

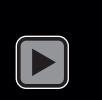
Macroeconomics & the World Economy

Day 3 - Labor Force



Like Star Wars... only you get paid

FINAL NOTES



Objectives

- Discuss why employment levels are so important in macroeconomics
- Understand how the Unemployment Rate is calculated
- Identify and compare the 4 Types of Unemployment
- Terms:
 - Labor Force
 - Unemployment
 - Unemployment Rate
 - Seasonal U...
 - Frictional U...
 - Structural U...
 - Cyclical U...

Remind me...

- *How is performance measured in Macroeconomics?*
- *What is inflation?*
- *What is GDP?*
- *Today we talk about the last measure of performance... unemployment*

Labor

- *Remember WAAAAY back when, the Factors of Production? What is “labor”*
- *And it comes in what two types?*
 - *Manual and Skilled*
- *So... Human Efforts in Production = Labor*
 - *That's in Microeconomics*
 - *In Macroeconomics Labor is larger...*

Labor Force

- All persons who are over 16 who are either working for pay or actively seeking employment
- So, *NOT the following:*
 - Under 16 workers
 - Volunteers
 - Those not seeking work
 - Like college students
 - So then we have...



Unemployment

- NOT people who don't have a job
- It is those from the Labor Force without a job
- The inability of Labor Force participants to find jobs
 - *What's the difference?*
 - We only measure those who WANT a job, are trying to GET a job, and yet don't have one
 - *Let's do an example of how we measure it...*



Unemployment
and
Licorice

Unemployment Rate

- **Proportion of the Labor Force that's unemployed**

$$\text{Unemployment rate} = \frac{\text{number of unemployed people}}{\text{size of the labor force}}$$

- *We will look at some later...*

Four Types of Unemployment

- Seasonal
- Frictional
- Structural
- Cyclical

Seasonal Unemployment

- Caused by seasonal changes
 - *i.e. when school gets out for the summer*
 - *Or holiday jobs that are temporary*



Frictional Unemployment



- Brief period of unemployment associated with a job search
- *i.e. when you graduate and start looking for a job*

Structural Unemployment

- Results from differences between skills needed and skills provided
- *i.e. when new technology makes skills for the older one not needed*



Cyclical Unemployment



- When there are not enough jobs to go around
- *i.e. when there is a downturn in the economy (or negative economic growth)*

