

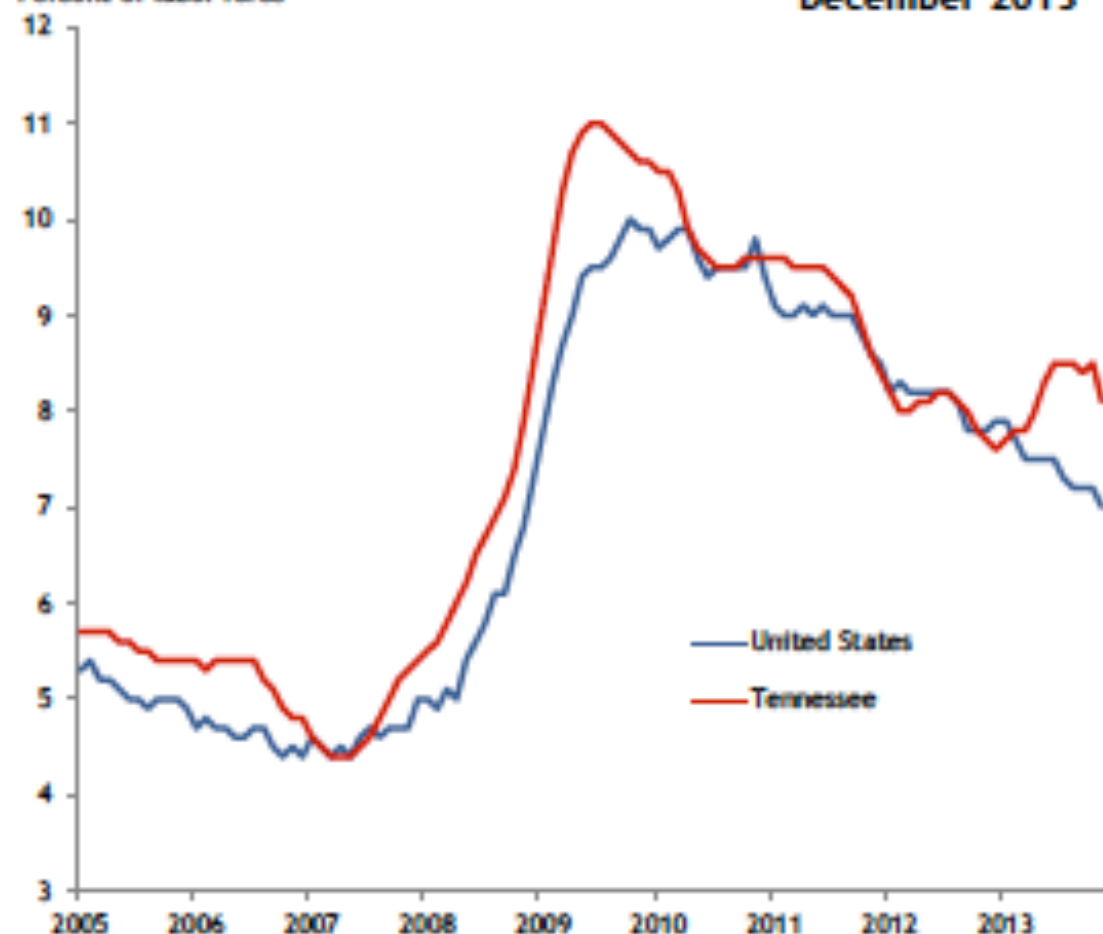
# Unemployment

# Clear Target

I will be able to identify the different types of unemployment and explain how the unemployment rate is measured.

