



## Education Resources



High school activity (grades 9–12)

### ***The Labor Force and Unemployment*** **55 minutes**

#### **Description**

The function of the labor market is to match available jobs with available workers. When the unemployment rate is low (a "tight" labor market), jobs are secure and relatively easier to find. Low unemployment is often associated with increased wages and, sometimes, improved working conditions. Conversely, economic downturns and slow growth often cause higher levels of unemployment. Researchers use surveys to gather data about the nature of and levels of unemployment during a given period. In this activity, students will learn the concepts of labor markets, the labor force, types of unemployment, and the most commonly used measure of the rate of unemployment. Students use scenario cards to determine the classroom labor force, what type of unemployment they are experiencing, and the classroom unemployment rate.

#### **Concepts**

Labor market; labor force (employed, underemployed, unemployed, discouraged workers, and out of the labor force); unemployment (fractional, structural, and cyclical); unemployment rate.

#### **Objectives**

Students will be able to

- define labor, the labor force, unemployment, and the unemployment rate
- determine what type of unemployment the scenario cards represent
- calculate the classroom unemployment rate
- determine the national and state unemployment rates

#### **Materials**

Scissors or paper cutter; a printout of Visuals 1 and 4 (each cut into three sections) and the scenario cards (cut into 30 cards); printout (for teacher use only) of scenario card answers; overhead or PowerPoint slides of Visuals 2, 3, and 5; computer(s) with access to the Internet for assessment activity

#### **Procedure**

- Before the class begins, cut Visuals 1 and 4 into three sections each. Place the three signs from Visual 1 in separate corners or sections of the room. Place the three signs from Visual 4 in separate areas from each other and from the Visual 1 signs. Cut apart the 30 scenario cards and have them ready to hand out to students.
- When class begins, display Visual 2 and discuss the terms with the students.

#### **Related Links**

##### **On this site:**

["Labor markets and today's economy" \(\*Extra Credit\*, fall 2009\)](#)

[Visuals 1 and 4](#)

[Visuals 2, 3, and 5](#)

[Scenario cards and answer sheets](#)

##### **On the Web:**

[U.S. Bureau of Labor Statistics](#)

- Pass out the 30 scenario cards (being sure to pass out all three "out of the labor force" cards) to the students, one for each student, until the cards are gone. Ask the students to sort themselves by standing near the "Employed" (18 students), "Unemployed" (9 students) or "Out of the labor force" (3 students) sign that applies to their scenario card. *(Note: If you do not have 30 students in your class, you will need to modify the classroom unemployment rate to reflect the number of students who participated.)*
- Have the (three) "out of the labor force" students read their cards and then return to their seats.
- Next, determine how many students are left standing. Inform the students that this number is the classroom labor force. There should be 27 students (or the number of students in your class minus the three "out of the labor force" students).
- Determine how many students are in the "employed" category. Ask the "employed" students to read their cards out loud, individually, and then return to their seats.
- Display Visual 3 and inform the students that there are different types of unemployment, determined by what caused the unemployment. The three types are frictional, structural, and cyclical. Review each term with the students.
- Have the "unemployed" students sort themselves into the categories (frictional, structural, or cyclical) their scenario card describes, standing near the sign for their category. *(You may want to let them know that there should be three students per category [if all thirty scenario cards were distributed]).*
- Ask if any of the "unemployed" students would like to volunteer to read their card. Ask the class if the scenario matches the description of the unemployment category.
- Display Visual 5 and discuss how the unemployment rate is determined. Refer to Visual 2 for the classroom unemployment information. Have the students calculate the classroom unemployment rate.

## Closure

- Once the students understand how the unemployment rate is calculated, inform them that monitoring the U.S. unemployment rate is handled by the U.S. Bureau of Labor Statistics (BLS).
- Data from a monthly survey of 60,000 households determines the size of the civilian labor force and how many are employed or unemployed.
- Employment data are the most eagerly awaited news on the economy. Are jobs being created? The rate of unemployment has great economic and political significance.
  - Unemployment news is timely (though backward looking). The unemployment rate comes out a week after the end of the month being reviewed.
  - The report is rich in detail about the job market and household earnings, information that can help forecast future economic activity.
  - Wages and salaries from employment make up the main source of household income. The more workers earn, the more they buy and propel the economy forward. If fewer people are working, spending drops off, and business suffers.