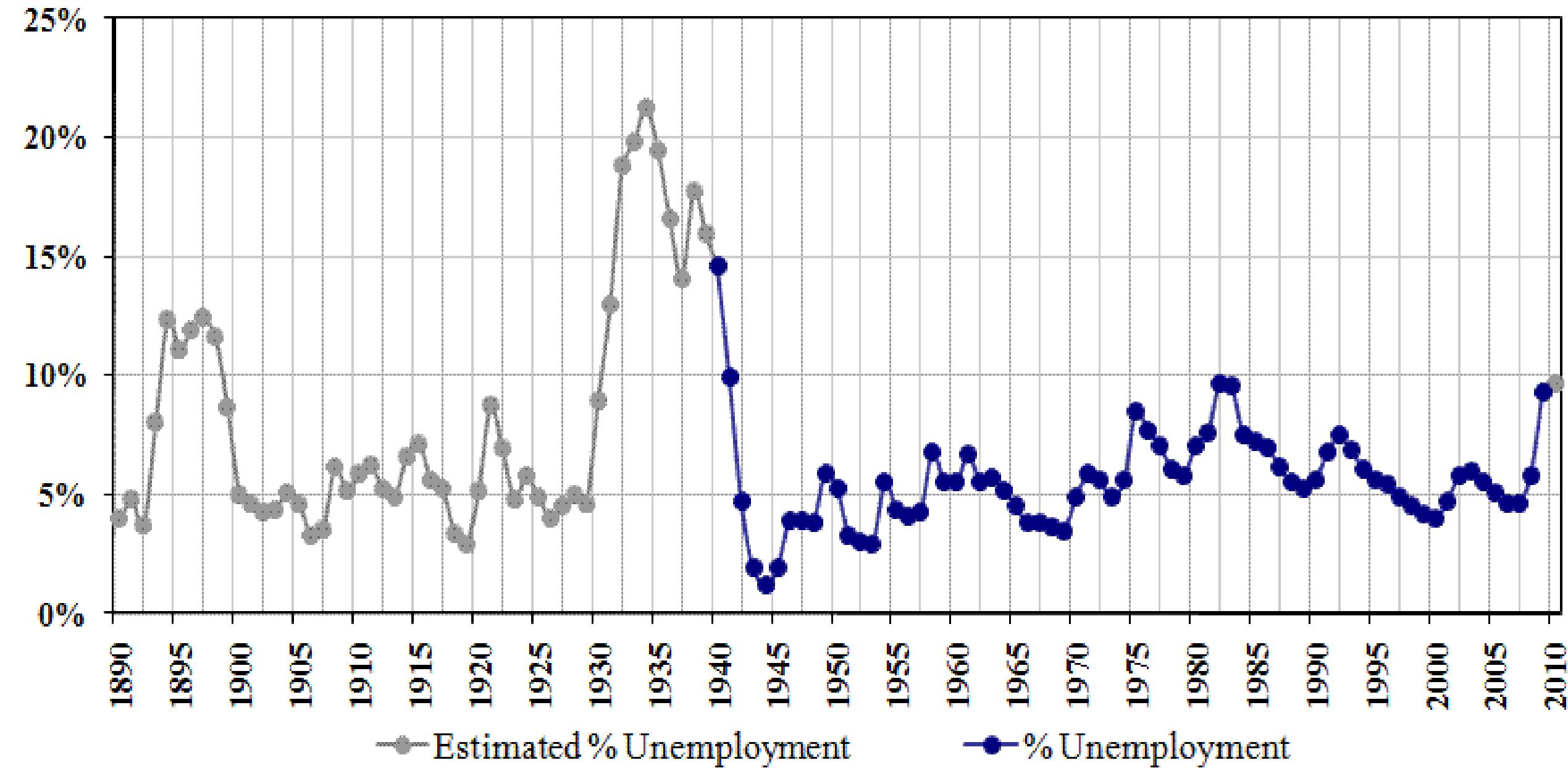
The Importance of Unemployment

- *Which of these four types can a government actually do something about?*
- **WHAT can we do?**
- For Structural?
 - Retrain
- For Cyclical?
 - Find ways to create new jobs, encourage growth, etc.

