

Urate =

$$(16/154)*100 = 10.4\%$$

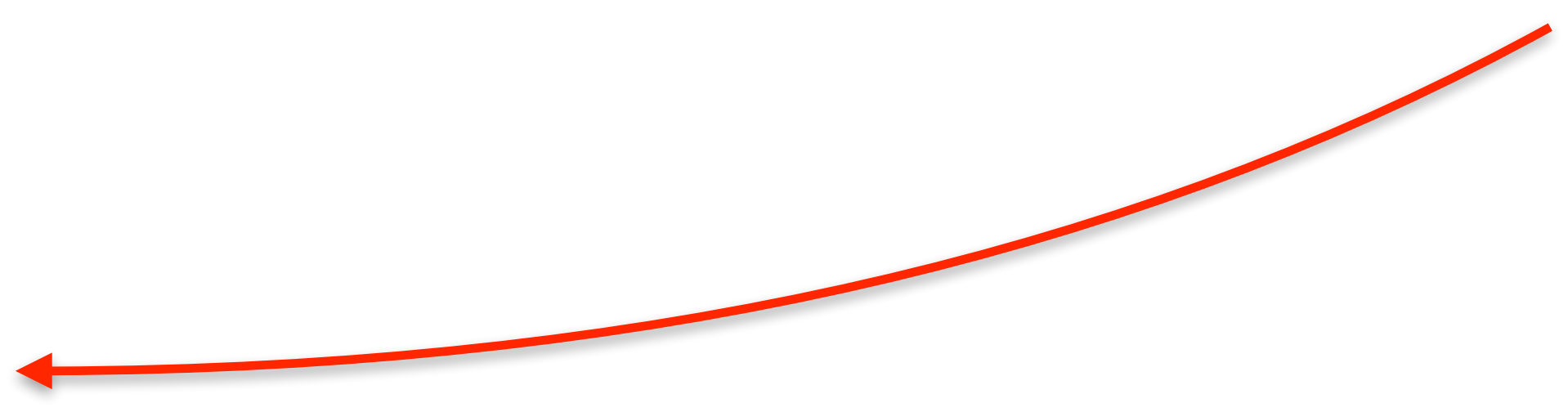
$$\text{NewLF} = 138 + 15 = 153$$

NewU_r =

$$(15/153)*100 \equiv 9.8\%$$

1M give up
looking for work

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






Employed

138M

$$\text{Labor Force} = 138 + 16 = 154$$



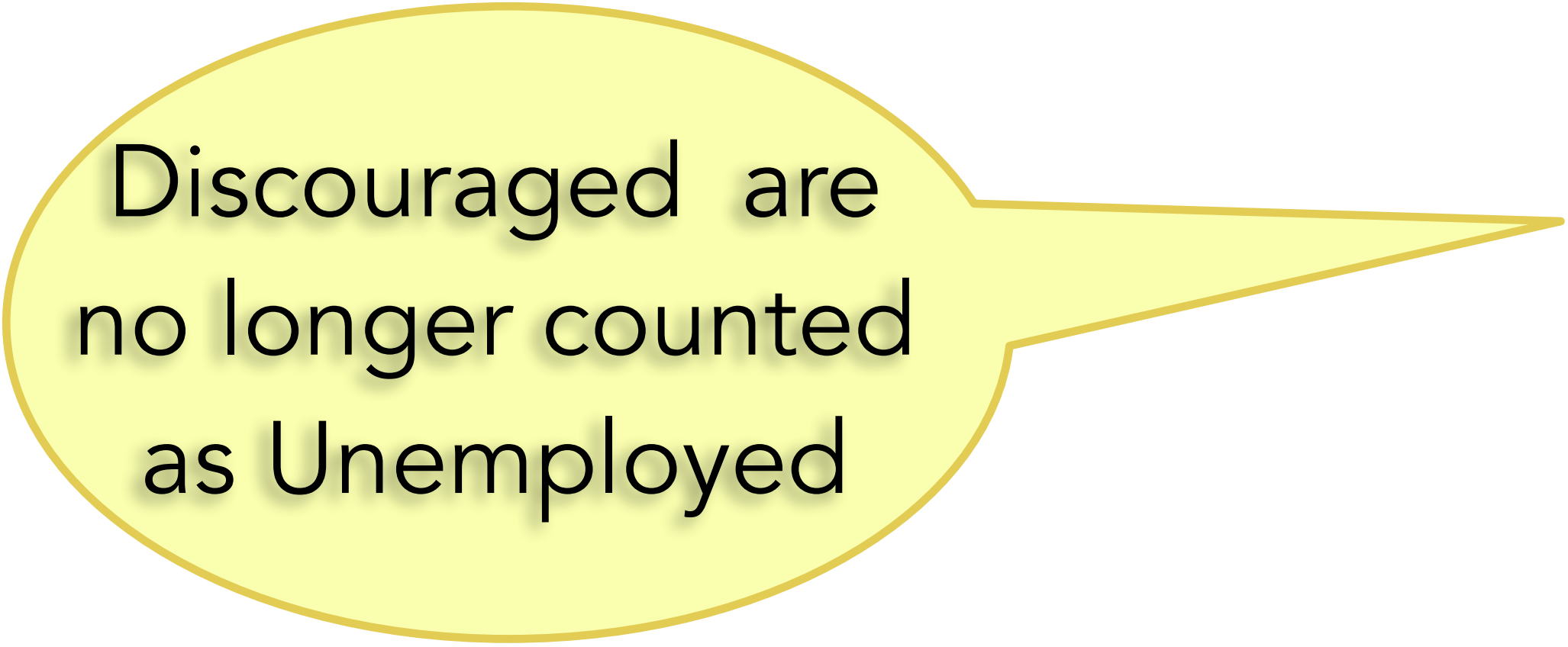
Unemployed

