



Measuring economic growth

unemployment

# Who is included in the labor force?

The proportion of non-institutionalized working-age individuals who are employed or seeking employment



# What is unemployment?

- The unemployment rate is the percentage of the measured **labor force** that is unemployed.
- Unemployed – Does not have a job

## Categories of individuals without work

- Job loser
- Reentrant
- Job leaver
- New entrant

# Job Losers

- An individual whose employment was involuntarily terminated or who was laid off
  - 40–60% of the unemployed



# Reentrant

- An individual who has worked a full-time job before but left the labor force and has now reentered it looking for a job
  - 20–30% of the unemployed

# Job Leaver

- An individual who voluntarily quit
  - 10 to 15% of the unemployed



# New Entrant

- An individual who has never worked a full-time job for two weeks or longer
  - 10 to 15% of the unemployed



# Causes for unemployment

- In an ideal labor market, wages would adjust to balance the supply and demand for labor, ensuring that all workers would be fully employed.
- *Frictional unemployment* It takes time for workers to search for the jobs that are best suit their tastes and skills.
- *Structural unemployment* Not enough jobs in a certain field to provide one for everyone who needs one



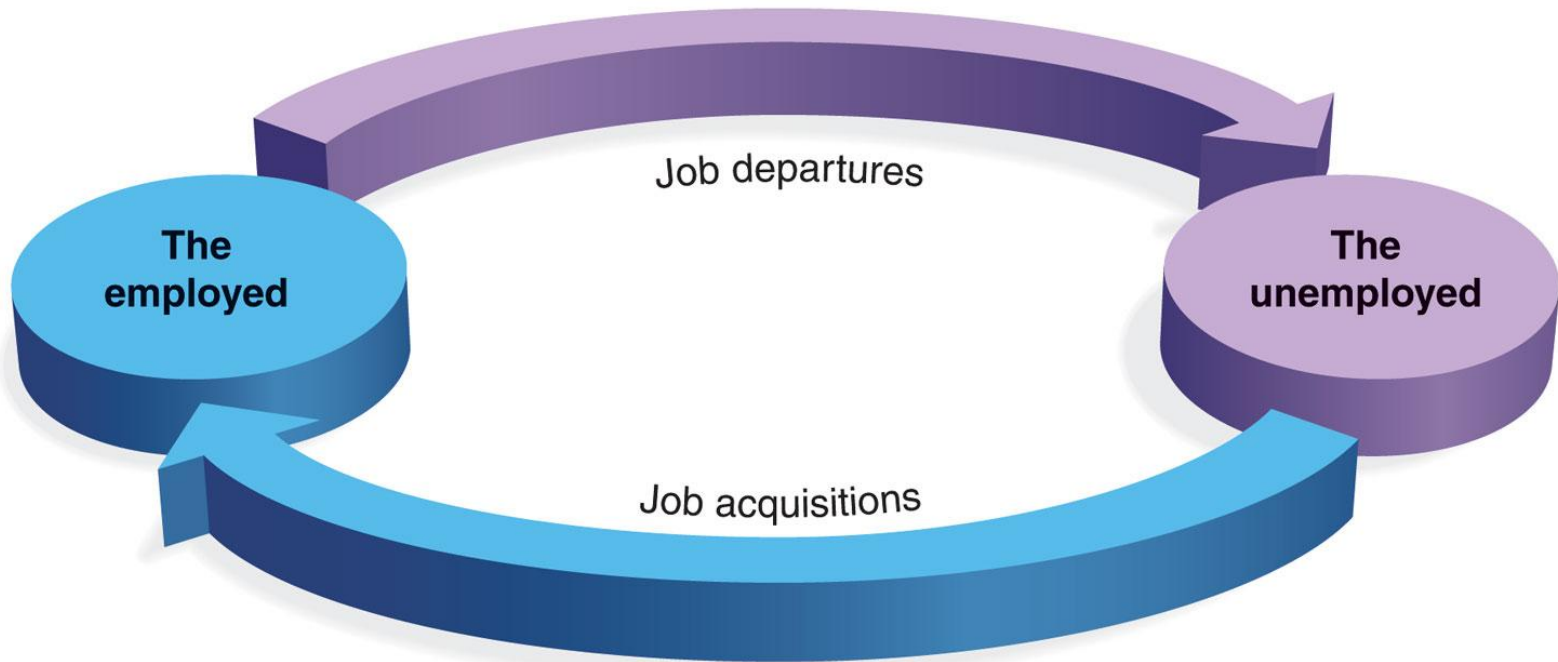
# Discouraged Workers

- Individuals who have stopped looking for a job because they are convinced they will not find a suitable one

# Average length of unemployment

- More than a third of job seekers find work within one month.
- Approximately another third find employment within a second month.
- About a sixth are still unemployed after six months.
- Average duration is just over 15 weeks throughout the last 15 years.

