

CONCEPT: LABOR FORCE AND UNEMPLOYMENT

- Tracking levels of employment within an economy gives meaningful data regarding the nation's productivity
 - **Labor Force** – the total number of workers, including employed and unemployed
 - > *Employed* – Paid employees; business owners; full-time or part-time
 - Includes temporary absences due to vacation, illness, or strike
 - > *Unemployed* – Available for work, seeking a job, but unable to find a job
 - > *Not in the Labor Force* – Do not fit other categories (i.e. full-time student, homemaker, or retiree)
 - **Discouraged Workers** – Ready to work, but gave up on job search believing no job available

$$\text{Labor Force} = \text{Employed} + \text{Unemployed}$$

$$\text{Unemployment Rate} = \frac{\text{Unemployed}}{\text{Labor Force}} * 100$$

$$\text{Labor Force Participation Rate} = \frac{\text{Labor Force}}{\text{Adult Population}} * 100$$

$$\text{Employment to Population Ratio} = \frac{\text{Employed}}{\text{Adult Population}} * 100$$

- Problems with measuring unemployment:
 - *Discouraged workers* are not included in the labor force leading to an _____ of the unemployment rate
 - > During a recession, discouraged workers increase since people have trouble finding jobs
 - *Part-time workers* count as fully-employed, leading to a partial _____ of the unemployment rate
 - > Although some part-time workers make that choice, many part-time workers would prefer a full-time job
 - > **Underemployment** – people who work part-time because they cannot find full-time jobs
 - *Survey results* are not always truthful and may _____ the unemployment rate
 - > A person may claim to be looking for work to remain eligible for government unemployment benefits
 - The person is classified as _____ rather than _____
 - > A person may claim to be unemployed, but are actually involved in illegal activity (i.e. drug dealing)
 - The person is classified as _____ rather than _____