

Unit 12: Economic Problems

12.1: Unemployment

Unemployment rate - % of labor force that is jobless and actively looking for work

Criteria to be part of labor force:

- 1.) must be over 16
- 2.) must be working or have actively looked for work in last 4 weeks

Does not include:

- 1.) prisoners
 - 2.) students
 - 3.) military
 - 4.) those who quit looking for work
 - 5.) underemployed - working part-time or looking for a better job
- } Not included in labor force and therefore not unemployed

Calculated by:

- BLS (Bureau of Labor Statistics)
- Surveys 60,000 households each month
- those who looked for work during the past 4 weeks are considered unemployed
- that number is extrapolated across the whole labor force



Full Employment

- full employment does not mean 0% unemployment
- economists always assume some level of unemployment is acceptable
 - someone will always move, and be forced to look for a job
- full employment simply means none of the unemployment is caused by decreased economic activity
- in the US an unemployment rate of 4-6% is considered full employment

Types of Unemployment

- 1) frictional - temporary unemployment caused by people changing jobs
 - 2) seasonal - temporary unemployment caused by seasonal work
 - 3) structural - jobs exist, but workers do not have the necessary skills
 - 4) cyclical - unemployment caused by a contraction in the business cycle
- * you can have the first 3, and still have "full employment"