# Cycle of unemployment



# Calculating Unemployment

Labor force = The employed + The unemployed

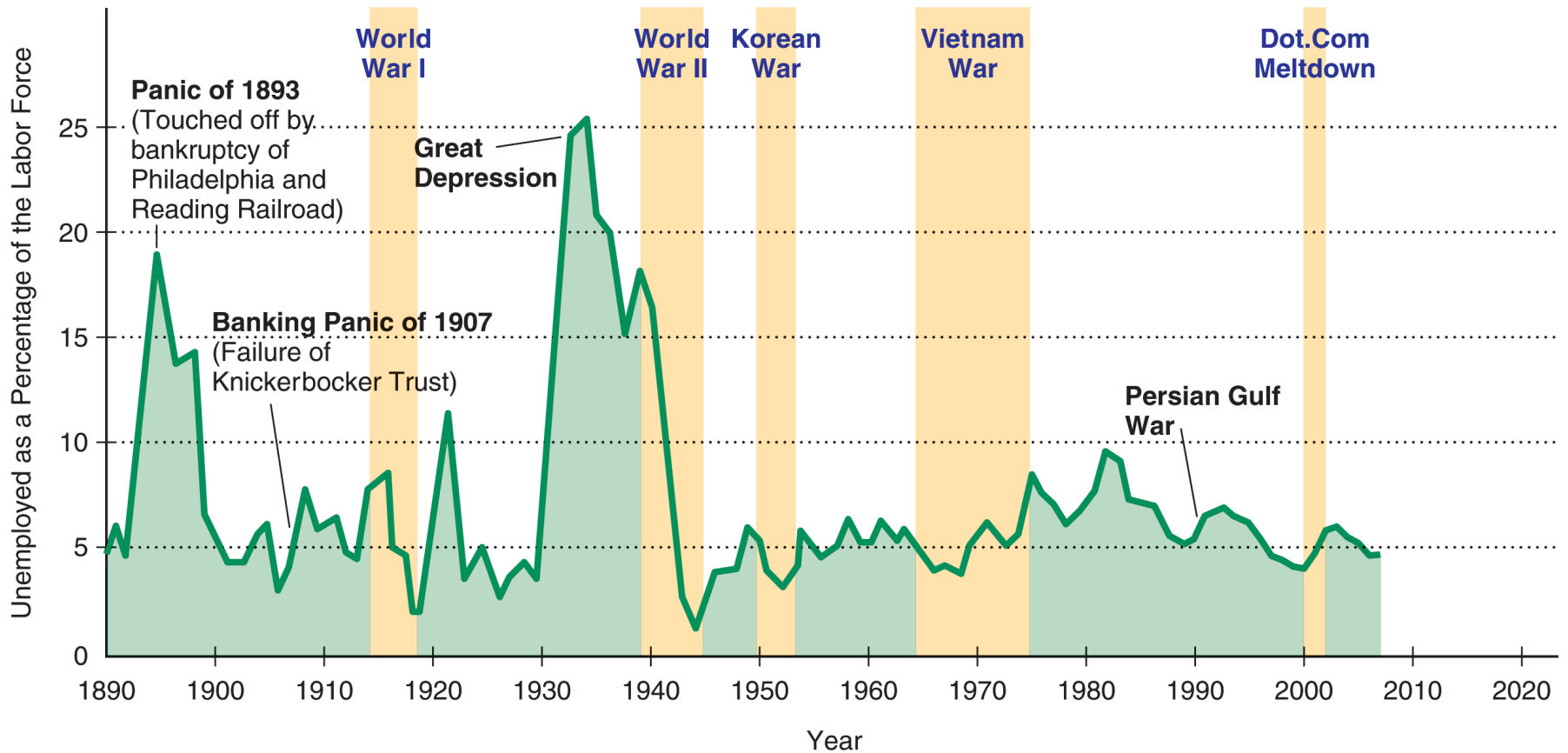
$$152.7^* = 145.4 + 7.3$$

$$\text{Unemployment rate} = \frac{\text{Unemployed}}{\text{Labor force}} \times 100$$

