$$U_{rate} =$$

(16 /154)*100 =10.4%

New LF = 138 + 15 = 153

New U_r =

(15/153)*100 = 9.8%

1M give up looking for work

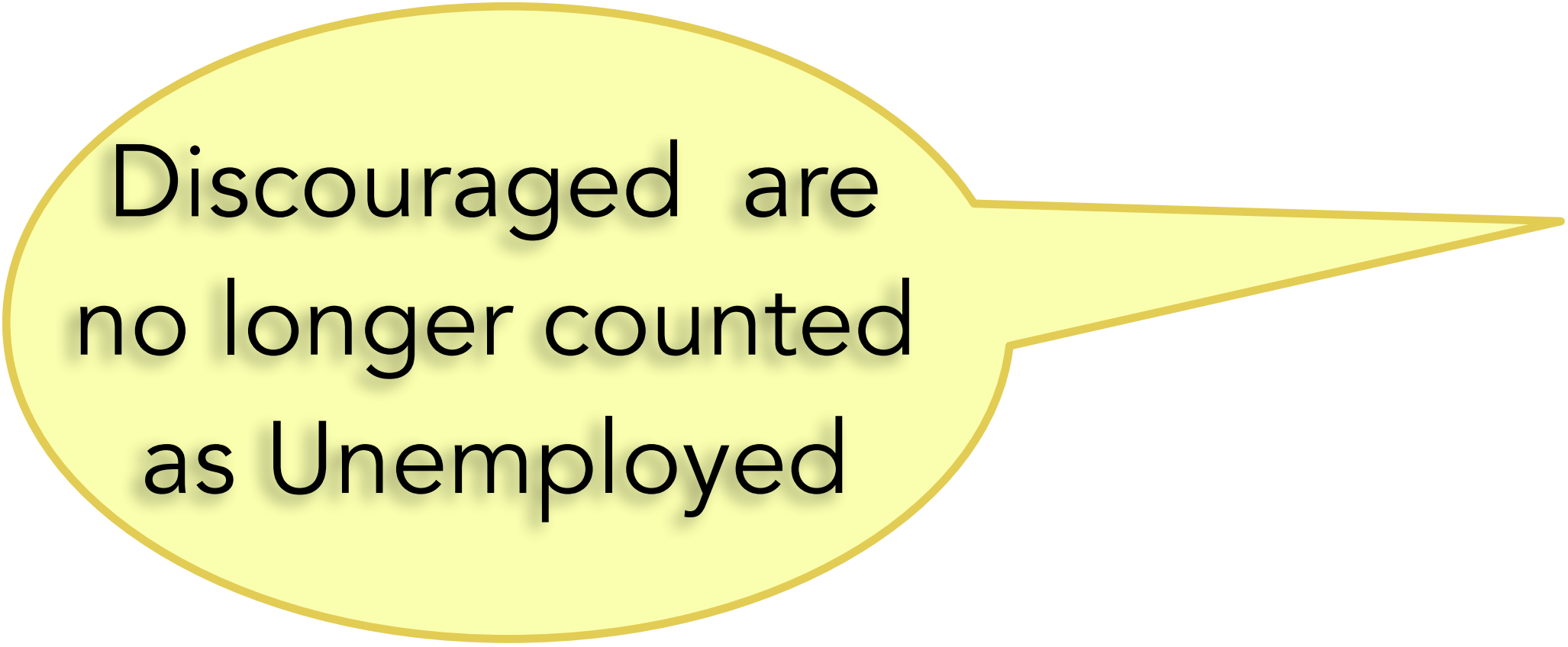
An increase in the number of discouraged workers results in a decrease in the unemployment rate!

