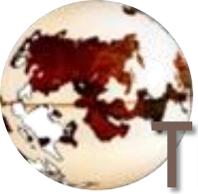




UNEMPLOYMENT PART I

Cessation of work is not accompanied by cessation of expenses.
Cato the Elder



The Labor Force

- The **labor force** includes all persons over age sixteen who are either working for pay or actively seeking paid employment.
- People who are not employed or are not actively seeking work are not considered part of the labor force.



The Labor Force

The **labor-force participation rate** is the percentage of the population working or seeking employment.



Diagram: The Labor Force

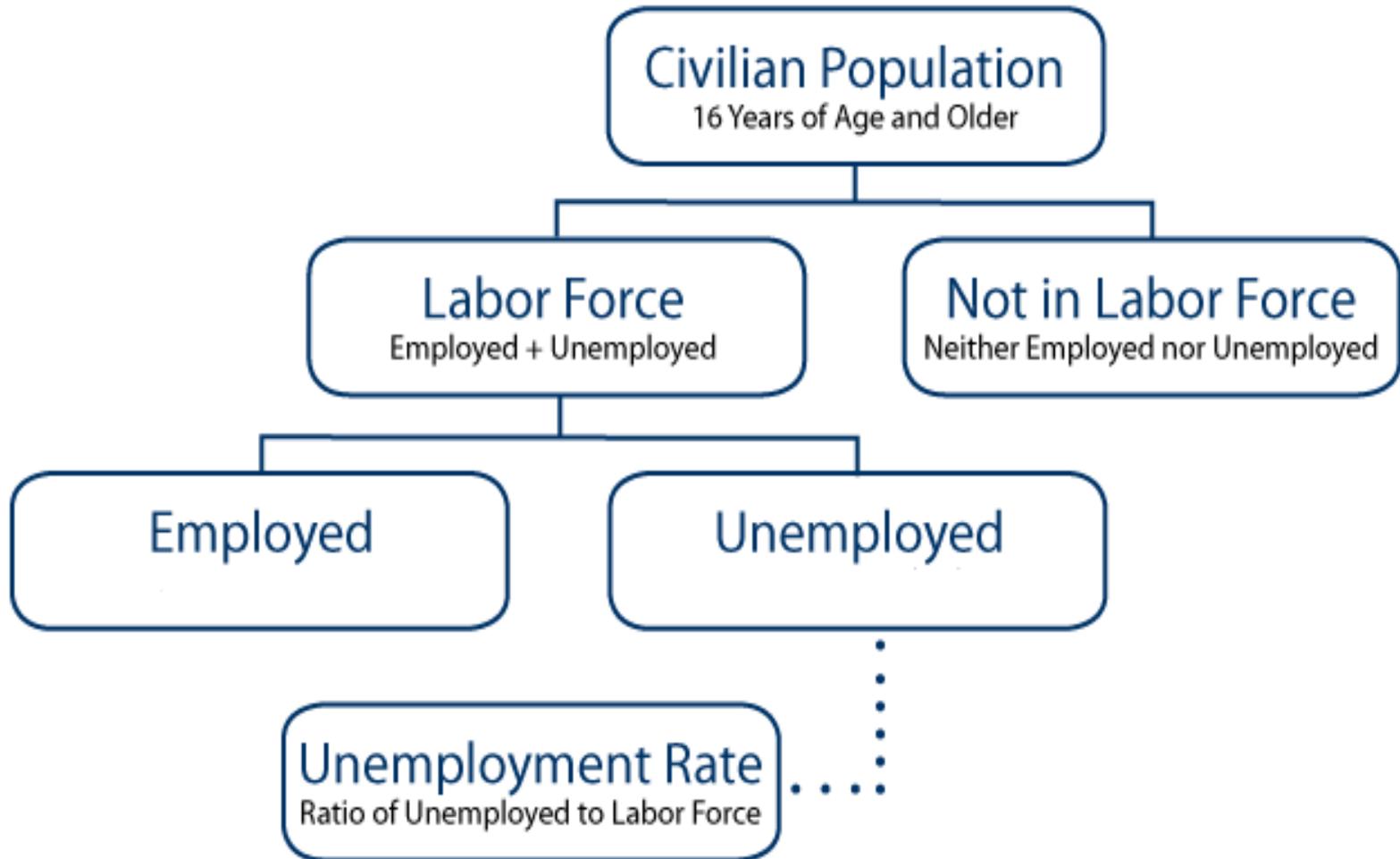
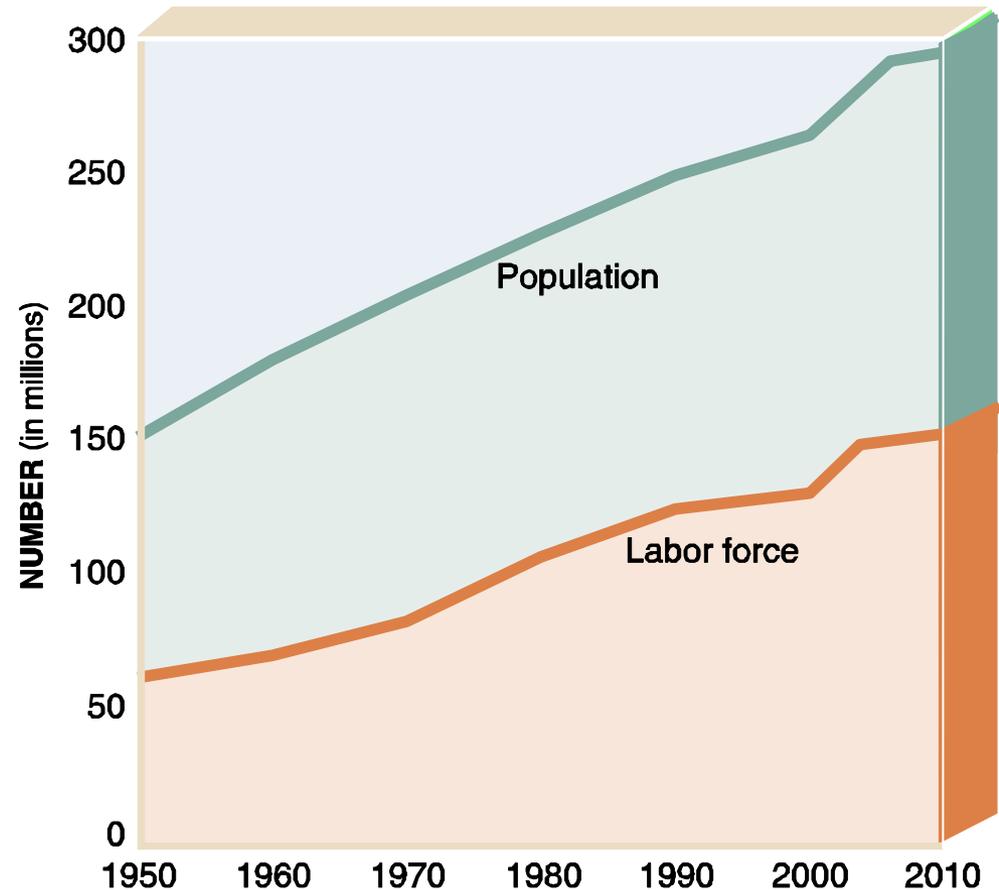




