**Chapter 7 UNEMPLOYMENT ANSWERS**

**1. Which of the following people would be officially considered unemployed?**

* 1. Mitchell, who is a full-time student working part-time at the bookstore
  2. Janice, who is actively seeking a full-time job while currently working at a part-time job
  3. Jade, who has stopped looking for a job because she feels there are no jobs available for her
  4. **Jenna, who just graduated from college and is searching for a job that fits her graphic-design skills**
  5. Ralph, who is a stay-at-home father and is not currently looking for a job

**2. Which of the following is an example of structural unemployment?**

* 1. Raymond loses his job as an automotive worker because the economy is in a downturn.
  2. Chad graduates with his master’s degree in economics and is searching for an analyst job in Oklahoma.
  3. Edith has decided to retire after 35 years of working at the state prison.
  4. Cameron quits his job to go back to school.
  5. **Jasmine loses her job as a newspaper distributor because the publication has gone digital.**

**3. Between 1979 and 2014 manufacturing employment in the United States**

* 1. stayed constant.
  2. **fell by almost 50%.**
  3. rose by almost 50%.
  4. rose by almost 90%.
  5. fell by only 10%.

**4. Since 1979, employment in the service industry in the United States has**

* 1. stayed constant.
  2. fallen significantly.
  3. **risen significantly.**
  4. disappeared.
  5. fallen marginally.

**5. Suppose the government increases the number of weeks an unemployed worker can collect unemployment insurance payments. All else being equal, we would expect \_\_\_\_\_\_\_\_ unemployment to \_\_\_\_\_\_\_\_.**

* 1. frictional; decrease
  2. structural; decrease
  3. cyclical; decrease
  4. structural; increase
  5. **frictional; increase**

**6. Frictional unemployment is present in an economy because**

* 1. workers often need to update their skills.
  2. **workers take time to decide which jobs are best for them.**
  3. firms often lay off workers due to economic recession.
  4. the unemployment rate is too low.
  5. there are often changes in the industrial makeup of an economy.

**7. After obtaining her fashion degree, Nina decides to quit her part-time job to search for a job that better fits her now improved skill set. Nina has a few interviews, but it is taking time to find the job that suits her best. Nina would be considered**

* 1. structurally unemployed.
  2. cyclically unemployed.
  3. **frictionally unemployed.**
  4. overemployed.
  5. a marginally attached worker.

**8. Government policies, such as unemployment insurance and government regulations related to hiring and firing employees, result in \_\_\_\_\_\_\_\_ unemployment.**

* 1. lower frictional
  2. lower structural
  3. **higher frictional**
  4. lower cyclical
  5. higher structural

**9. During healthy economic periods, cyclical unemployment**

* 1. rises.
  2. will equal structural unemployment.
  3. **falls toward zero.**
  4. will equal frictional unemployment.
  5. will equal the natural rate of unemployment.

**10. Consider an economy producing at its full employment output level. In this case the unemployment rate is equal to**

* 1. zero.
  2. **the natural rate.**
  3. the rate of cyclical unemployment.
  4. the rate of frictional unemployment.
  5. the rate of structural unemployment.

**11. If the economy is in an expansionary phase, then**

* 1. **actual unemployment might be less than the natural rate of unemployment.**
  2. cyclical unemployment is rising.
  3. actual unemployment might be more than the natural rate of unemployment.
  4. structural unemployment is rising.

**12. When the unemployment rate is equal to its natural rate—that is, no cyclical unemployment exists—the output level produced in the economy is**

* 1. always increasing.
  2. **at full-employment output.**
  3. below full-employment output.
  4. above full-employment output.
  5. always decreasing.

**13. Which of the following statements is true about the natural rate of unemployment?**

* 1. The actual unemployment rate can never be above the natural rate.
  2. The actual unemployment rate is always the same as the natural rate.
  3. The natural rate of unemployment consists of both cyclical and structural unemployment.
  4. **Sometimes the actual unemployment rate is below the natural rate.**
  5. The natural rate of unemployment consists of both cyclical and frictional unemployment.

