

UNEMPLOYMENT

The Macro Economy Today, 11th Edition
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Chapter 6

All data presented in this chapter comes from the monthly report produced by the Bureau of Labor Statistics entitled Current Population Survey for December 2009. Public access to this data is available online at <http://www.bls.gov/cps/home.htm>.

I. Moving from Population to Labor Force

A. Background

1. Labor market data is collected monthly by the:

2. They administer a SURVEY called the _____

to approximately _____ households.

3. These survey results are used to _____ the total number of Americans that fall into each labor category for the month.

B. Classifying the Population

1. Start with the _____

Statistically remove those people who:

a.

b.

c.

2. What remains is called the:

a. It represents the:

b. This population is then divided into two groups:

i. Those people:

ii. Those people:

3.

a.

b.

C. The Relationship between Employment and Output

1. In order to achieve our _____, we must:

=>

2. _____ allows economists to put a dollar value on the MACRO cost of unemployment.

II. Measuring Labor Market Conditions

A. Major Labor Market Statistics

1. The Unemployment Rate (UNE%)

2. Labor Force Participation Rate (LFPR)

B. Facts on Unemployment in America Today

1. The Duration of Unemployment

Reported Length of Unemployment	% of all Unemployed Workers
Less than 5 weeks	
5 to 14 weeks	
15 to 26 weeks	
27 weeks and over	

Average Length of Unemployment: _____

2. Reasons for Unemployment

Reported Reason for Unemployment	% of all Unemployed Workers
Job Losers	
Temporary Layoff	
Job Leavers	
Reentrants	
New Entrants	

3. Variations in Unemployment Rates

Age	Unemployment Rate
16 – 19 years	
20 – 24 years	
25 – 54 years	

Race	Unemployment Rate
White	
Black	
Hispanic	

Gender	Unemployment Rate
Males, 20 years +	
Females, 20 years +	

Educational Attainment	Unemployment Rate
No High School Diploma	
High School Diploma	
Some College	
Four-year Degree or More	

C. Is the national unemployment rate an ACCURATE measure of joblessness in America?

1. Discouraged Workers

a. Definition:

b. Why do we NEED to make this distinction?

c. For December 2009, the BLS estimates that _____
people fell into this category.

d. Implication:

2. Underemployment

a. Definition #1:

b. Definition #2:

c. Either way, these people represent labor resources that:

d. Implication:

3. Phantom Unemployed

a. Definition:

b. Why would people behave like this?

Currently, you could receive _____ of unemployment benefits, depending upon the state in which you live.

The purpose of unemployment compensation is to provide workers, who are unemployed through no fault of their own, with monetary payments for a specific period of time or until the worker finds a new job. Unemployment benefits are provided by state unemployment insurance programs within guidelines established by Federal law. Eligibility for unemployment insurance, benefit amounts and the length of time benefits are available are determined by state law. Regular unemployment benefits are paid for a maximum of 26 weeks in most states. Additional weeks of benefits are likely to be available during times of high unemployment. In many states, the unemployment compensation will be half your earnings, up to a maximum amount. For example, in Florida the maximum weekly benefit is \$275. Benefits are subject to Federal income taxes and must be reported on your Federal income tax return.

c. Implication:

III. Defining Full Employment

A. There are FOUR basic types of unemployment

1. Seasonal Unemployment

a. Definition:

b. Labor demand is greater:

c. Labor supply is greater:

2. Frictional Unemployment

a. Definition:

b. What makes Frictional UNE so special?

c. This type of unemployment is _____ and even
_____ in labor markets.

d. FACT:

3. Structural Unemployment

a. Definition:

b. What causes Structural Unemployment?

c. FACT:

4. Cyclical Unemployment

a. Definition:

b. Labor demand is special – it’s what we call a _____
_____ .

c. Cyclical Unemployment is seen ONLY:

B. The Full Employment Goal

1. Full employment:

a. Full Employment DOES NOT MEAN:

b. If the UNE% falls “too low”, then:

c. Instead, it recognizes the fact that SOME amount of unemployment is both
_____ and even _____ .

2. The “Natural” Rate of Unemployment

a. Numerical value:

b. It reflects which types of unemployment?

C. How good of a job does the US do at achieving this goal?



