Unemployment

Labor Force: Population aged 16 or above who are either:

1) Working or
2) Both available for work and looking for work

Excludes institutionalized (prisoners, mentally ill) population and those under 16.

Labor Force Participation Rate: Labor Force / Population

Unemployed: in the labor force but not working (i.e. all those in category 2 above)

Unemployment Rate: \( U = \frac{\text{Unemployed}}{\text{Labor Force}} \)

Four Types of Unemployment:

1) Frictional – routine job changes (quits or fires)

2) Seasonal – construction workers, coal miners, 80 hours/week for six months = 40 hours/week for a year. Considered 50% unemployed

3) Structural – induced by
   a) minimum wage
   b) government payments conditional on employment status
   c) Union restrictions on wages and employment

Unemployment in Europe is higher than in USA due to the structural type of unemployment.

4) Cyclical – positive during recessions and negative economic “booms”