

13 Defining Unemployment



14 Categories of Unemployment

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Unemployment Rate

- **Employment** is the number of people currently employed in the economy, either full time or part time.
- **Unemployment** is the number of people who are actively looking for work but aren't currently employed.
- The **labor force** is equal to the sum of employment and unemployment.

Unemployment Rate

- The **labor force participation rate** is the percentage of the population aged 16 or older that is in the labor force.

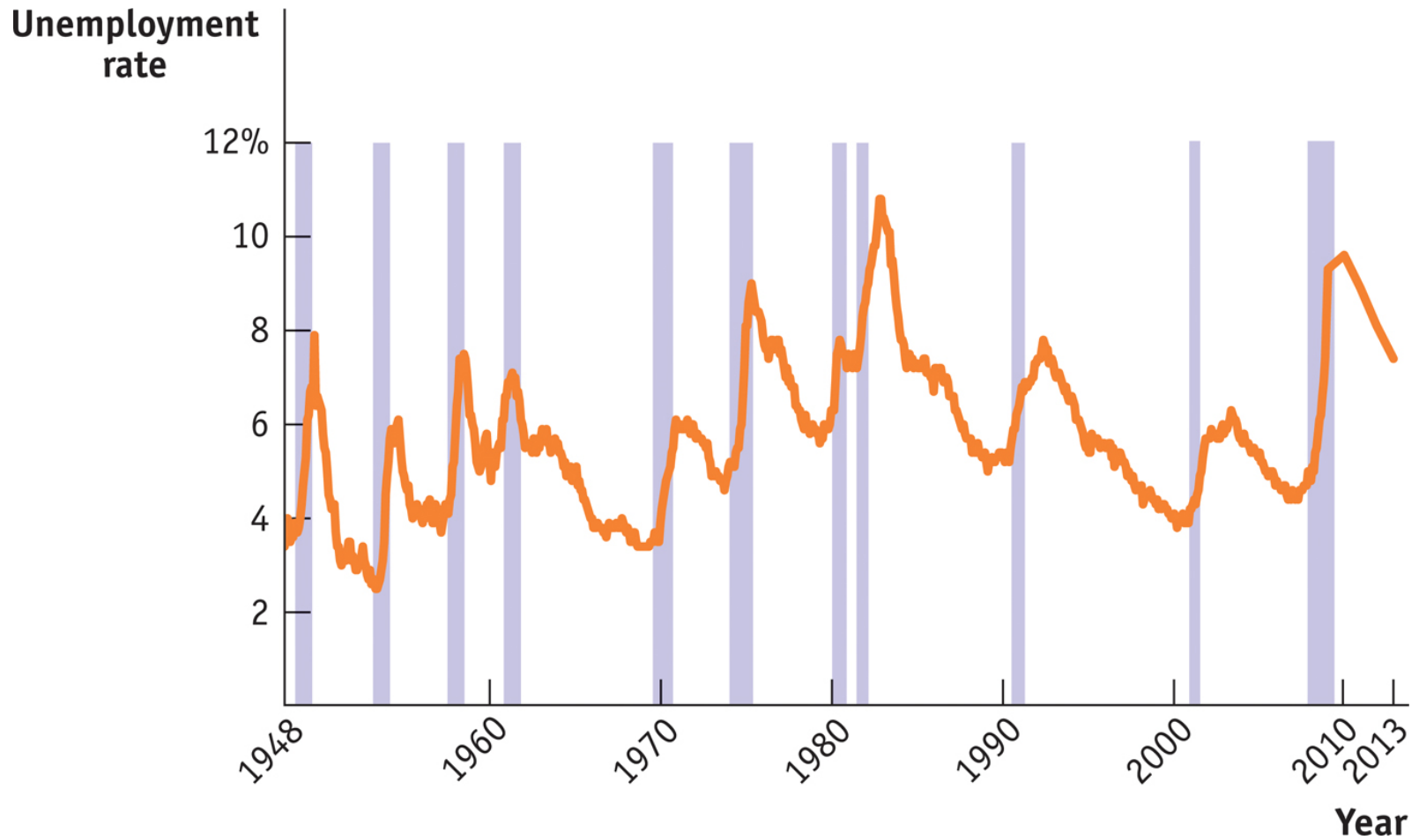
$$\text{Labor force participation rate} = \frac{\text{Labor force}}{\text{Population age 16 and older}} \times 100$$

