**Topic 1C: Unemployment**

**LVL 1: As you read, answer the following questions**

1. How does the government calculate the unemployment rate?
2. Why is full employment NOT equal to one hundred percent unemployment?
3. What is the acceptable rate of unemployment, or what the government considers full employment?
4. What are the criteria to be considered unemployed?
5. What are the four types of unemployment?
6. Define each type of unemployment and provide an example
7. **Define unemployment rate and explain how it is used to evaluate the macroeconomic goals from SSEMA1a**

The **unemployment rate** is a statistic reported by the Federal Department of Labor’s Bureau of Labor Statistics (BLS). The BLS calculates the unemployment rate from data derived from a sample of 60,000 households as part of the Census Bureau’s Current Population Survey. The BLS reports the statistic monthly. To calculate the unemployment rate, take the number of unemployed people in the country divided by the number of people in the labor force and multiplying the quotient by 100. The result is the percentage of people in the labor force who are unemployed. Since some types of unemployment always exist, such as those graduating from college who start looking for a job, full employment does not mean zero percent unemployment. Economists usually indicate full employment is attained when the unemployment rate is somewhere between 4% and 6%. Those counted as unemployed meet several criteria. The person must be at least 16 years old, they cannot be in prison or a mental institution, they cannot have worked for pay in the measurement time-period, and they must be actively seeking a job.

Calculate the labor force by adding all unemployed people in a country to all the employed people. Those considered employed are 16 years old, not a member of the armed forces, and worked for pay in the time-period measured.

1. **Identify seasonal, structural, cyclical, and frictional unemployment.**

Full employment does not mean the country’s unemployment rate is zero percent. Certain types of unemployment always exist even during the best economic times. There are four main types of unemployment. Three out of the four types are long-run unemployment because the rate of unemployment for these types are relatively stable over time. The fourth type is short-run because in good economic times it may be close to zero. It is the short-run type of unemployment that most often targeted by economic stabilization policies. SSEMA2 and SSEMA3 discuss these policies. The chart below describes the four types of unemployment.

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| **Type of Unemployment** | **Description** | **Short or Long Run** | **Example** |
| **Cyclical** | The cyclically unemployed are unemployed due to a downturn in overall economic activity. If the economy expanded again, these workers would be able to go back to work. | Short-run | Thousands of restaurant workers lose their jobs because a recession has reduced the number of consumers who can afford to eat out. |
| **Frictional** | The frictionally unemployed are unemployed because they are graduating from high school or college, looking for better working conditions, or seeking a higher wage. | Long-run | In May, thousands of college graduates enter  the labor market looking for their first professional job. This happens every May, year after year. |
| **Structural** | Structurally unemployed people are unemployed because their human capital does not match the needs of employers hiring in the labor market. | Long-run | Thousands of high school students graduate without the literacy and math skills needed by the labor market. This happens every year. |
| **Seasonal**  **(Sub category of structural**  **unemployment)** | Seasonally unemployed people are unemployed because employers need their type of human capital during only one part of the year. | Long-run | Agricultural workers seek new jobs when the harvest season is finished. |

**LVL II Consider the following questions**

1. Why do some believe that the unemployment rate is not an accurate reflection of how many people are without work?
2. Why are some people considered under employed?
3. If we advance technologically as a society, can we ever get rid of structural unemployment?
4. Even if our economy is performing at its fullest, will people still get frustrated and quit their job?

**LVL III Do the Following:**

1. For each situation, what type of unemployment is occurring? Seasonal, structural, cyclical or frictional
   1. Steve lost his job as a mechanic at the mill because his company shifted production to China.
   2. Kelly decides to leave her job at a coffee shop to look for a job in the film industry.
   3. Mike loses his job at a car factory because the economy has gone into a recession.
   4. Terry works as a ski instructor in Colorado from November to April. At the end of April, he moves to Georgia to look for a new job.