Table and Chart: A Growing Labor Force

Participation Rates
(age 16 and older)

Year	Men	Women
1950	86.4	33.9
1960	83.3	37.7
1970	79.7	43.3
1980	77.4	51.5
1990	76.4	57.5
2000	74.7	60.0
2004	73.5	59.5





Growth of Production Possibilities

- Production is limited by two factors:
 - ▣ the availability of factors of production
 - ▣ technological know-how



Production Possibilities

- A growing labor force creates long-run economic growth.
- ▣ **Economic growth** is an increase in output (real GDP); an expansion of production possibilities.

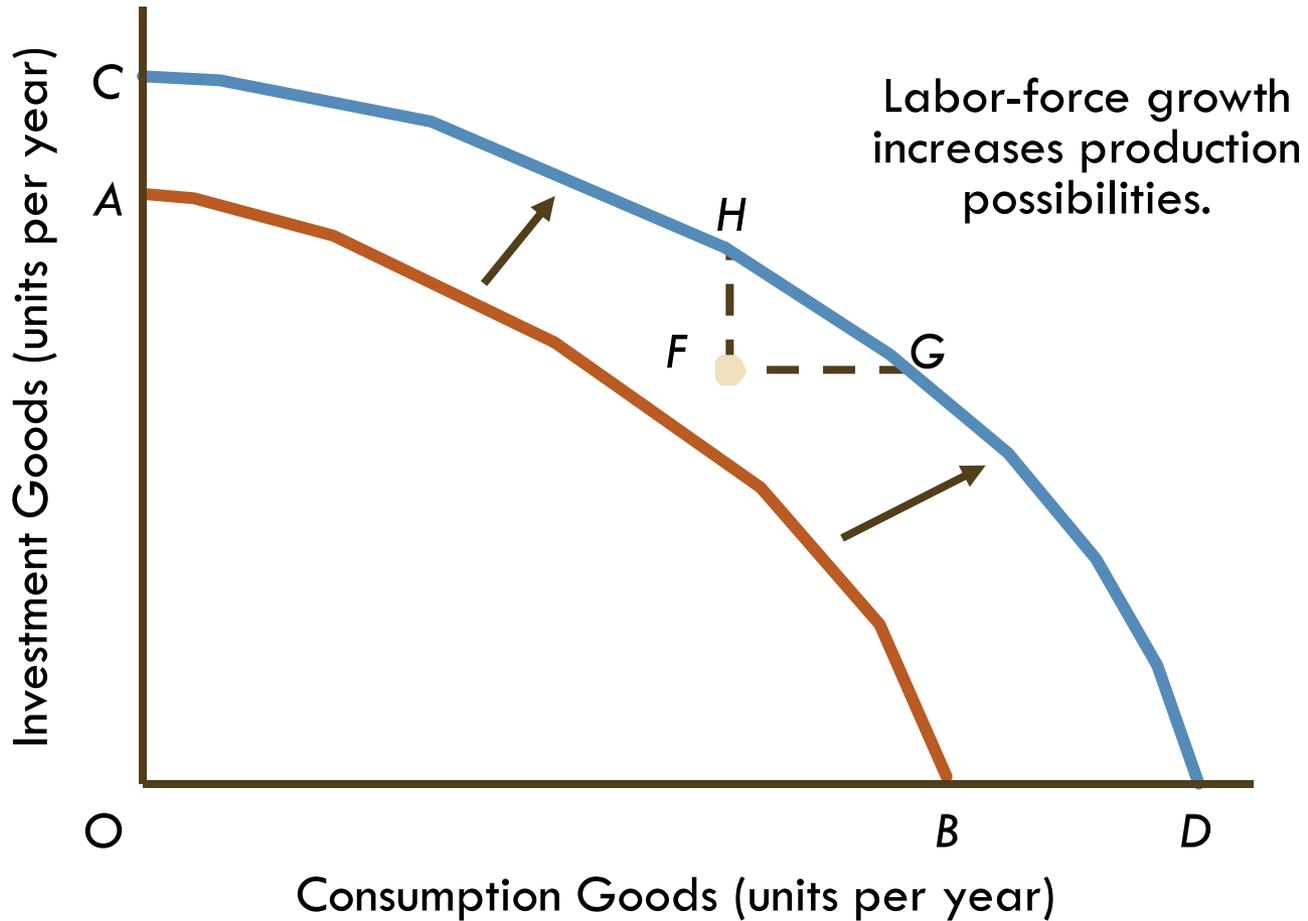


Institutional Constraints

- Production possibilities in any year depend on available resources and technology and on how we choose to restrict their use.
- The size of labor force is limited by participation rates and social regulation.



Chart: Labor Force Growth





Unemployment

- To make full use of available production capacity, the labor force must be fully employed.
- **Unemployment** is the inability of labor-force participants to find jobs.



What it means to be employed

- One hour of work as a paid employee during past week.
- Worked in own business or profession
- Worked at least 15 hours per week as an “unpaid” worker on a family owned farm or business.
- Was temporarily absent from work for reasons of illness, vacation, strike or bad weather.





What it means to be unemployed

- Did not work during the past week, actively looked for work within the past four weeks, is currently available for work.
- Is waiting to be called back to a job from which you were laid off from.
- Is waiting to report to a job within 30 days.





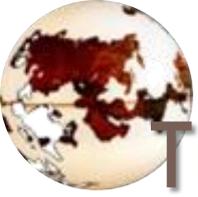
Okun's Law

Okun's Law asserts that 1% more unemployment is estimated to equal 2% less output.



Measuring Unemployment

- The US Census Bureau surveys about 60,000 households a month to determine how many people are actually unemployed.
- A person is considered unemployed if he or she is not employed and is actively seeking a job.