## Unemployment Rates December 2013

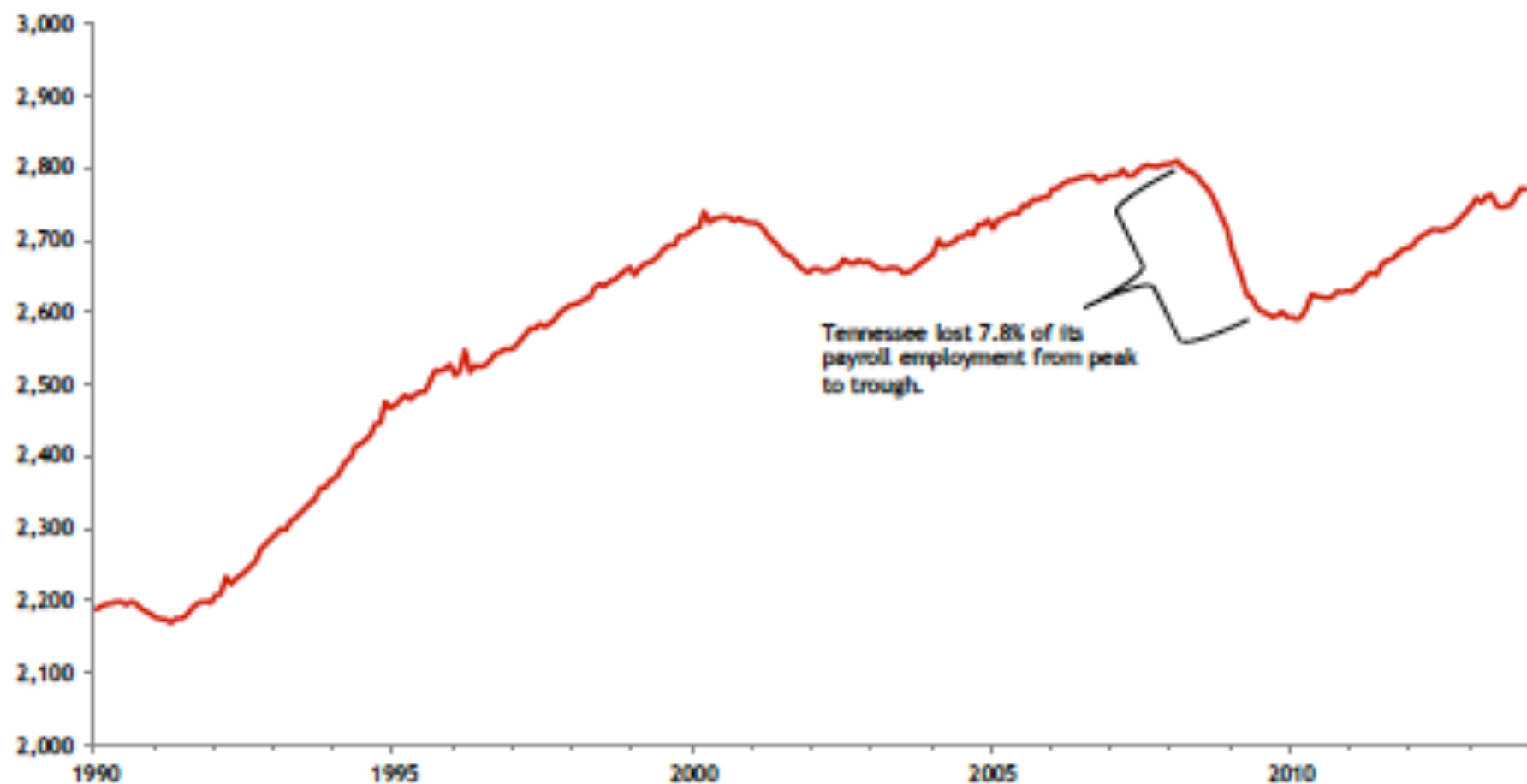
Percent of labor force



Unemployment Rates			
	Current	Year Ago	Jan 2007
United States	6.7	7.9	4.6
Tennessee	7.8	7.6	4.6
Chattanooga	6.8	7.3	4.4
Clarksville	7.8	8.1	5.7
Cleveland	6.6	7.0	4.9
Jackson	7.4	7.8	5.6
Johnson City	6.8	7.1	4.8
Kingsport-Bristol	6.4	6.9	4.8
Knoxville	6.0	6.2	4.1
Memphis	8.6	8.7	5.8
Morristown	8.3	9.1	6.1
Nashville	5.5	6.0	4.2

