



## LECTURE FIVE - PART TWO



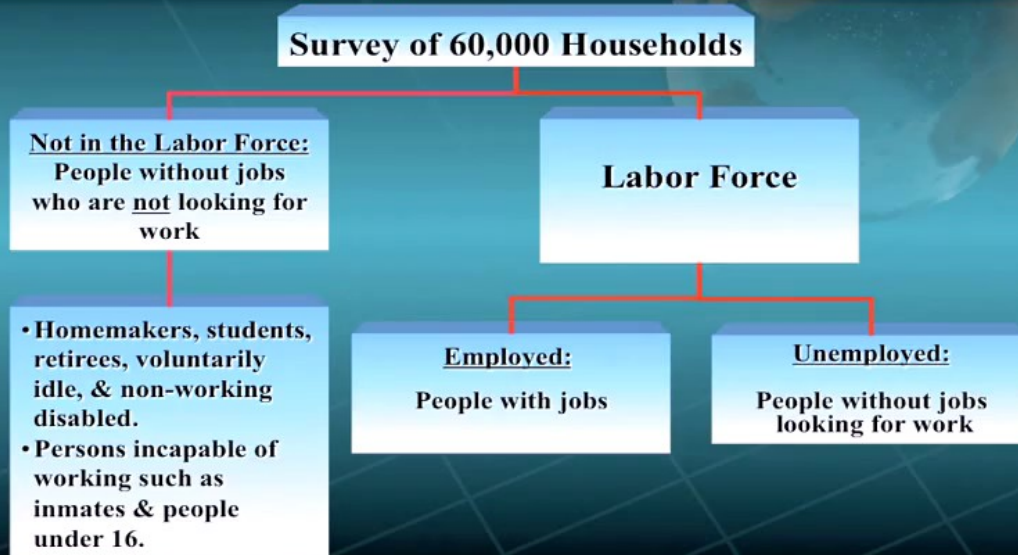
### Two Important Questions

1. How is unemployment rate defined?
2. How is it measured?

## Collecting Unemployment Data

- Statistics on unemployment and the labor force are gathered monthly.
- The procedure used is *random sampling* of the population.
- About 60,000 households are interviewed monthly to get a picture of the entire workforce.

## The Unemployment Rate



## The Unemployment Rate Formula

Unemployed

Labor Force

$$\times 100 = \text{Unemployment Rate}$$

## Exercise

Unemployed:

8 Million

Labor Force:

130 Million

$$\times 100 =$$

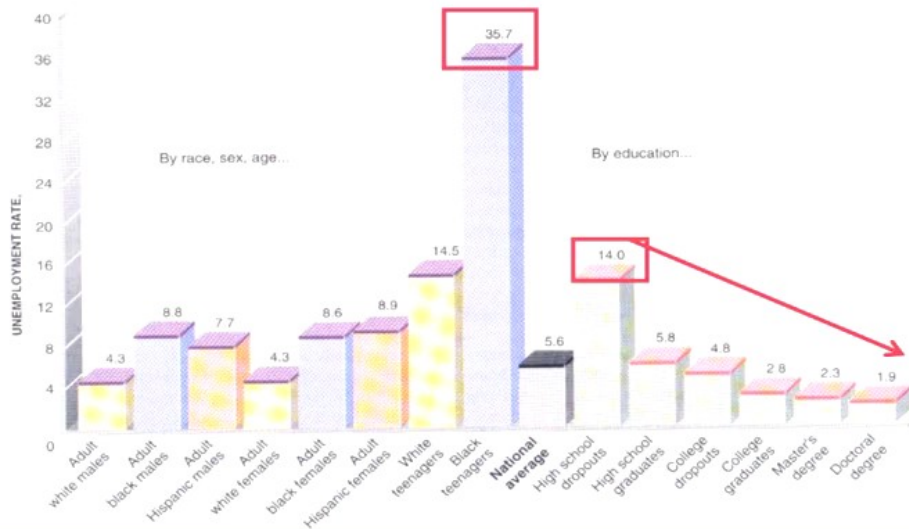


## Solution

8 Million

130 Million


$$\frac{8 \text{ Million}}{130 \text{ Million}} \times 100 = 6.2\%$$



Is this unemployment frictional, structural, or cyclical?