**14. If the economy is expanding beyond its long-run capabilities, we know that**

* 1. we are in a depression.
  2. we are in a recession.
  3. actual unemployment is above its natural rate.
  4. real GDP is decreasing.
  5. **actual unemployment is less than its natural rate.**

**15. The official unemployment rate**

* 1. includes marginally attached workers and underemployed workers.
  2. **does not include marginally attached workers or underemployed workers.**
  3. includes marginally attached workers but not underemployed workers.
  4. includes underemployed workers but not marginally attached workers.
  5. counts part-time workers as unemployed.

**16. An unemployment rate that is above the natural rate indicates \_\_\_\_\_\_\_\_ unemployment, and we say that the economy is producing at \_\_\_\_\_\_\_\_ output level.**

* 1. cyclical; more than the full-employment
  2. cyclical; the full-employment
  3. **cyclical; less than the full-employment**
  4. frictional; more than the full-employment
  5. frictional; the full-employment

*Use the following table to answer the next two questions:*

|  |  |
| --- | --- |
| **Group** | # in Millions |
| Work-eligible population | 247 |
| Labor force | 159 |
| Not in labor force | 88 |
| Employed | 144 |
| Unemployed | 15 |
|  |  |

**17. According to the above table, the unemployment rate in this economy is equal to**

* 1. **9.4%.**
  2. 90.6%.
  3. 12.6%.
  4. 10.4%.
  5. 64.8%.

**18. According to the above table, the labor force participation rate in this economy is equal to**

* 1. 9.4%.
  2. 90.6%.
  3. 58.3%.
  4. **64.4%.**
  5. 8.5%.

**19. If the unemployment rate is 6.3% and the number of unemployed persons is 17 million, the labor force is approximately**

* 1. **270 million.**
  2. 27 million.
  3. 17 million.
  4. 37 million.
  5. 3.7 million.

**20. One shortcoming of the official unemployment rate is that it**

* 1. is very stable through recessions and is unreliable as an economic indicator.
  2. **includes only workers who have no jobs and are actively seeking work.**
  3. accounts for underemployed workers and marginally attached workers.
  4. only indicates the length of unemployment.
  5. is unreliable because it is easily manipulated by the government.

*Use the following table to answer the next four questions:*

|  |  |
| --- | --- |
| **Group** | # in Millions |
| Work-eligible population | ??? |
| Labor force | 181 |
| Not in labor force | 95 |
| Employed | ??? |
| Unemployed | 22 |
|  |  |

**21. According to the above table, the unemployment rate in this economy is equal to**

* 1. 8.9%.
  2. **12.2%.**
  3. 87.8%.
  4. 90.1%.
  5. 8%.

**22. According to the table, the number of employed in this economy is equal to**

* 1. 57 million.
  2. 73 million.
  3. 86 million.
  4. 95 million.
  5. **159 million.**

**23. According to the table, the work-eligible population is equal to**

* 1. 86 million.
  2. 159 million.
  3. **276 million.**
  4. 95 million.
  5. 179 million.

**24. According to the table, the labor force participation rate in this economy is equal to**

* 1. 12.2%.
  2. 36.9%.
  3. **65.6%.**
  4. 90.1%.
  5. 87.8%.

**25. Which of the following questions does the *official* unemployment rate answer?**

* 1. How many people in the economy are underemployed?
  2. **What percentage of the labor force is classified as unemployed?**
  3. How many people in the economy are not working?
  4. How many workers are marginally attached?
  5. How many workers are part-time?

**26. Professor Zebrowski’s business class has 25 students. Five students in the class have part-time jobs and go to school full-time. Five students in the class have full-time jobs and go to school part-time. Three students in the class are looking for part-time jobs. How many students in the class count as part of the labor force?**

* 1. 3
  2. 5
  3. 10
  4. **13**
  5. 25

**27. Katherine was laid off from her job 11 months ago. After searching for a job for months, Katherine gives up her job search because she feels there are no jobs available for her. Economists would classify Katherine as**

* 1. unemployed.
  2. in the labor force.
  3. underemployed.
  4. employed.
  5. **a marginally attached worker.**

**28. Joanna was laid off from her job 11 months ago. After searching for a job for months, Joanna finds a job but is only offered part-time work. Joanna takes the job, but would rather be working full-time. Economists would classify Joanna as**

* 1. frictionally unemployed.
  2. a marginally attached worker.
  3. out of the labor force.
  4. naturally unemployed.
  5. **underemployed.**

**29. If a large group of U.S. workers begins to retire, you can expect**

* 1. an increase in the unemployment rate.
  2. an increase in the labor force.
  3. **a decrease in the labor force participation rate.**
  4. no effect on the labor force participation rate.
  5. no effect on the unemployment rate.