## Tennessee Payroll Employment December 2013

Thousands,  
seasonally adjusted



# Calculating The Unemployment Rate

- Unemployment rate =  
 $\text{\# of unemployed} / \text{total labor force}$

Example: in a Small town with 100 people in the labor force if 96 people have a job and 4 people are looking for work the unemployment rate would be 4%.

$$\text{Labor force} = 96 + 4 = 100$$

$$\text{Unemployment rate} = 4 \div 100 = .04 = 4\%$$

# Where Does Labor Force Data Come From?

- Gathered by the Bureau of Labor Statistics (BLS)
  - Based on
    - monthly survey of 60,000 households
    - Adult population (16 yrs or older)

# Who Is In The Labor Force?

- Labor force – people within the working age (16 to retirement age) who are employed or are unemployed and seeking work
- Employed
  - Worked during the past week (full or part time)
    - Part time = at least 1 hour for pay (Marginally attached workers)
    - A person working without pay in a family business is considered employed
- Unemployed
  - People who have actively looked for work in the past 4 weeks

# Who Is Not In The Labor Force?

- Active duty military personnel
- Full-time students
- Unpaid homemakers
- Retirees
- Confined to an institution, such as a nursing home or a mental or correctional facility
- People who did not work in the past week and did not look for work in the past four weeks (Discouraged workers)



# What We're Told vs. What Is Happening

Measure	Not seasonally adjusted			Seasonally adjusted					
	Mar. 2013	Feb. 2014	Mar. 2014	Mar. 2013	Nov. 2013	Dec. 2013	Jan. 2014	Feb. 2014	Mar. 2014
<b>U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force</b>	4.3	3.6	3.7	4.1	3.7	3.6	3.4	3.5	3.5
<b>U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force</b>	4.3	3.9	3.7	4.1	3.7	3.5	3.5	3.5	3.5
<b>U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)</b>	7.6	7.0	6.8	7.5	7.0	6.7	6.6	6.7	6.7
<b>U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers</b>	8.1	7.5	7.2	8.0	7.4	7.2	7.1	7.2	7.1
<b>U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force</b>	9.0	8.4	8.1	8.9	8.2	8.1	8.1	8.1	8.0
<b>U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force</b>	13.9	13.1	12.8	13.8	13.1	13.1	12.7	12.6	12.7

NOTE: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. Updated population controls are introduced annually with the release of January data.

## Scenarios: In or Out of Labor Force?

KAREN:

I was a manager at a coffee shop until it closed a couple months ago. Since then, I've been traveling a bit and spending lots of time with my sister. I haven't found another management position yet, and I'm holding out to be a manager again! I've put in applications at several of the hipper stores in the area, but they don't need another manager, so I'm still looking.



Karen is:

- A. In the Labor Force
- B. Out of the Labor Force
- C. Employed
- D. Unemployed

## Scenarios: In or Out of Labor Force?

AVA:

I have six kids, ranging in age from 4 to 22. And I'm very fortunate to have an extended family that helps me out—a lot. I'm very active with my church, and I volunteer at the soup kitchen every other Friday night. I'm also a nurse, and I work full-time at the local hospital.



Ava is:

- A. In the Labor Force
- B. Out of the Labor Force
- C. Employed
- D. Unemployed

## Scenarios: In or Out of Labor Force?

TY:

I was laid off from my factory job three years ago. I searched for a job nonstop the first year, but I couldn't find anything. The second year, I had a landscaping job with a friend's company, but that was only for the summer. So here I am three years later and still no job. I'm so frustrated, I've stopped looking.