The Unemployment Rate

The **unemployment rate** is the proportion of the labor force that is unemployed.

$$\text{Unemployment rate} = \frac{\text{number of unemployed people}}{\text{labor force}}$$



Chart: Unemployment Isn't Experienced Equally by Race or Sex

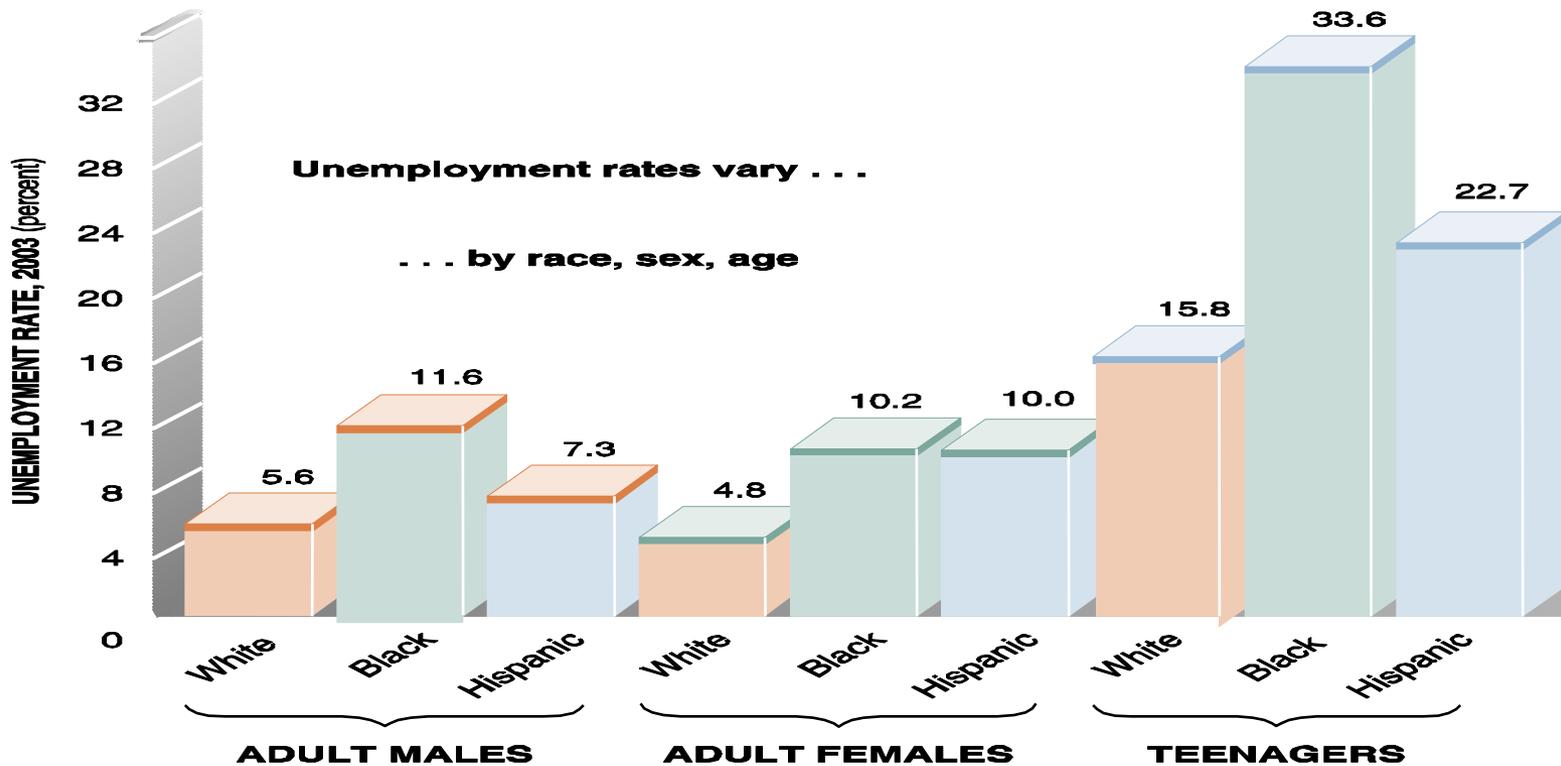
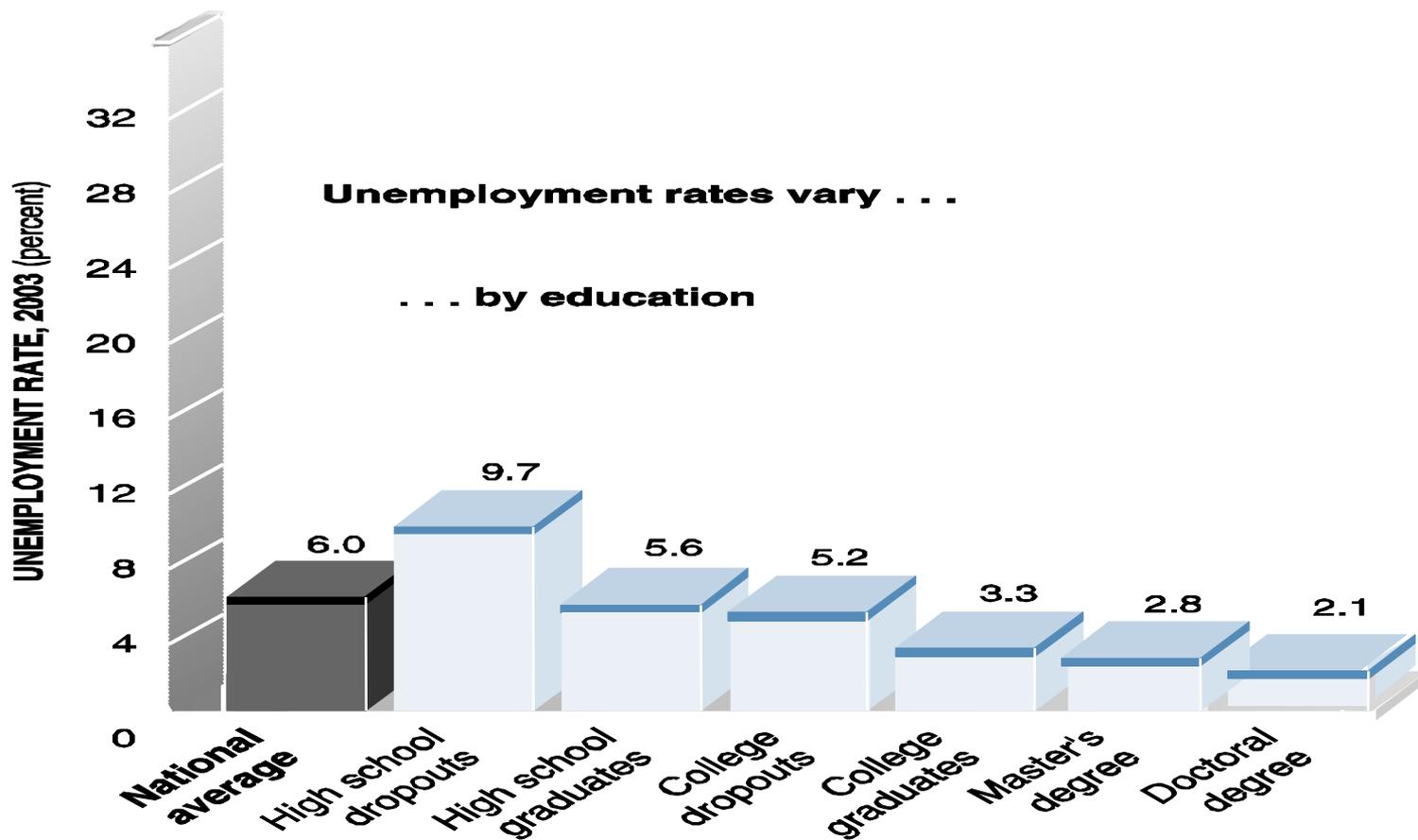