**30. Josiah was a repairman for a payphone company. With the introduction of the cell phone, Josiah lost his job and was unemployed for one year. In this example, the \_\_\_\_\_\_\_\_ in the phone industry led to \_\_\_\_\_\_\_\_.**

* 1. **creative destruction; structural unemployment**
  2. marginally attached workers: cyclical unemployment
  3. frictional unemployment; marginally attached workers
  4. recession; frictional unemployment
  5. expansion; creative destruction

**31. Which of the following types of workers are considered unemployed by the official Bureau of Labor Statistics measure?**

* 1. marginally attached workers
  2. part-time workers
  3. **cyclically unemployed workers**
  4. retired workers
  5. underemployed workers

**32. Which of the following statements is true regarding a healthy economy?**

* 1. **Cyclical unemployment is zero.**
  2. Marginally attached workers do not exist.
  3. Natural unemployment is zero.
  4. Underemployment does not exist.
  5. Frictional unemployment is zero.

**33. If there are 10 million unemployed people and the unemployment rate is 5.5%, how many people are in the labor force?**

* 1. 18.2 million
  2. **181.8 million**
  3. 55 million
  4. 5.5 million
  5. 550 million

**34. Dr. Kapoor’s economics class has 100 students. No students in the class have full-time jobs. Twenty-two students in the class have part-time jobs. Seven students in the class would like to have part-time jobs, and one of the seven is looking for a part-time job. What is the unemployment rate in the class?**

* 1. 2.6%
  2. **4.5%**
  3. 14.3%
  4. 31.8%
  5. 78%

**35. During the economic downturn caused by COVID-19, the federal government supplemented state unemployment benefits with an additional $600 per week from April to July of 2020. A possible unintended consequence of this policy might have been**

* 1. workers searching for jobs longer, decreasing the unemployment rate.
  2. workers spending more time searching for a better job, decreasing structural unemployment.
  3. **workers spending more time searching for a better job, increasing frictional unemployment.**
  4. employers being more hesitant to fire workers, decreasing the unemployment rate.
  5. employers being more hesitant to fire workers, increasing the unemployment rate.

**36. The spike in the unemployment rate in 2020 caused by COVID-19 was considered \_\_\_\_\_\_\_\_ unemployment because it was a symptom of the downturn in the business cycle.**

* 1. frictional
  2. structural
  3. **cyclical**
  4. unnatural
  5. full-employment

**37. As a result of the COVID-19–induced economic downturn, the U.S. unemployment rate \_\_\_\_\_\_\_\_, and the labor force participation rate \_\_\_\_\_\_\_\_.**

* 1. increased; increased
  2. **increased; decreased**
  3. increased; stayed the same
  4. decreased; increased
  5. stayed the same; increased

*Refer to the following scenario to answer the next four questions.*

*A government worker surveys a number of households and obtains the following information: there were a total of 200 people in the households, 25 of the people were children under 16, 15 people were retired but still capable of working, 100 people had full-time jobs, 10 had part-time jobs, 5 were stay-at-home parents, 20 were full-time students over the age of 16, 10 were disabled and could not work, 10 people had no job but were looking for jobs, and 5 people who wanted a job were not looking for a job.*

**38. According to the information in the survey, the number of people in the labor force is \_\_\_\_\_\_\_\_.**

* 1. 100
  2. 110
  3. **120**
  4. 125
  5. 140

**39. According to the information in the survey, the number of people in the work-eligible population is**

* 1. 100.
  2. 110.
  3. 120.
  4. 140.
  5. **165.**

**40. According to the information in the survey, the unemployment rate is \_\_\_\_\_\_\_\_.**

* 1. **8.3%**
  2. 12.5%
  3. 16.7%
  4. 75%
  5. 91.7%

**41. According to the information in the survey, the labor force participation rate is** \_\_\_\_\_\_\_\_.

* 1. 62.5%
  2. **72.7%**
  3. 85%
  4. 91.7%
  5. 95%

**42. In NBC’s hit TV show *30 Rock*, actor Dean Winters plays Dennis Duffy, who works as a beeper salesman in New York City. Because beepers are an old technology that has been taken over by cell phones, Dennis loses his job.**

a. What type of unemployment is Dennis experiencing?

b. What is something the government can do to limit this type of unemployment?