## Teenage Unemployment

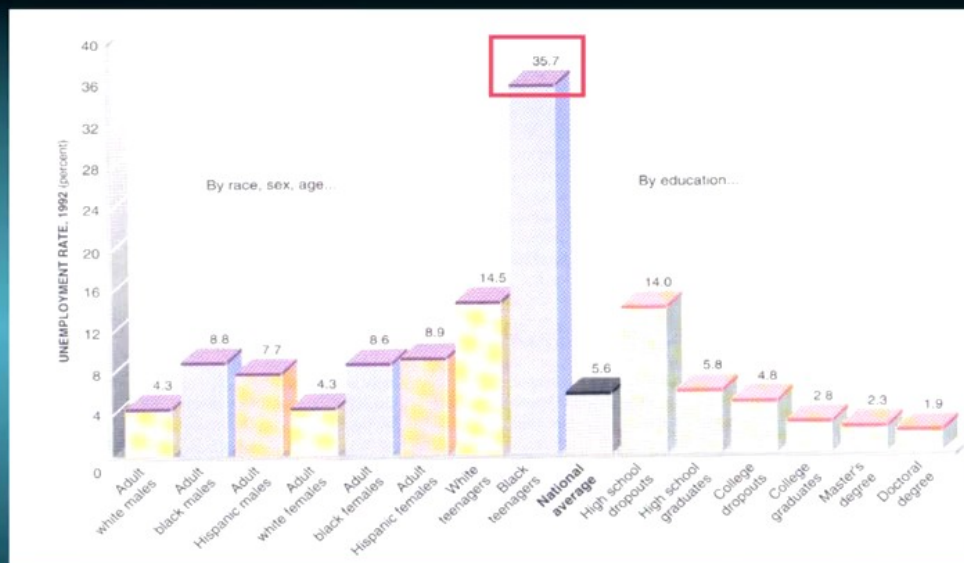
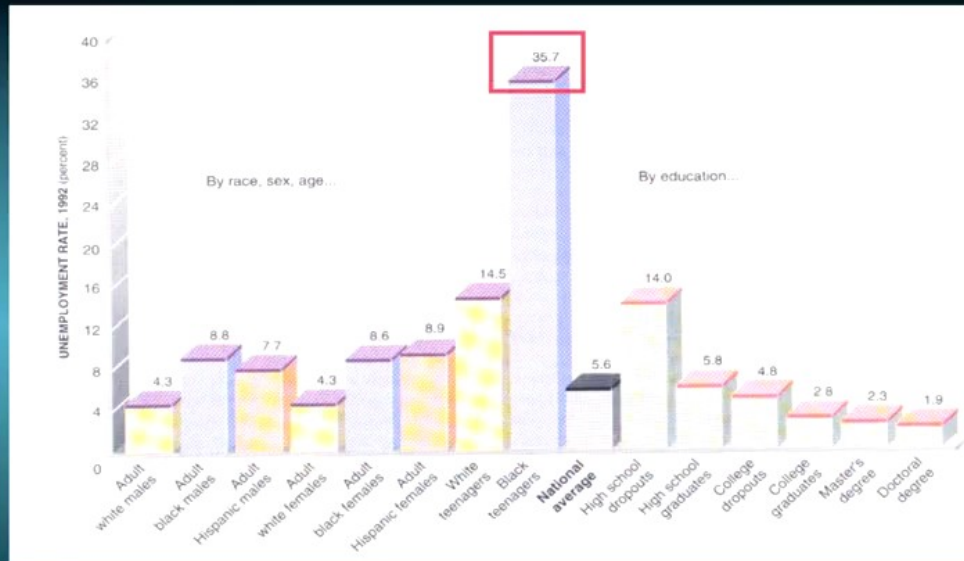


- A large frictional component.
- Teenagers move in and out of the labor force very frequently.
- Teens get jobs quickly and change jobs often.

## Unemployment by Age



- Half the unemployed teenagers are “new entrants” who have never had a paying job before.
- All these factors suggest that teenage unemployment is largely frictional.



**One possible reason is racial discrimination.**

## The Minimum Wage & Welfare State

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- **Theory 1:** A high minimum wage tends to drive low-productivity black teenagers into unemployment.
- **Theory 2:** Conservatives blame high black unemployment on a culture of dependency nurtured by government welfare to the poor.