- The **unemployment rate** is the percentage of the total number of people in the labor force who are unemployed.

$$\text{Unemployment rate} = \frac{\text{Number of unemployed workers}}{\text{Labor force}} \times 100$$

Unemployment Rate

The U.S. Unemployment Rate, 1948–2013

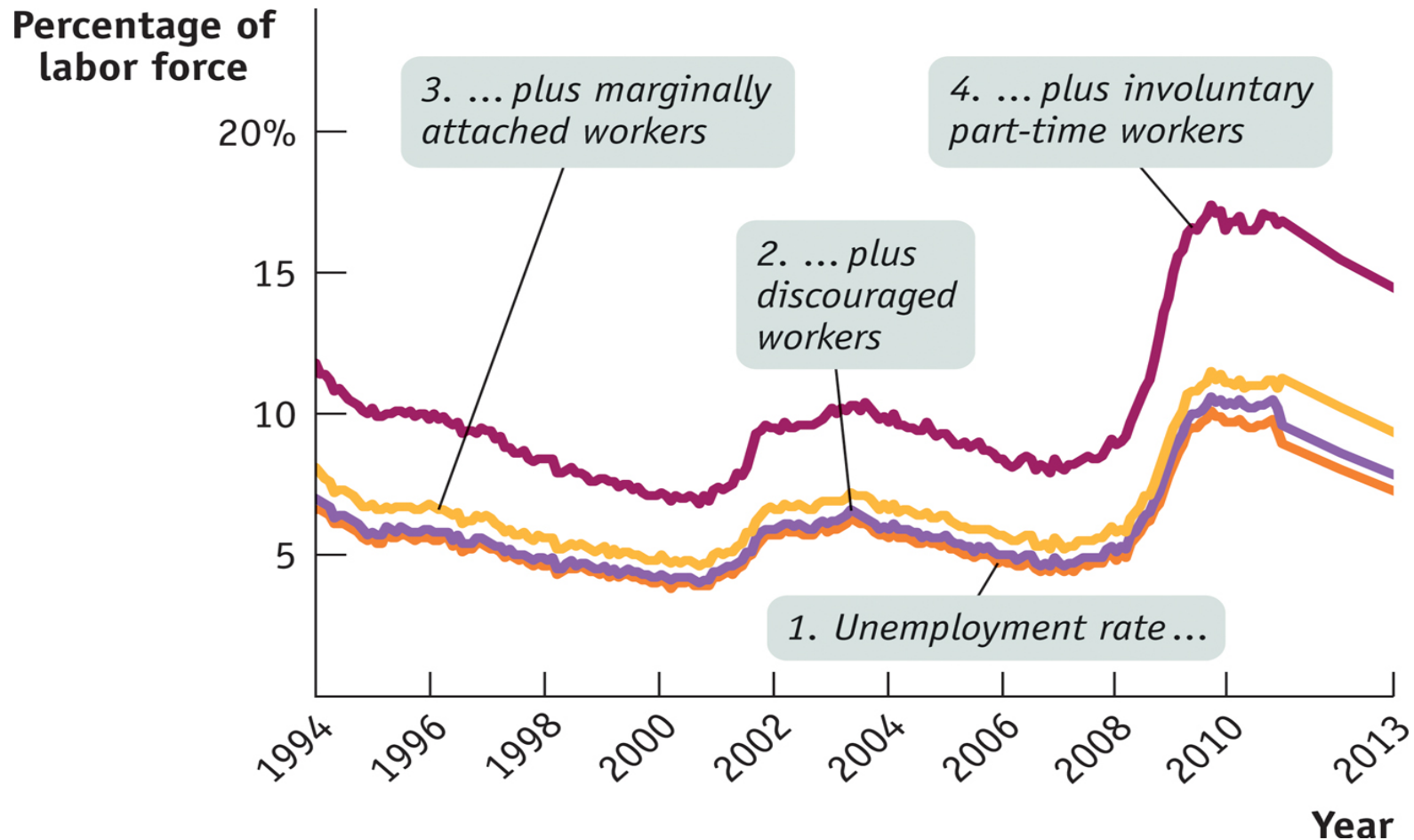


Biases in the Unemployment Rate

- Upward Bias:
 - Some people could get a job but are very picky.
- Downward Bias:
 - **Discouraged workers** are non-working people who are capable of working but have given up looking because of the state of the job market.
 - **Marginally attached workers** would like to be employed and have looked for a job in the recent past but are not currently looking for work.
 - **Underemployment** is the number of people who work part time because they can't find full-time jobs.