**Answer:**

a. Dennis is experiencing structural unemployment because his skills are no longer needed. The economy is going through a structural change.

b. To help limit structural unemployment, the government can provide job training and/or relocation subsidies.

**43. Why does the unemployment rate remain above 0% during economic expansions? Is this a good or bad thing for the economy? Explain.**

**Answer**: Even during economic expansions structural and frictional unemployment exist. Frictional unemployment is caused by time delays in matching available jobs and available workers. Structural unemployment is caused by changes in the industrial makeup (structure) of the economy. Both of these types of unemployment are good for an advancing economy because they make the economy more efficient and allow for growth in the long run.

**44. Joe Jones is running for governor of your home state. He has hired you to help him run his campaign. Mr. Jones has decided to make his campaign slogan “Vote for Joe! I’ll make the unemployment rate zero!” Would you advise Mr. Jones to use this slogan? Why or why not?**

**Answer**: Mr. Jones should not use this slogan. A proposal to make unemployment equal to zero is essentially a proposal to stall the economy. An unemployment rate of zero indicates that there is absolutely no structural or frictional unemployment. No structural unemployment means that the economy is not advancing. Structural unemployment is good for the economy because it means new technologies are taking the place of old technologies. No frictional unemployment means that individuals and firms are not searching for the most efficient match between jobs and workers. Frictional unemployment is good for the economy because it means that firms and individuals are taking the time to ensure that open jobs are filled with the best-qualified and most efficient workers.

**45. For each of the economic situations below, identify whether it describes a healthy economy, a recession, or short-term expansion.**

a. The unemployment rate is equal to the natural rate of unemployment.

b. Cyclical unemployment is equal to zero.

c. Cyclical unemployment is negative.

d. Output is less than full-employment output.

**Answer:**

a. healthy

b. healthy

c. short-term expansion

d. recession

**46. Explain two shortcomings of using the official unemployment rate as an economic indicator.**

**Answer**: One shortcoming of the official unemployment rate relates to people the data exclude. People who are unemployed for a long time may just stop looking for work, not because they don’t want a job but because they are marginally attached. When they stop looking for work, they fall out of the labor force and are no longer counted as being unemployed. Another group of people that the official unemployment rate excludes as being unemployed are those workers who are working part-time for economic reasons but who would rather be working full-time. These workers are counted as employed, so the labor market may look healthier than it actually is. Another shortcoming is that the official unemployment rate measurement does not answer questions relating to who is unemployed or how long they have been out of work. In an economic situation where unemployment could be considered short term, we might not be as concerned with a higher unemployment rate because it could indicate that the level of unemployment is a temporary situation, rather than a long-term problem for those who are currently out of work.

**47. What happened to the labor force participation rate for males between the years 1950 and 2019? What are some reasons for this trend?**

**Answer**: Between 1950 and 2019, the labor force participation rate for males declined from approximately 86% to 69%. One reason for this trend is that more males started going to school in their early years instead of directly entering the labor force. Another explanation is that workers are retiring earlier and living longer lives. In addition, it could be that more males/fathers are staying home to take care of children while the females/mothers of the families work. This could also explain the rise in the labor force participation rate for females.

**48. What happened to the labor force participation rate for females between 1950 and 2019? What are some reasons for this trend?**

**Answer**: Between 1950 and 2019, the labor force participation rate for females rose from approximately 33% to 57%. One explanation for this trend is that it has become more societally acceptable for females to get an education and to join the workforce. Prior to 1950, more females were expected to stay at home and take care of the house and family. These individuals are not counted as part of the labor force. Currently, more males are staying home to take care of children while females work outside the home. This could also explain the reduction in the labor force participation rate for males.