Unemployment and the BLS

Some Issues

- What do we mean by unemployment?
  - What does the BLS mean by Unemployment?
  - What do economists mean by unemployment?

Some Issues

- What do we mean by unemployment?
- Is unemployment a good thing?
  - Why a healthy economy has unemployment
  - The natural rate of unemployment

Some Issues

- What do we mean by unemployment?
- Is unemployment a good thing?
- Unemployment and the Business Cycle

The BLS and Unemployment

- The Bureau of Labor Statistics (BLS) publishes monthly unemployment data.
- Interviews a sample of 60,000 workers.

Unemployment and the BLS

\[
\frac{CLF}{E + IU} = \frac{IU}{CLF} = \frac{IU}{E + IU}
\]
Classification

• Employed (E) – worked at least one hour for pay last month.
• Voluntarily unemployed (VU) – not employed and not looking for work (including people in college, prisons, military, retired, stay-at-home mothers, etc.)
• Involuntarily unemployed (IU) – not employed and actively looking for work

The Unemployment Rate

• Civilian Labor Force (CLF)
• Unemployment Rate (U)

\[
CLF = E + IU
\]
\[
U = \frac{IU}{CLF} = \frac{IU}{E + IU}
\]

A Critique

• The Idea is good. We want to know the CLF and the percent unemployed.
• Excluding children and Voluntary Employed makes sense

Some Issues

• How do you count this worker?
  • E
  • IU
  • VU
### Some Issues

<table>
<thead>
<tr>
<th>Worker</th>
<th>Reason</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td>Fired for incompetence and now looking for a comparable job.</td>
<td>IU</td>
</tr>
<tr>
<td>Sally</td>
<td>Quit to have a baby</td>
<td>VU</td>
</tr>
<tr>
<td>Beth</td>
<td>Took early retirement. Seeking a new position that does not involve relocation. Knows that nothing local is available</td>
<td>IU</td>
</tr>
</tbody>
</table>

**Unemployment and the BLS**
Some Issues

- How do you count this worker?
  - E
  - IU
  - VU

Bill works during tourist season in a dude ranch and draws unemployment compensation the rest of the year.

IU

Some Issues

- How do you count this worker?
  - E
  - IU
  - VU

Bill has a 15 hour a week job, but wants to get full time employment

E

Some Issues

- How do you count this worker?
  - E
  - IU
  - VU

David was laid off two months ago. Expects to be rehired when demand picks up in a month or two. Doing repairs on the house.

IU
Some Issues

• How do you count this worker?
  • E
  • IU
  • VU

• Michael expects to graduate from college at the end of the semester, but is in despair about getting a job then.
  • E
  • IU
  • VU

• Michael expects to graduate from college at the end of the semester, but is in despair about getting a job then.
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• Michael expects to graduate from college at the end of the semester, but is in despair about getting a job then.
  • E
  • IU
  • VU

• Michael expects to graduate from college at the end of the semester, but is in despair about getting a job then.
  • E
  • IU
  • VU

• Frank, aged 52, was laid off. Knows he cannot get a job in his profession so doesn’t try.
  • E
  • IU
  • VU

• Frank, aged 52, was laid off. Knows he cannot get a job in his profession so doesn’t try.
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  • E
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The Process

IU
VU
E

The Process

IU
VU
E

IU
VU
E

IU
VU
E
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The Process

IU → IU
VU → VU
E → E

End

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