And finally...

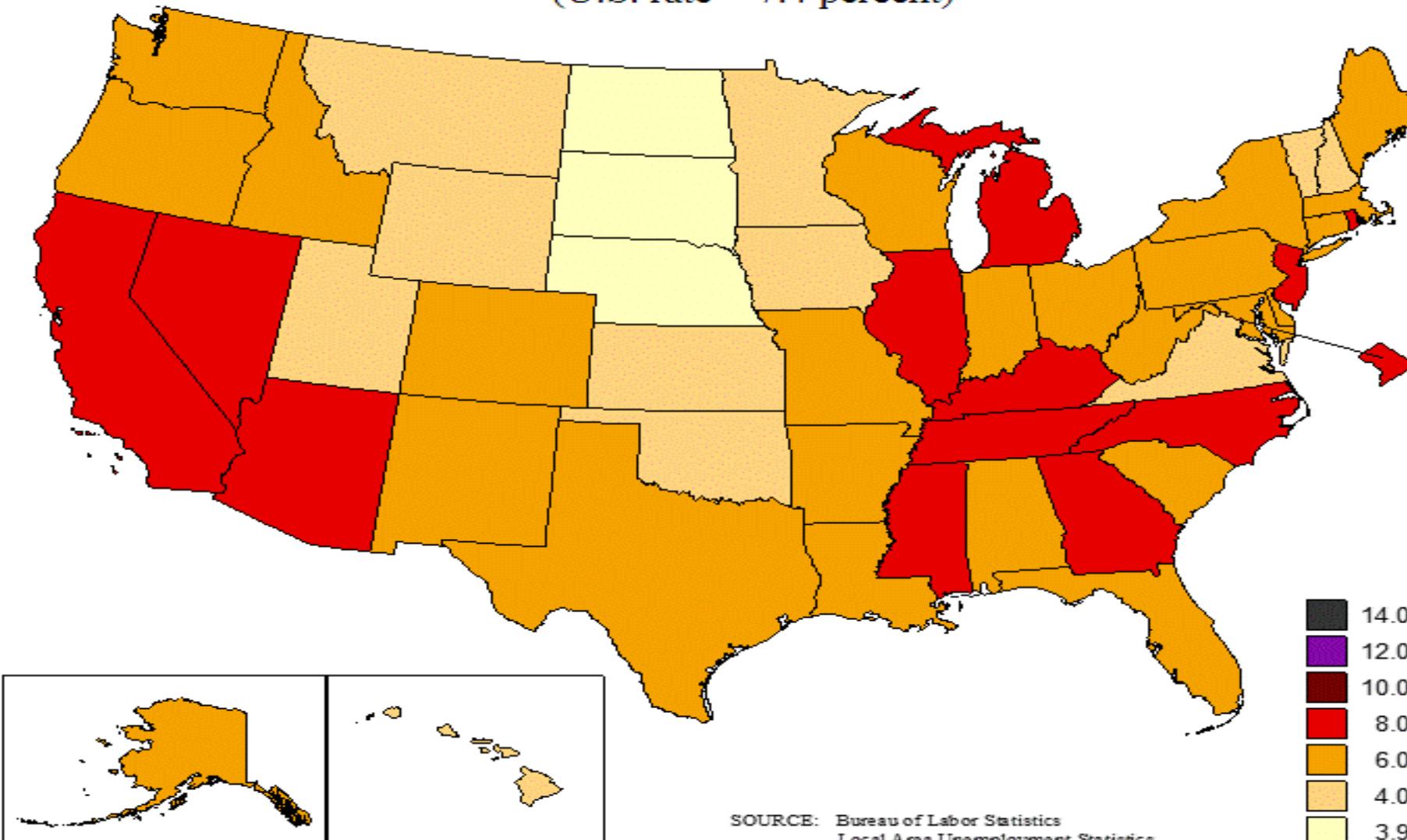
- Is it possible / reasonable to have zero unemployment?
- NO!
- “Full Employment” is considered between 4 and 6 percent
- So let's see where we measure up...