16M



New Unemployed

15M

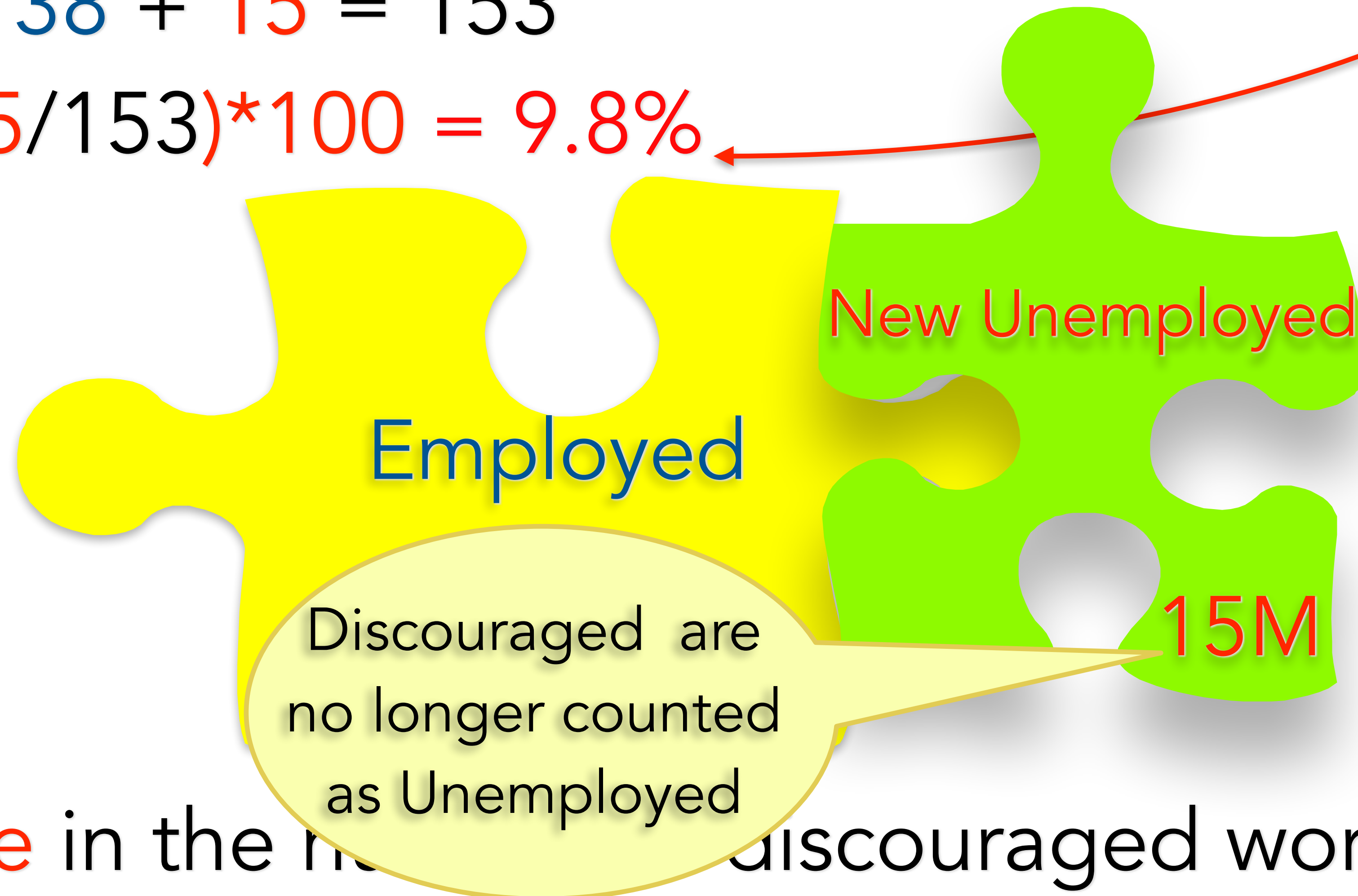


Discouraged are
no longer counted
as Unemployed

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

$$\text{New LF} = 138 + 15 = 153$$

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



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

1. Discouraged Worker Effect