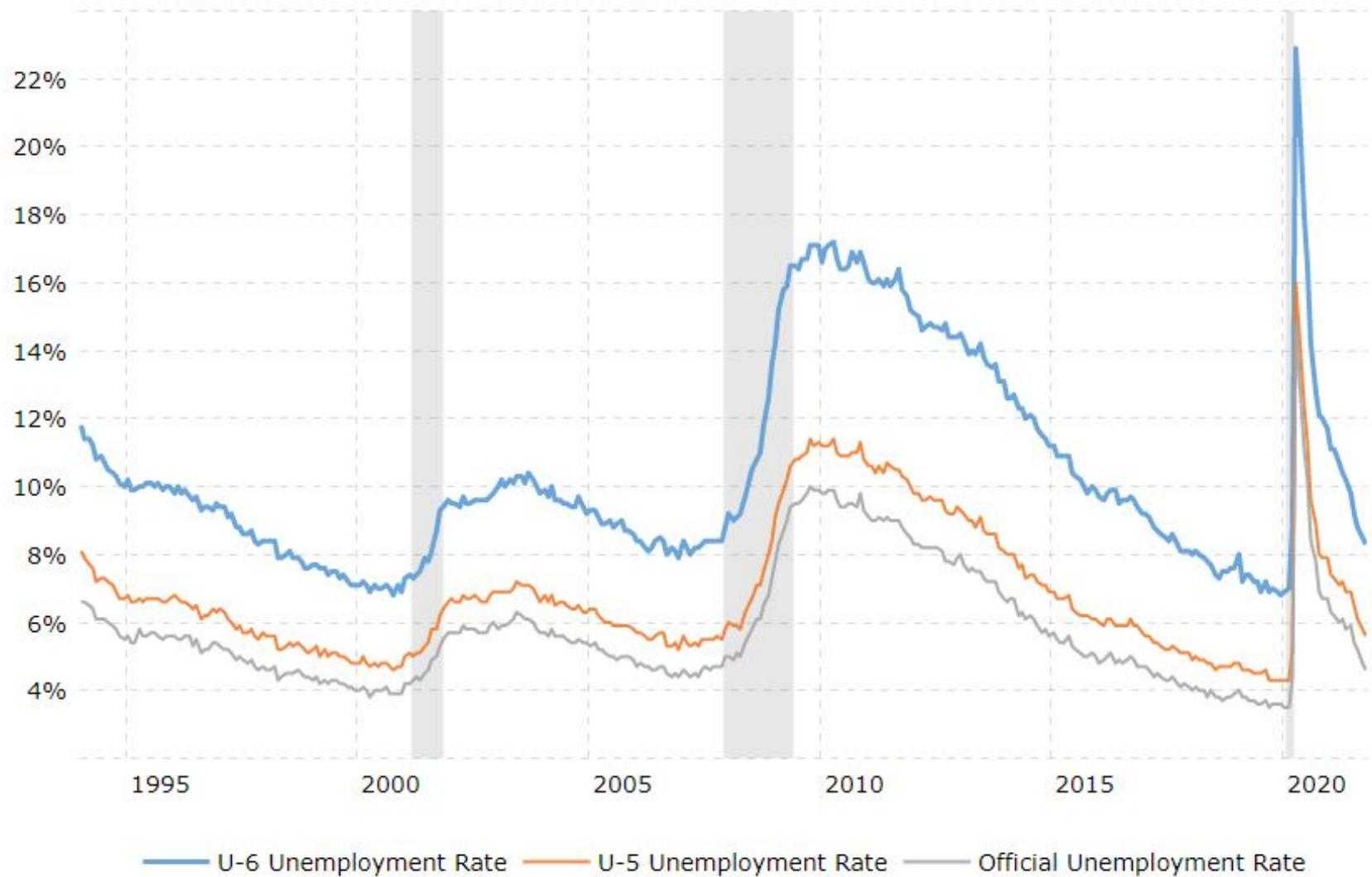
- The overall unemployment rate doesn't show disparity for men vs. women, minorities and teenagers.



## U6 Unemployment Rate

U3 is the official unemployment rate. U5 includes discouraged workers and all other marginally attached workers. U6 adds on those workers who are part-time purely for economic reasons. The current U6 unemployment rate as of October 2021 is **8.3**.

- **Marginally attached** individuals have looked for work in the last 12 months but not the previous four weeks. Moreover, these individuals want a job and would be able to accept a job were one available.
- **Discouraged workers** are specifically those marginally attached workers who provide the following reasons why they have not looked for work recently: they do not believe work is available, they could not find work, they believe they lack the necessary school or training, they think employers find them too young or too old, or they have faced other forms of discrimination.