United States - Unemployment Rate (1890 - 2009)

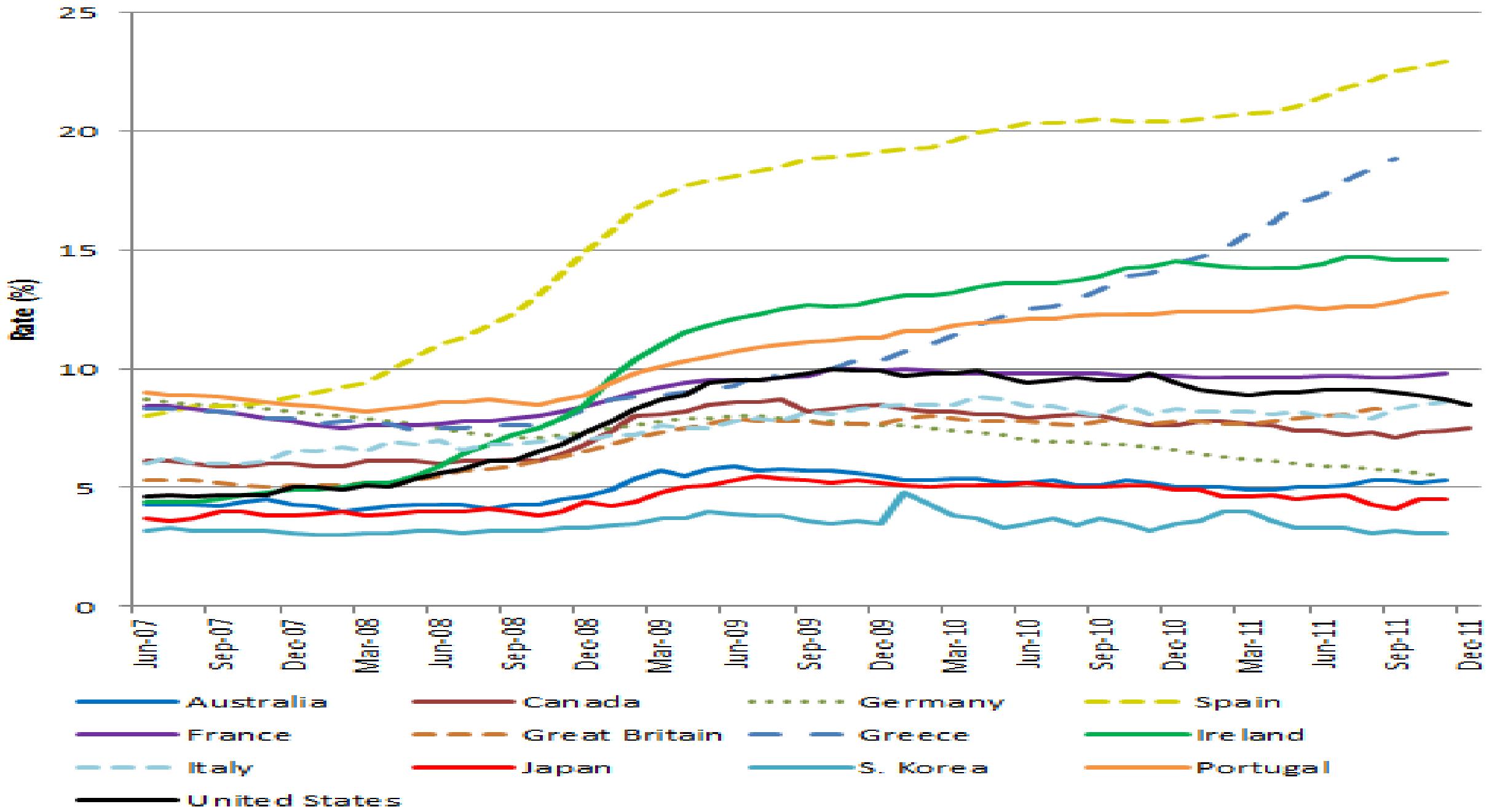


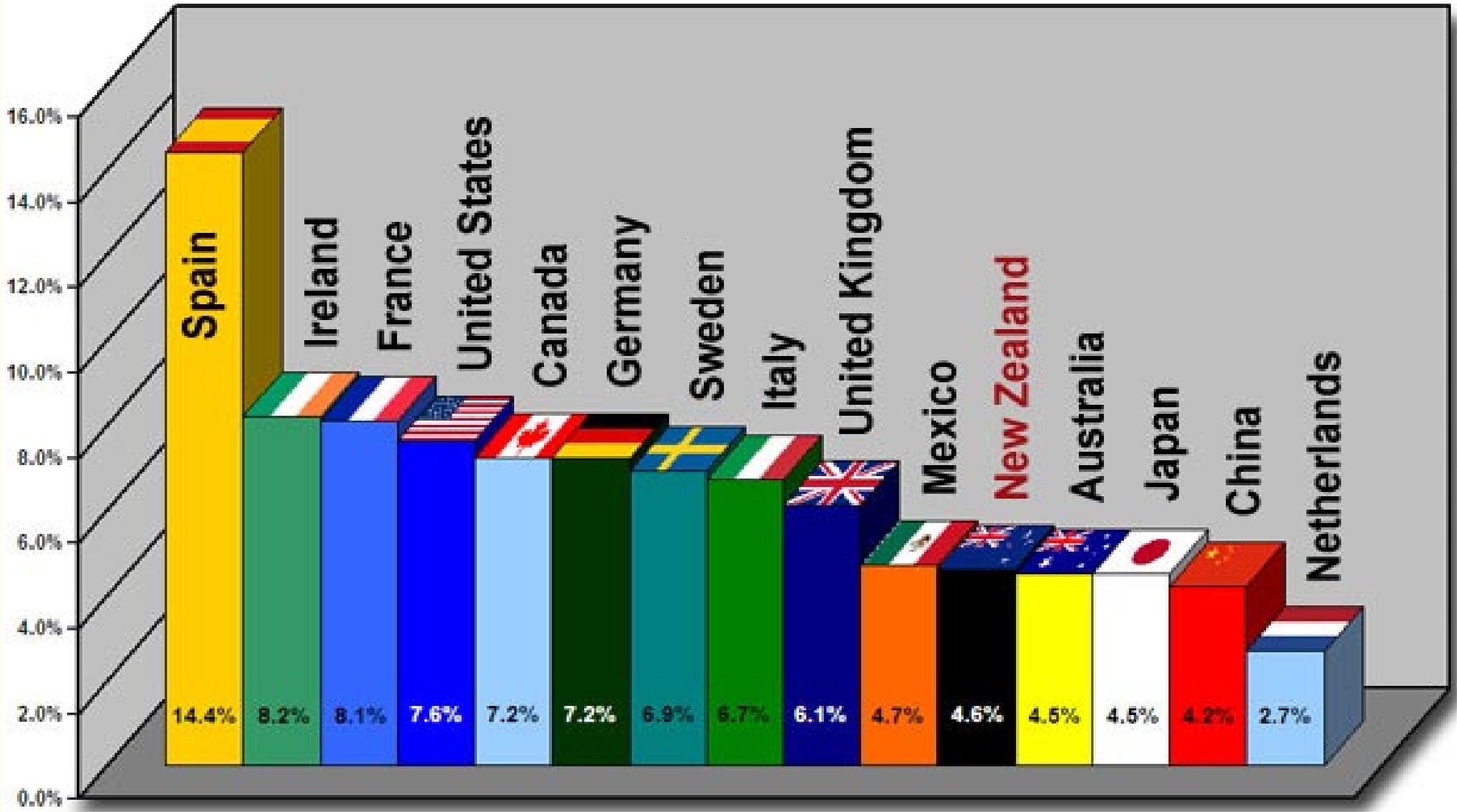
Unemployment rates by state, 2013 annual averages

