


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

1M give up
looking for work



Employed

138M

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



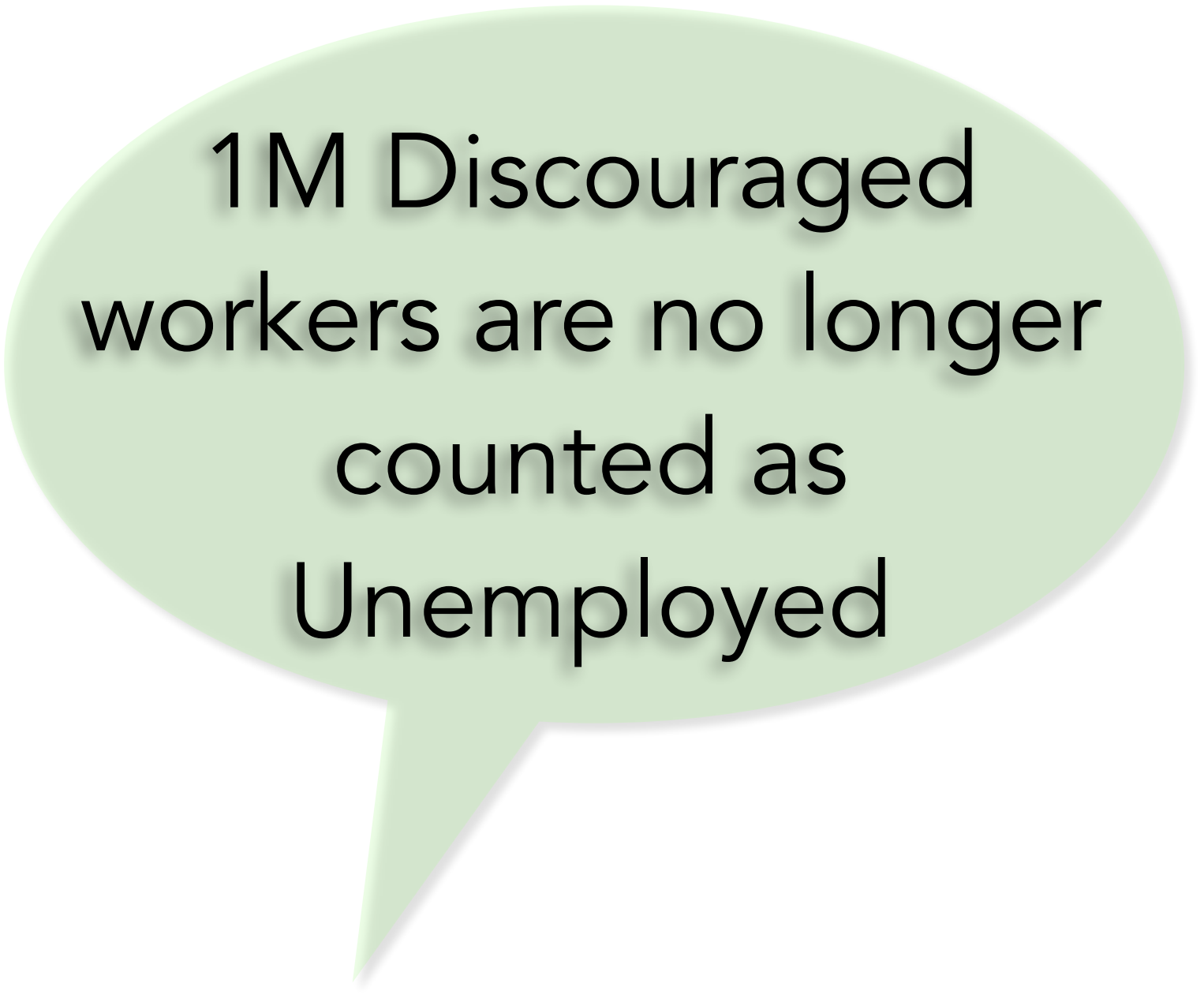
Unemployed

16M

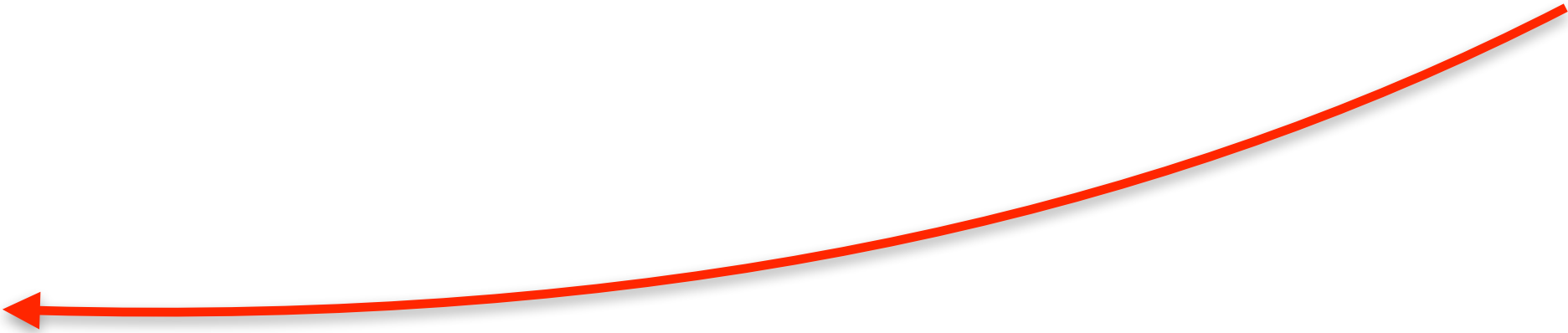


New Unemployed

15M



1M Discouraged
workers are no longer
counted as
Unemployed



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Urate =

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

NewU_r =

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

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

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

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



1M Discouraged
workers are no longer
counted as
Unemployed

When 1M people lose all hope of finding a job, the
unemployment rate drops!

Unemployment is not Measured Accurately

1. Discouraged Worker Effect