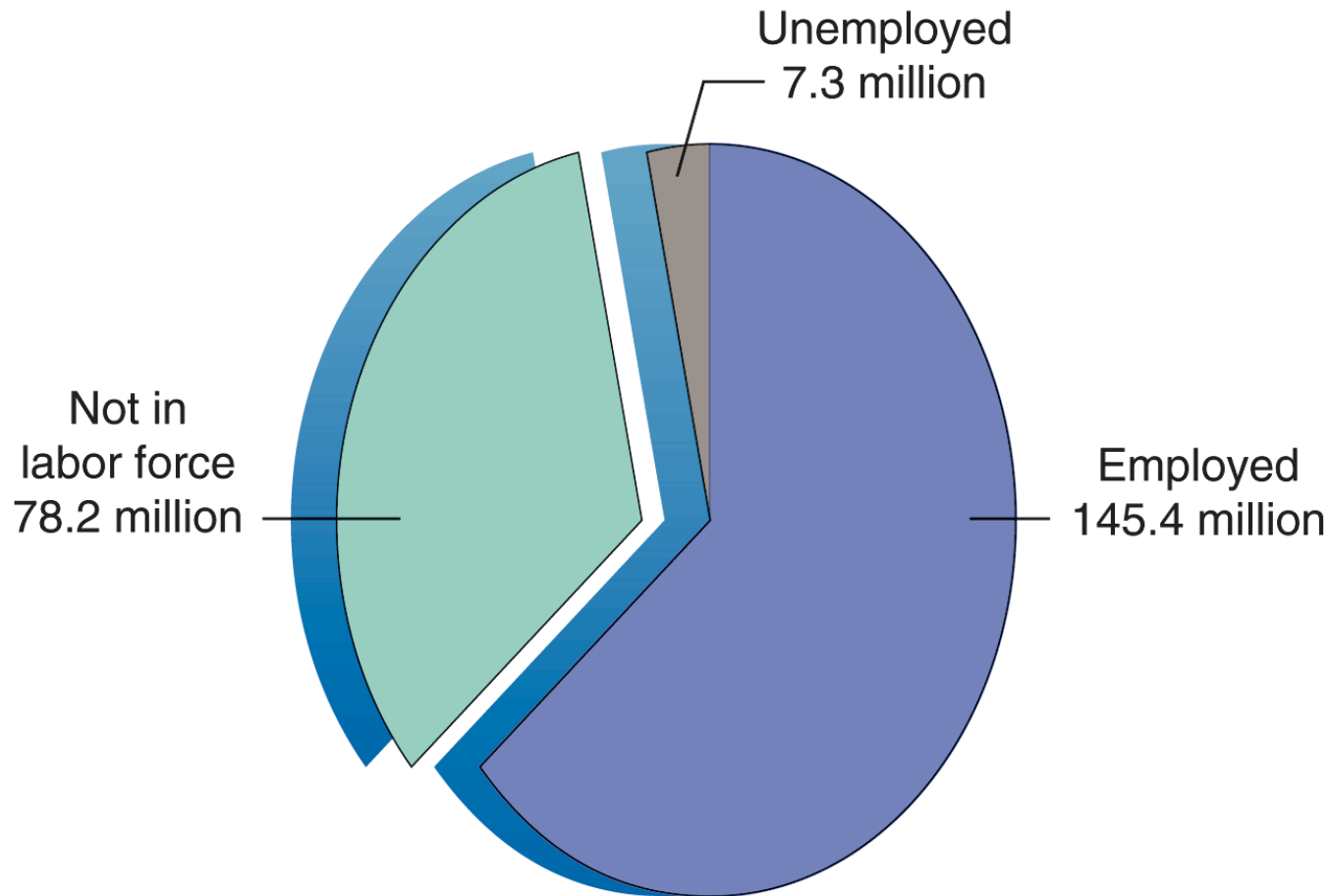
$$= \frac{7.3}{152.7} \times 100 = 4.8\%$$

\*U.S., millions of people; as of 2007

# Tracking Unemployment



# Unemployment – Real Numbers



# Demographics of unemployment

Demographic Group	Unemployment Rate	Labor-Force Participation Rate
<b>Adults (ages 20 and over)</b>		
White, male	3.7%	76.8%
White, female	3.6	50.2
Black, male	8.0	72.1
Black, female	7.0	65.4
<b>Teenagers (ages 16–19)</b>		
White, male	13.8	54.1
White, female	11.4	52.8
Black, male	30.5	38.0
Black, female	27.5	37.4