Chart: Unemployment Isn't Experienced Equally by Education





Duration of Unemployment

When the economy is growing, both unemployment rates and the average duration of unemployment decline.



Table: Duration of Unemployment

Duration	Percent of Unemployed
Less than 5 weeks	31.7
5 to 14 weeks	29.8
15 to 26 weeks	16.4
27 to 51 weeks	22.1

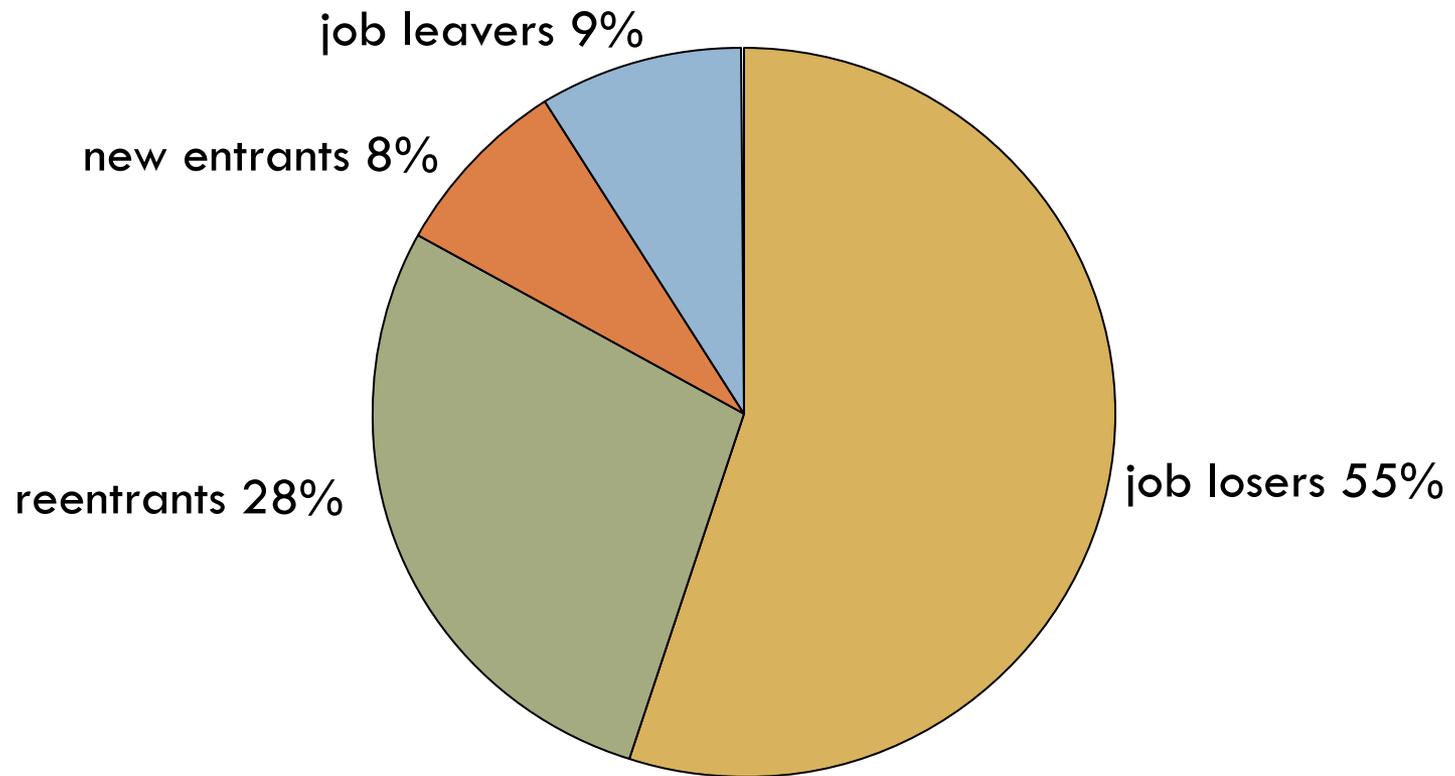


Reasons for Unemployment

- How long a person remains unemployed is affected by the nature of the joblessness.
 - job leavers
 - job losers
 - reentrants
 - new entrants



Chart: Reasons for Unemployment





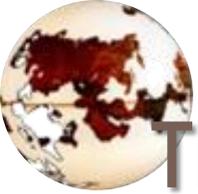
Discouraged Workers

- A **discouraged worker** is an individual who is not actively seeking employment but would look for or accept a job if one were available.
- Discourage workers are not counted as part of the unemployment problem after they give up looking for a job.



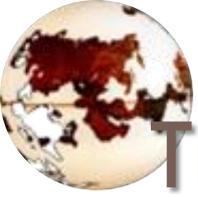
Underemployment

- Underemployed workers represent labor resources that are not being fully utilized.
- **Underemployment** exists when people seeking full-time paid employment work only part time or are employed at jobs below their capability.



The Phantom Unemployed

- Some of the people who are counted as unemployed probably should not be.
- Many people report that they are actively seeking work when they have little interest in finding a job.