**Unique issues with unemployment and pandemic**

How might the employment rate be better to judge the impact of the Covid pandemic?

*I can define the labor force and the labor force participation rate (LFPR). I can calculate the LFPR.*

# Labor Force Participation Rate

- ❑ The percentage of working-age people who are in the labor force.
- ❑ In effect, it measures the amount of labor in an economy.
- ❑ Labor force participation rate =

$$\frac{\text{Labor force}}{\text{Population age 16 and older}} \times 100$$

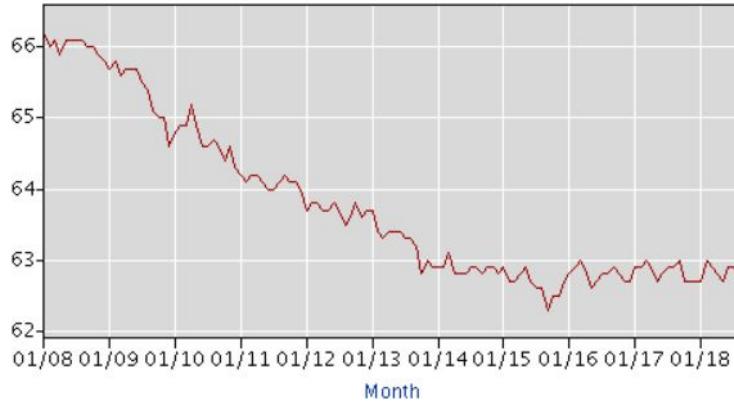
# The Labor Force Participation Rate Formula



the balance

**Series Id:** LNS11300000  
**Seasonally Adjusted**  
**Series title:** (Seas) Labor Force Participation Rate  
**Labor force status:** Civilian labor force participation rate  
**Type of data:** Percent or rate  
**Age:** 16 years and over

# FRED Data



Download: [XLSX](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	66.2	66.0	66.1	65.9	66.1	66.1	66.1	66.1	66.0	66.0	65.9	65.8
2009	65.7	65.8	65.6	65.7	65.7	65.7	65.5	65.4	65.1	65.0	65.0	64.6
2010	64.8	64.9	64.9	65.2	64.9	64.6	64.6	64.7	64.6	64.4	64.6	64.3
2011	64.2	64.1	64.2	64.2	64.1	64.0	64.0	64.1	64.2	64.1	64.1	64.0
2012	63.7	63.8	63.8	63.7	63.7	63.8	63.7	63.5	63.6	63.8	63.6	63.7
2013	63.7	63.4	63.3	63.4	63.4	63.4	63.3	63.3	63.2	62.8	63.0	62.9
2014	62.9	62.9	63.1	62.8	62.8	62.8	62.9	62.9	62.8	62.9	62.9	62.8
2015	62.9	62.7	62.7	62.8	62.9	62.7	62.6	62.6	62.3	62.5	62.5	62.7
2016	62.8	62.9	63.0	62.8	62.6	62.7	62.8	62.8	62.9	62.8	62.7	62.7
2017	62.9	62.9	63.0	62.9	62.7	62.8	62.9	62.9	63.0	62.7	62.7	62.7
2018	62.7	63.0	62.9	62.8	62.7	62.9	62.9	62.7	62.7			

From bls.gov

17. Which of the following will be counted as unemployed by the United States Bureau of Labor Statistics?

- (A) Persons who quit their previous jobs to stay at home to care for sick parents
- (B) Persons who were laid off from their previous jobs and have not applied for a job in two years
- C** Persons who were fired from their previous jobs and are actively applying for work
- (D) Persons who have given up looking for jobs after long searches
- (E) Persons who quit their previous jobs to start their own businesses

Labor Market Data for Country X  
(in millions of persons)

Population	180
Employed	94
Unemployed	6
Not in labor force	80

46. Based on the information in the table above, what is the unemployment rate for Country X?

- (A) 3.3%
- (B) 4.0%
- C** 6.0%
- (D) 6.38%
- (E) 7.5%

**Bonus question: Calculate the LFPR!!**

27. Which of the following individuals is considered officially unemployed?

- (A) Chris, who has not worked for more than three years and has given up looking for work
- (B) Kim, who is going to school full-time and is waiting until graduation before looking for a job
- (C) Pat, who recently left a job to look for a different job in another town**
- (D) Leslie, who retired after turning 65 only five months ago
- (E) Lee, who is working 20 hours per week and is seeking full-time employment