**Unemployment**

Problems 7-2, 7-4, 7-8

Define Key Terms below:

Unemployment: able, willing, haven’t worked for pay for 1/hr or more in week prior to BLS survey and has been looking for past 4 weeks; 16 yrs old or older, not in the military, not institutionalized

List the different segments of the labor force and define each (this should say “Work” force) OK with using the 3 requirements above

1 Unemployed

2 Employed

3 Other

Labor force participation rate (calculation): Labor Force/Work force X 100 (L/W) X 100

Unemployment rate (calculation): Unemployed/Labor Force X 100 (U/L) X 100

Remember L = E + U

Types of unemployment (4)

1 Frictional

2 Structural

3 Cyclical

4 Seasonal

Full employment: NOT 100% employment; No cyclical unemployment; only structural and frictional

Natural rate of employment: occurs at full employment (only structural and frictional included)

1. What are the causes of unemployment at full employment currently? Reduction in production, reduction in profits, decline in investments
2. What is a job search defined as? Looked in the past 4 weeks
3. What is the equilibrium of labor? (supply and demand…) # of workers who want jobs are able to find them; employers have the # of employees they need. The equilibrium is reached when firms and workers meet at a particular wage.
4. Determine labor market status for each of the following:
   1. Ernie is an 18 year old college student Work force, not in Labor force (frictional U if looking)
   2. Bert works 20 hours a week at Target and is looking for a full-time job Employed, involuntary part time worker
   3. Elmo was laid off from his job selling VHS tapes and is actively seeking a new job in acting. Work force, unemployed, frictional b/c he wants to do something else or cyclical b/c he was laid off
   4. Zoe quit her job as an attorney 6 months ago, but, unable to find a comparable job, has stopped actively looking. Work force, not in labor force, discouraged (doesn’t state, so assume she hasn’t looked in past 4 weeks)
5. Assume the US population is 300M, the working age population is 240M. 150M are employed. 6M are unemployed. What is the labor force? 150 + 6 = 156M
6. To be counted as employed by the BLS, in the week before the survey a person much have work how many hours for pay? 1
7. Daisy is available and willing to be work in the past 6 mo. Daisy is \_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the labor force and is \_\_\_\_\_\_\_\_\_\_\_\_\_. (DO NOT READ INTO QUESTIONS – it does not state that she has been looking)
   1. Part; counted as unemployed
   2. Part; not counted as unemployed
   3. Not part; not counted as unemployed
   4. Not part; counted as unemployed
8. How does a marginally attached worker relate to a discouraged worker? Why is a discouraged worker not counted as part of the labor force? Marginally attached is not looking, not part of the labor force. Discouraged is not looking, not part of the labor force because they have lost hope in finding a job. Both are able to work and willing if something happened. Neither has looked in past 4 weeks.
9. Classify each by employment status:
   1. Sam lost his job when foreign competition forced his company into bankruptcy. structural
   2. Andrew didn’t like his boss so he quit his job. frictional
   3. Declan just graduated from Harvard. frictional
   4. Jane was fired from her job when her company downsized. structural (if b/c of economic downturn, it would be cyclical)
   5. Emily was laid off at her job at Walmart because people like Target better. structural
   6. Buddy sells Christmas trees. seasonal
10. Define “reentrants” ? left the workforce and are returning (retirees, housewives or househusbands)
11. SKIP THIS QUESTION

On Happy Island in 2013, the labor force was 12,000, the unemployment rate was 10% and the labor force participation rate is 60%. Happy Island’s labor force survey reports the following labor market flows during 2013:

|  |  |
| --- | --- |
| Hires and recalls | 1350 |
| Job Losers | 550 |
| Job Leavers | 300 |
| Entrants | 200 |
| Reentrents | 500 |
| Withdrawals | 350 |

The working population increased during 2013 by 1000. Calculate the working-age population, the unemployment rate and the labor force participation rate at the end of 2013.

TEXTBOOK QUESTIONS:

7-2a. Labor Force 206.2

Adults in military 1.5

Non-adult pop 48.0

Employed adults 196.2

Institutionalized 3.5

Non-milit/non-inst/not L 40.8

Total Pop = 300m (Labor Force + Adults in military + Non-adults + Institutionalized + non-mil/non-inst/not in labor force)

b. How many unemployed: L = E + U 206.2 – 196.2 = 10

Unemployment rate? U/L X 100 10/206.2 X 100 = 4.85%

c. L – not L = W 206.2 – 40.8 = 247.0 L/W X 100= participation rate 206.2/247 X100 = 83.5%

7-4 L = 1000 U = 20 frictional U = 30

1. 30/1000 X 100 = 3%
2. 20 + 30 = 50 50/1000 X 100 = 5%
3. 30 + 30 = 60 60/1000 X 100 = 6%
4. 20 + 60 = 80 80/1000 X 100 = 8%

7-8 2012 = $2000

2014 = $2100

Nominal/Base = Real value for current basket of goods 2100/2000 X100 = 105 CPI for 2014