Employed
138M

Labor Force = 138 + 16 = 154

Unemployed
16M

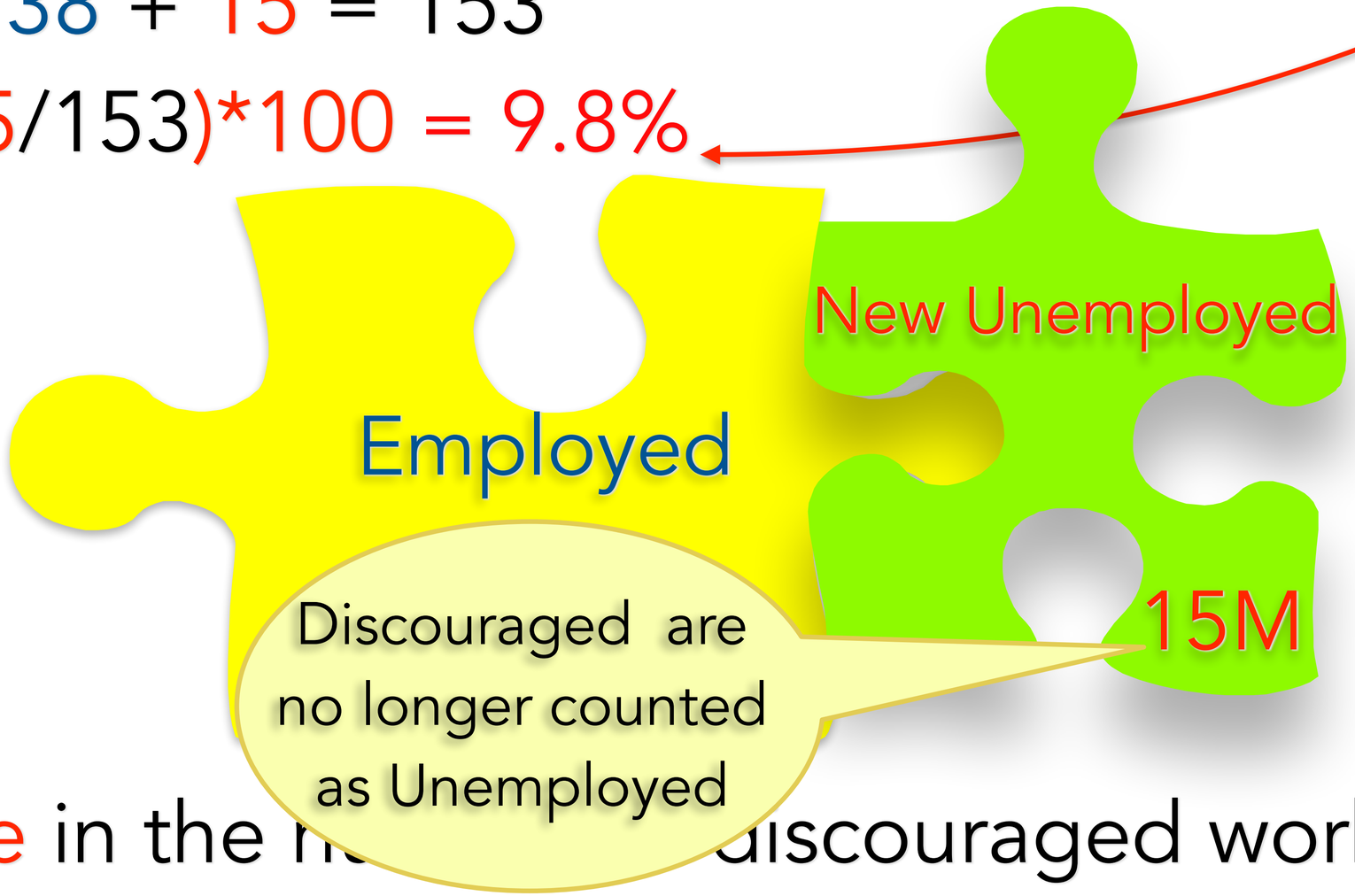
New Unemployed
15M


Discouraged are
no longer counted
as Unemployed

$U_{rate} = (16 / 154)*100 = 10.4\%$

New LF = 138 + 15 = 153

New $U_r = (15/153)*100 = 9.8\%$



An increase in the n discouraged workers results in a decrease in the unemployment rate!

1. Discouraged Worker Effect