Unemployment

What is Unemployment?

- Unemployment rate: percentage of the civilian labor force that is jobless and actively looking for work.

- Civilian labor force: EXCLUDES
  - Military
  - Institutionalized
  - Retired
  - Under age 16
  - Those not looking for work in past 30 days
  - Students
  - Anyone not looking for work

Not counted as unemployed: underemployed

- Those who are working below their skill level or less hours than they would like to.

- These people are counted as "employed"

- *"Would you like fries with that?"*

Not counted as unemployed: discouraged workers

- Discouraged workers: these people lose faith in their ability to find the right job, so they give up (haven't looked for work in 30 days) **This is very bad!**

Types of unemployment

- Frictional: workers moving from one job to another, or looking for a job after completing education

- Those who quit or get fired

- Why would this type of unemployment go down in a recession?

- Seasonal: linked to seasonal work, like farming and construction

- The unemployment number adjusts for this

Types of unemployment

- Structural: workers lose jobs because they lack the skills needed for today's jobs

- New technology causes structural unemployment

- Cyclical: due to contractions in the business cycle (this is the bad kind)

The Business Cycle

Full Employment

- Full employment does not equal zero unemployment.

- Some unemployment is good!!

- FE is no unemployment caused by decreased economic activity. (no cyclical unemployment)

- A "natural rate" of unemployment is somewhere between 4-5%

Is unemployment bad?

- It's inefficient. We could be producing more than we are, therefore we are below our production possibilities curve (PPC).