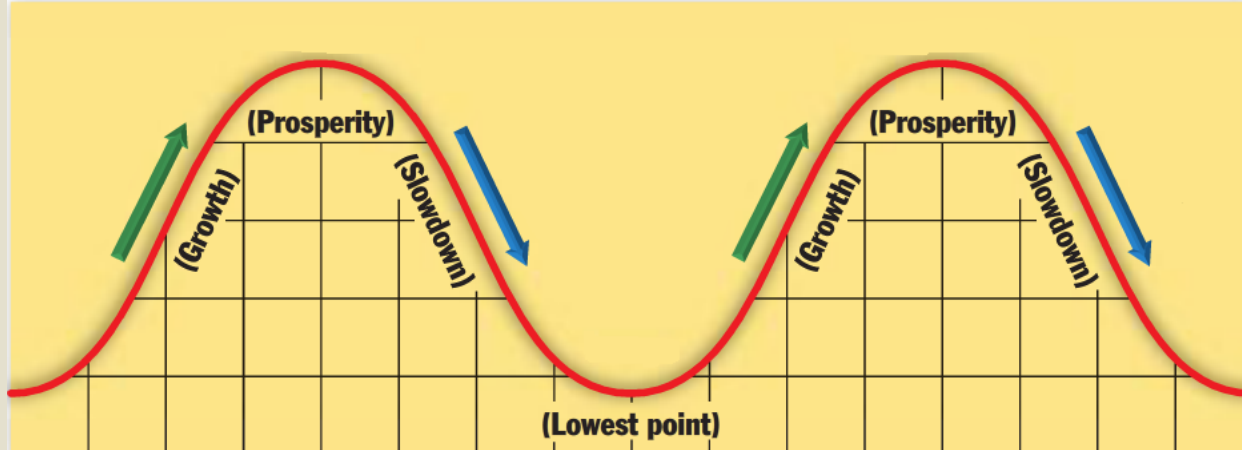


Ty is:

- A. In the Labor Force
- B. Out of the Labor Force
- C. Employed
- D. Unemployed

# Cyclical Unemployment

- Associated with the ups and downs of the economy.



# 3 Types of Unemployment

- **Cyclical unemployment**

- Reflects cycles of economy
- Occurs when the economy takes a down turn (contraction)
- The demand for goods and services decreases and jobs are lost
- Usually short-term and works itself out
  - Economic conditions improve, consumers spend more money on goods/services
  - Signals businesses to produce more goods and services
  - Businesses hire workers to fill the orders and unemployment decreases

- **What are examples of cyclical employment?**

- Examples: New home construction;  
Auto manufacturing; Amusement park marketing





# Structural Unemployment

- Unemployment caused by changes in the economy, such as technological advances or discoveries of natural resources



# 3 Types of Unemployment

- **Structural unemployment**
  - Much more serious type of unemployment
  - Occurs when job requiring a specific skill set is no longer needed (e.g., because of new technology)
  - Or, the job requiring that skill set moves to a different location
- **What jobs have become obsolete or shifted to a different location?**
  - Examples: Phone operator connecting calls; Federal Reserve check processors; Movie store clerk





# Frictional Unemployment

- Temporary unemployment between jobs because of firings, layoffs, voluntary searches for new jobs, or retraining.



- **Frictional unemployment**

- Occurs when a person with employable skills is looking for a job
- Can be thought of as the time between jobs
- The person will get a job; it is just a matter of time

- **Examples:**

- Temporarily unemployed - leave a job to search for a better job or one that better fits skills and preferences
- Recent college graduate searching for a job



# Seasonal Unemployment

- Unemployment caused by changes in the seasons or weather.



## Scenarios: Which Type of Unemployment?

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Aisha is a master mechanic who specializes in repairing JM374 pneumatic wrenches. With three engine factories in town, she always has plenty of work. But that changed when the JM374 was replaced with a laser guided multi-bot at all three factories. Now she can't find any local work in her specialty. She's considering learning how to repair multi-bots, but hasn't done that yet.

## Scenarios: Which Type of Unemployment?

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Brent graduated from high school a couple of years ago and a year or so ago decided he wanted to work in computers. His mother worked in computers as he grew up in Salem, Oregon, so it seemed like a good fit. Brent just completed his HP ExpertONE certification (which deals with running computer networks). He is currently looking for a job using that knowledge. He would like to work in another country, so he has limited his search to foreign job markets.



# Scenarios: Which Type of Unemployment?

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Claude worked in auto manufacturing. His plant produced a luxury line, and sales were brisk until the economy slowed. His company offered incentive after incentive to entice people to buy high-end models. But when they finally bought a car, most people went for the no-frills base model. Fewer luxury car sales resulted in Claude being laid off. He's hopeful that he'll get his job back when the economy picks up.