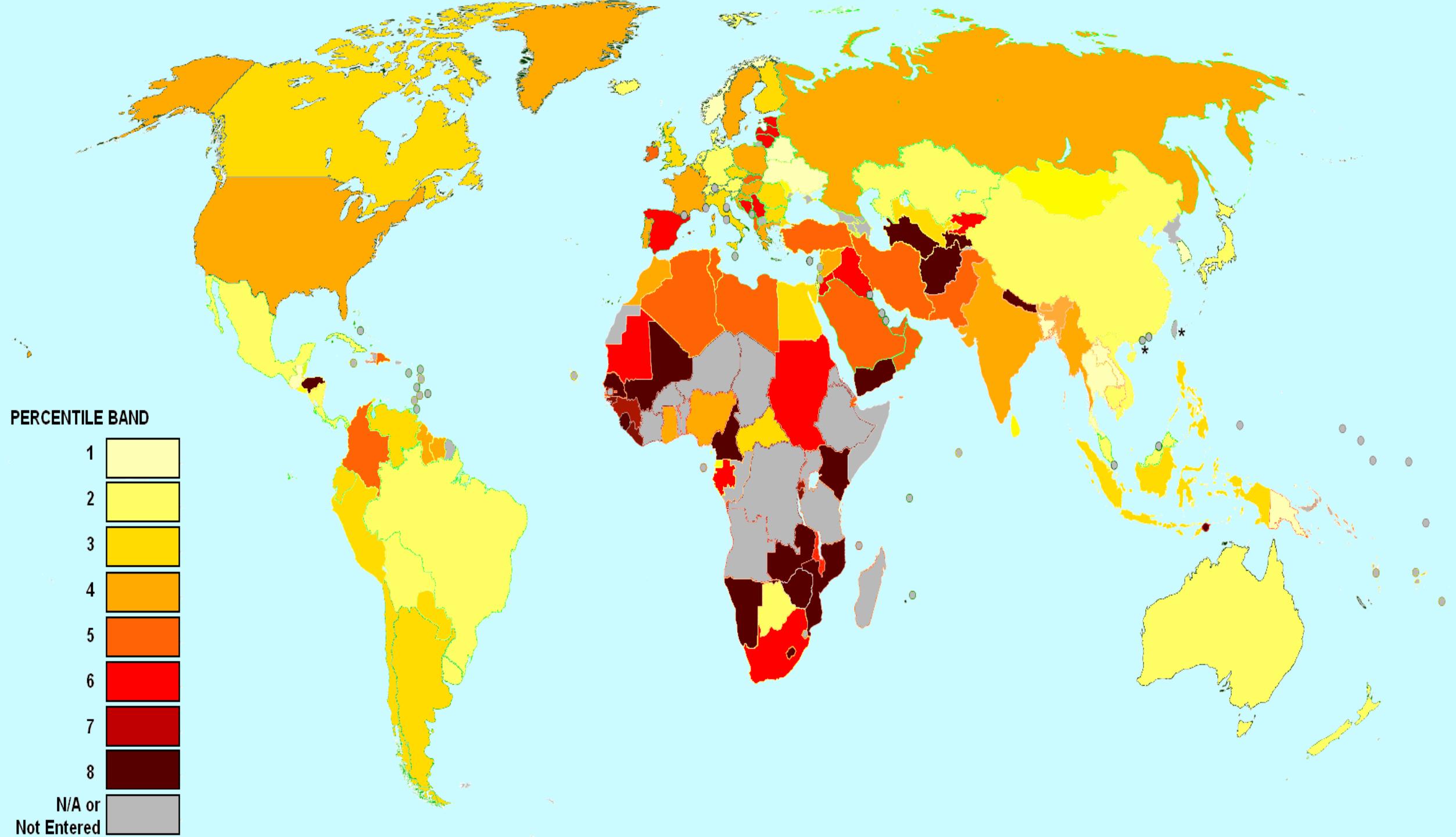
(U.S. rate = 7.4 percent)



Unemployment Around the World







And so...

- That concludes Economics 101
- We have talked about how Consumers make choices, and that effect on Supply and Demand...
- We talked about Businesses, and how they make decisions in Production...
- *We studied how government makes decisions economically...*
- *And finally, how we measure Macroeconomics.*

Fundamental Principle of Economics ?

• **SCARCITY!**

- Nothing is infinite. Not money, not resources, not time (*and not this class*)
- So use your limited resources wisely

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