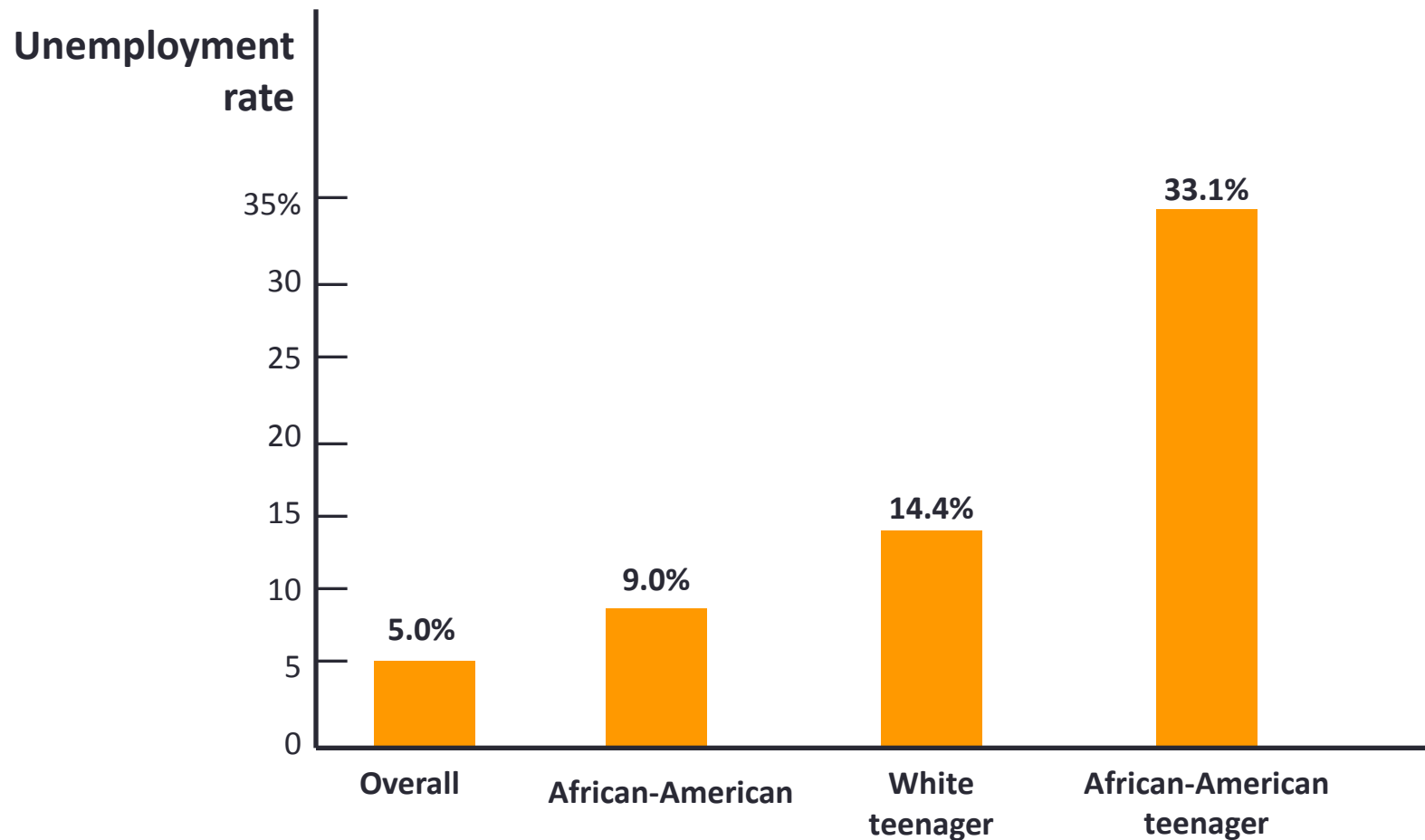
Measuring the Unemployment Rate

Alternative Measures of Unemployment, 1994–2013



The Unemployment Rate

Unemployment Rates of Different Groups, 2007

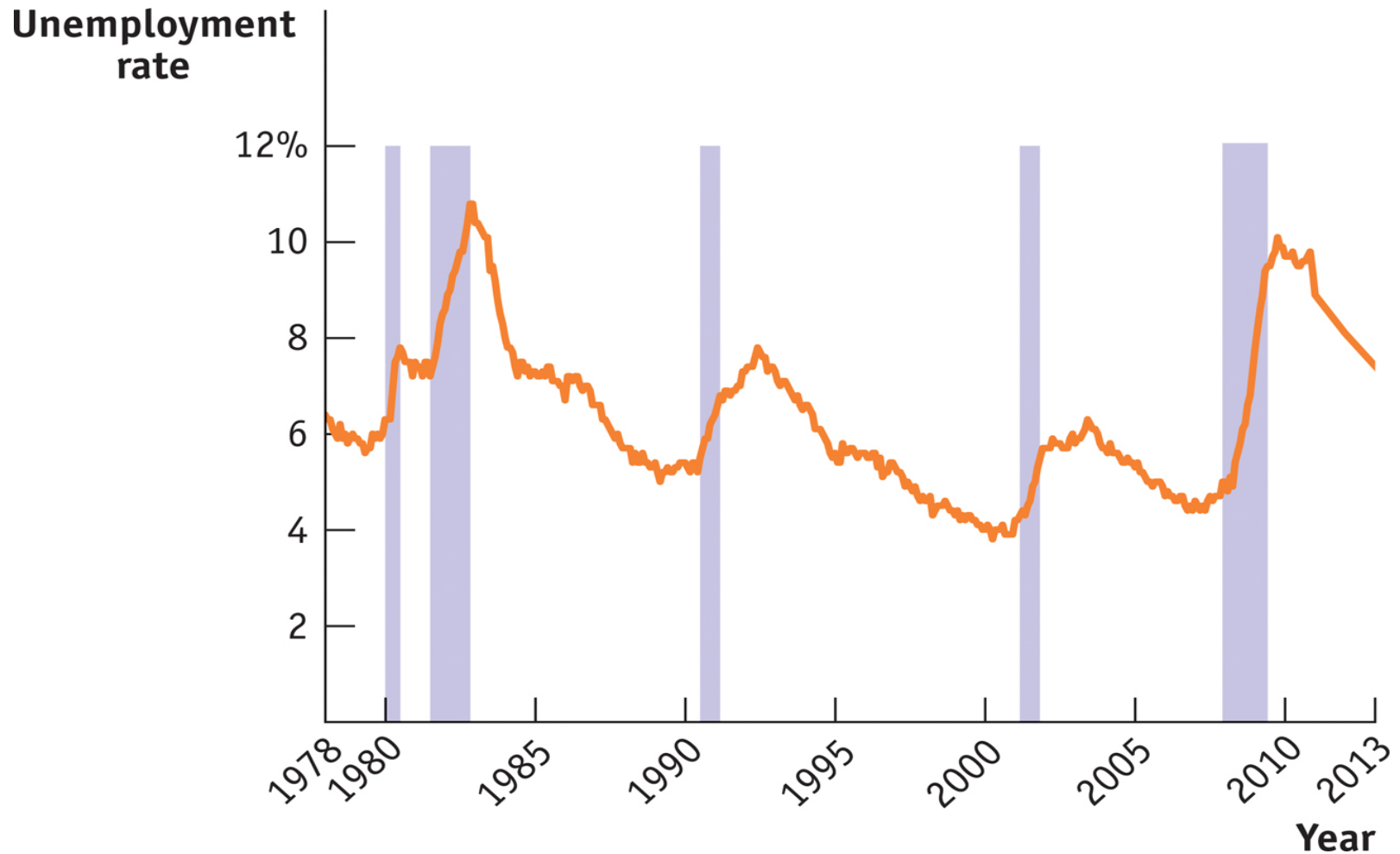


Growth and Unemployment

- During every recession in the last 30 years, the unemployment rate rose.
- During periods of expansion the unemployment rate usually falls, however, it sometimes lags GDP growth.