The Phantom Unemployed

Public policy encourages this behavior by requiring most welfare and unemployment benefit receivers to provide evidence that they are looking for work.

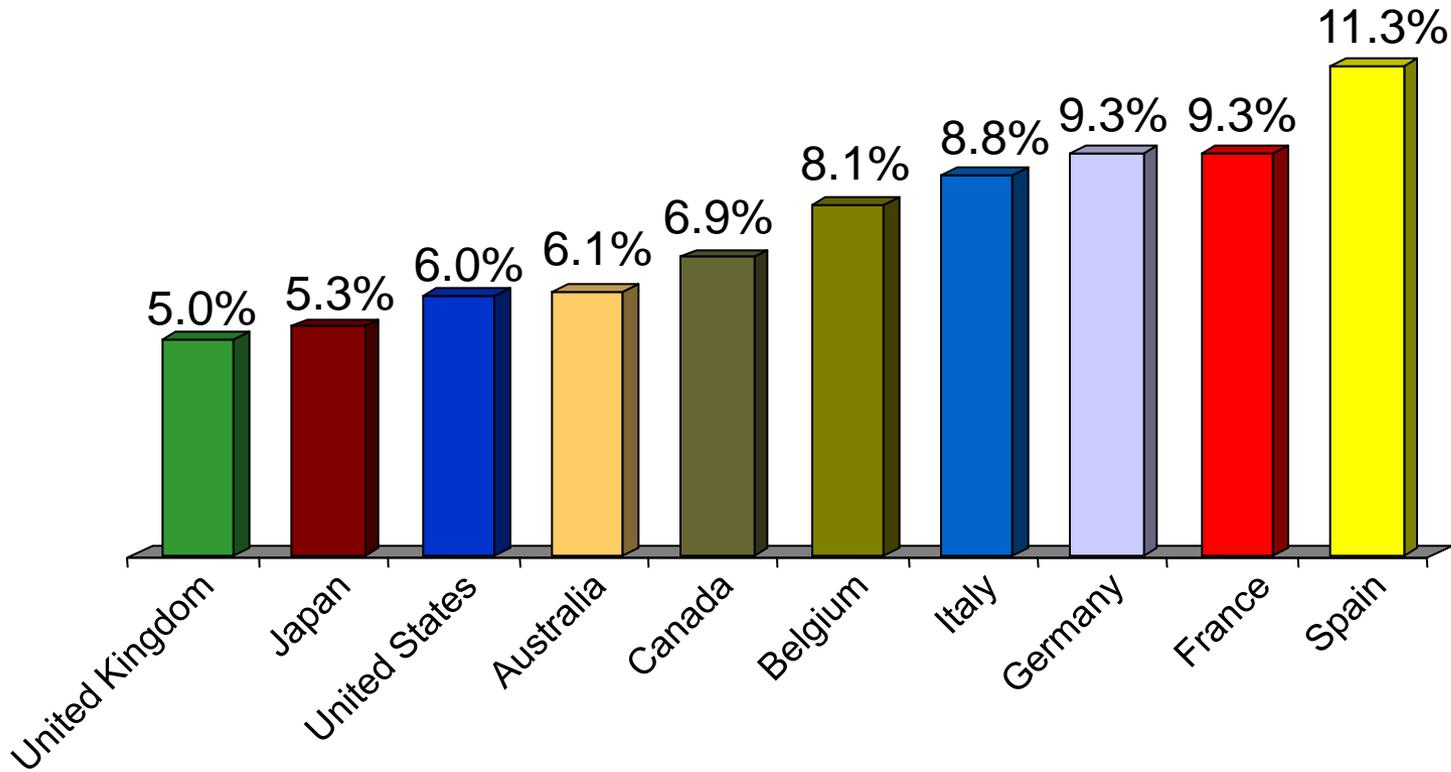


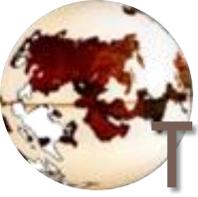
Europe's Unemployment Woes

- Unemployment levels in Europe are much higher than those of the US.
- Analysts blame both sluggish economic growth and high unemployment benefits.



Chart: Europe's Unemployment Woes





The Human Costs

- The most visible impact of unemployment on individuals is loss of income.
- The human cost of unemployment includes social, physical and psychological costs as well.



Continued in Unemployment Part II

