

Unemployment

The level of employment is an important measure of economic performance. The unemployment rate measures how well we are achieving the goal of full employment. It is found using a national survey of about 60,000 households. Each month the federal government asks these households about the employment status of household members aged 16 and older (the adult population). The survey puts each person in one of three categories: employed, unemployed, and not in the labor force. People who are at work (the employed) plus those who are not working but are actively looking for work (the unemployed) make up the *labor force*. People who are not working and are not seeking a job are not in the labor force. The category “not in the labor force” includes individuals who are unable to work or choose not to work.

Measuring Unemployment

Only those people who are willing and able to work are considered part of the labor force. The size of the labor force as a percentage of the total population measures the labor resources available to produce in the economy. The *labor force participation rate* (LFPR) is defined as the percentage of the population that is considered part of the labor force.

$$\text{LFPR} = \frac{\text{labor force}}{\text{population}} \times 100.$$

The *unemployment rate* (UR) is defined as the number of people who are unemployed as a percentage of the labor force.

$$\text{UR} = \frac{\text{number of unemployed}}{\text{labor force}} \times 100.$$

! Student Alert: A person must be actively seeking a job to be considered unemployed. The LFPR is the labor force as a percentage of the *population*. The UR is the number of people unemployed as a percentage of the *labor force*. Make sure to use the right denominator!