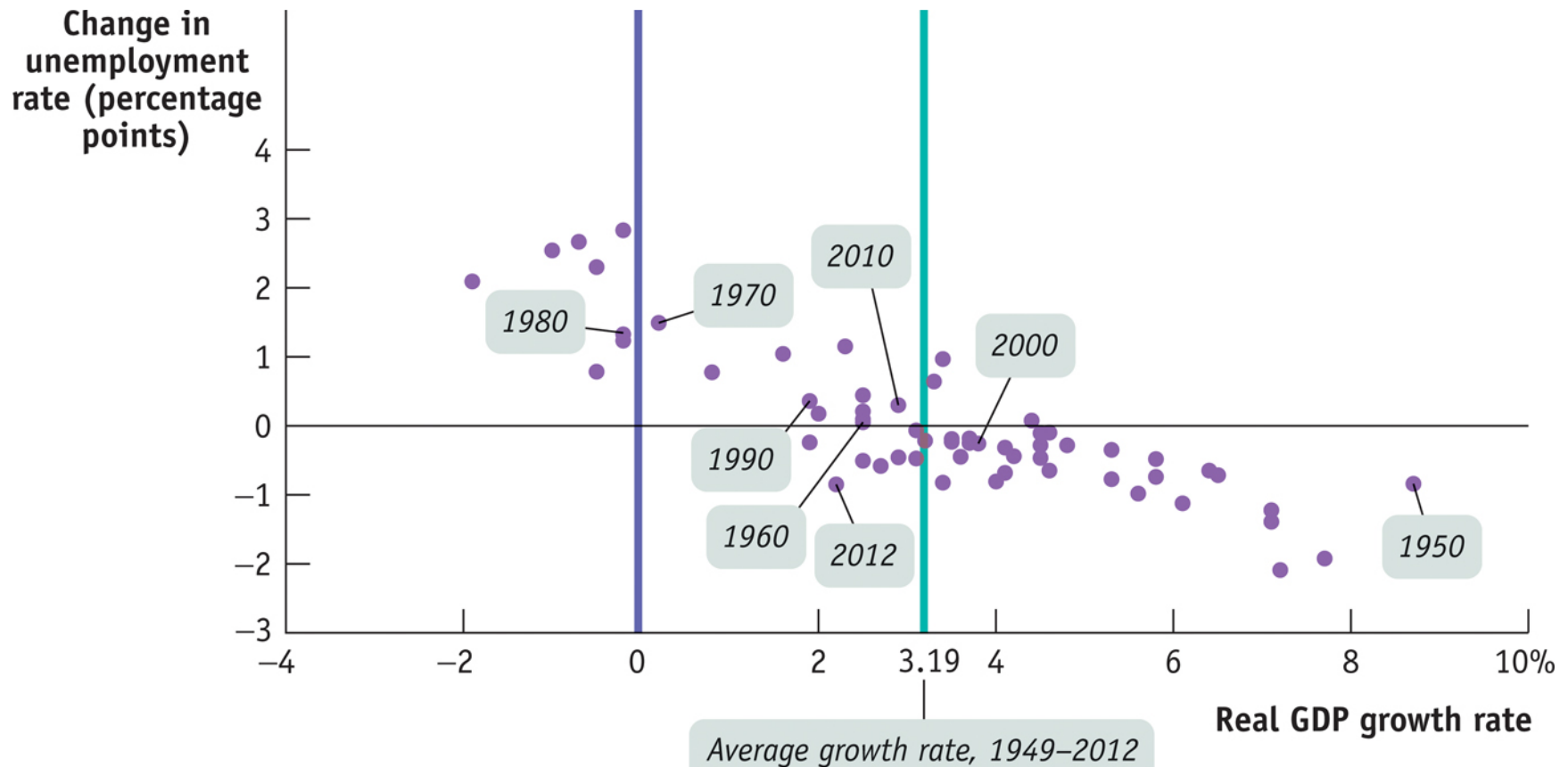
Unemployment Rate

Unemployment and Recessions, 1978-2013

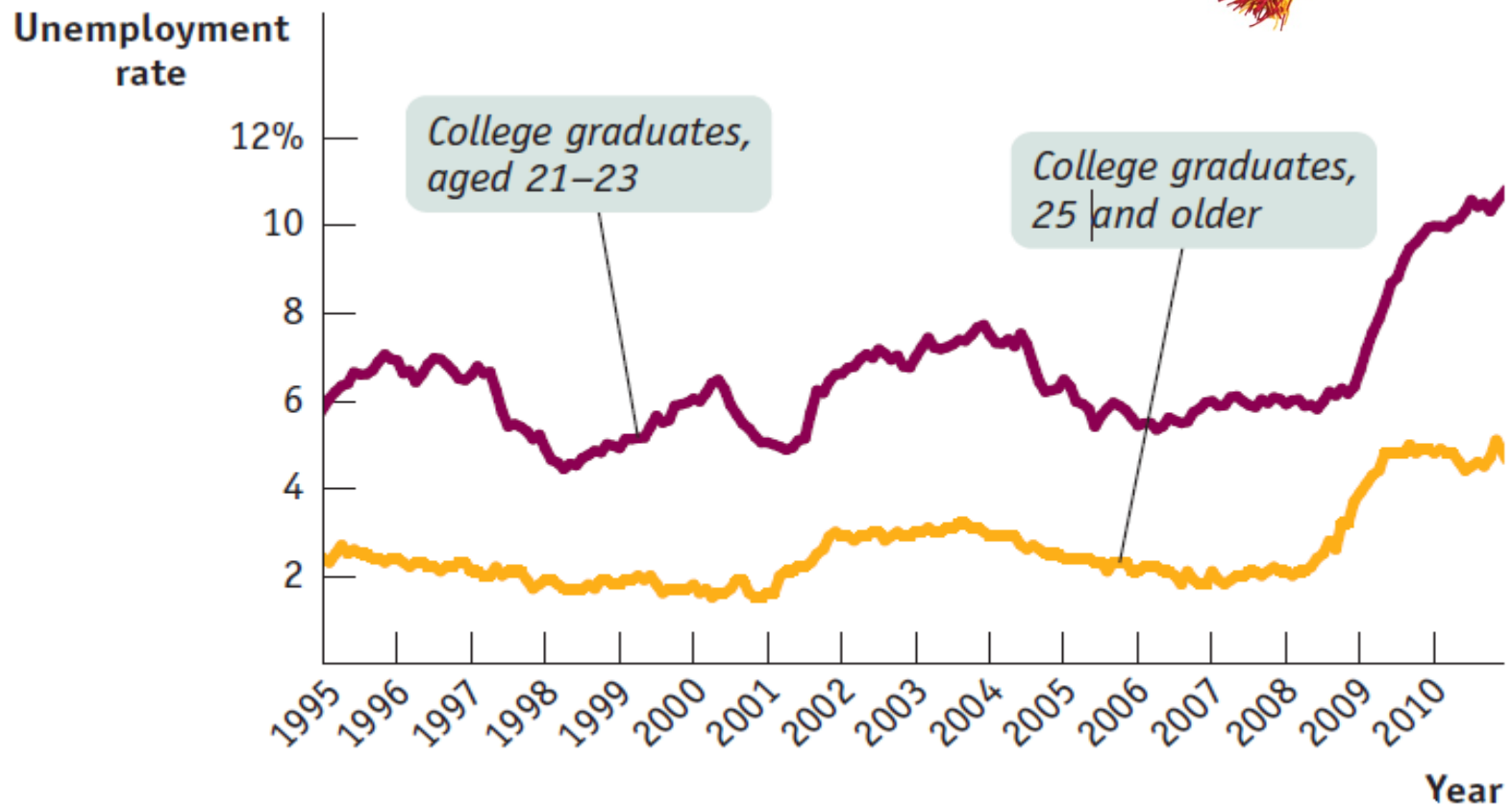


Unemployment Rate: Okun's Law

Growth and Changes in Unemployment, 1949-2012



Economics in Action: New Graduates



Sources: Federal Reserve Bank of San Francisco, 2010; Bureau of Labor Statistics.