## Assessment

Have student go to the BLS Web site (<http://www.bls.gov/>) to find answers to the following questions:

- What is the national unemployment rate?
- What is your state unemployment rate?
- Is this rate historically high, low, or about average?
- What is the highest rate of unemployment in the past five years? What is the lowest?

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[Return to article](#)

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## Visual 1—Classroom signs

Cut this page into three signs to display in the classroom.

# Employed

A person is employed if he or she worked full-time or part-time during the past week or is on vacation or sick leave from a regular job.

# Unemployed

A person is unemployed if he or she did not work during the preceding week but made some effort to find work in the past four weeks.

# Out of the labor force

A person is considered to be out of the labor force if he or she did not work in the past week and did not look for work in the past four weeks. In other words, people who are neither employed nor unemployed are out of the labor force. Full-time students, unpaid homemakers, and retirees are examples of people who are out of the labor force.

## Visual 2

**Labor force**—People within the working age (16 to when retirement age) who are employed or are unemployed and seeking work (excluding the population in the military, prisons, mental hospitals, and nursing homes).

**Employed**—People who worked full-time or part-time during the past week or are on vacation or sick leave from a regular job.

**Underemployed**—People who could (and would like to) be working for a full work week but can find only part-time work. This term is also used to describe people with high skill levels in low-wage jobs that do not require such abilities—for example, a trained medical doctor who works as a taxi driver.

**Unemployed**—People who did not work during the preceding week but made some effort to find work in the past four weeks.

**Out of the labor force**—People who did not work in the past week and did not look for work in the past four weeks—in other words, people who are neither employed nor unemployed. Full-time students, unpaid homemakers, and retirees are examples of people who are out of the labor force.

**Discouraged workers**—People who would like to have a job but have not made an effort to find one in the past four weeks.

How many people are out of the classroom labor force? \_\_\_\_\_

How many people are in your classroom labor force? \_\_\_\_\_

How many people are employed? \_\_\_\_\_

How many people are unemployed? \_\_\_\_\_

## Visual 3

### **Types of unemployment**

Economists have found it useful to think of unemployment as being of three broad types: frictional, structural, and cyclical. Each type of unemployment has different causes and imposes different economic and social costs.

***Frictional unemployment*** includes workers who are either searching for jobs or waiting to take jobs in the near future. Examples are workers who are transitioning between jobs and students who have recently graduated.

***Structural unemployment*** is caused by changes in the structure of demand for consumer goods and in technology. This category includes workers who are unemployed because their skills are not demanded by employers, because they lack sufficient skills to obtain employment, or because they cannot easily move to locations where jobs are available.

***Cyclical unemployment*** is caused by the recession phase of the business cycle, that is, by a deficiency of total spending. As the overall demand for goods and services decreases, less labor is needed, so employment falls and unemployment rises.

## Visual 4—Classroom signs

Cut this page into three signs to display in the classroom.

# *Frictional unemployment*

includes workers who are either searching for jobs or waiting to take jobs in the near future. Examples are workers who are transitioning between jobs and students who have recently graduated.

# *Structural unemployment*

is caused by changes in the structure of demand for consumer goods and in technology. This category includes workers who are unemployed because their skills are not demanded by employers, because they lack sufficient skills to obtain employment, or because they cannot easily move to locations where jobs are available.

# *Cyclical unemployment*

is caused by the recession phase of the business cycle, that is, by a deficiency of total spending. As the overall demand for goods and services decreases, less labor is needed, so employment falls and unemployment rises.

## Visual 5

The **unemployment rate** is a key indicator of the state of the labor market. When the unemployment rate is high, work is hard to find, and people who do have jobs typically find it harder to get promotions or wage increases.

The unemployment rate is determined by dividing the number of unemployed people by the total labor force.

$$\text{Unemployment rate} = \frac{\text{Unemployed workers}}{\text{Total labor force}}$$

Classroom unemployment rate = \_\_\_\_\_

$$9 \div 27 = 0.33$$

The classroom unemployment rate is 33%.

# Scenario cards

Cut the cards apart. Give one card to each student or distribute cards until they are gone.

You finished college and earned a bachelor's degree in public administration. You have applied for several jobs and are waiting to hear back.

You worked for a company that makes music CDs. With the increase in consumers downloading music, your company has filed bankruptcy. You are out of a job.

You work for an automobile manufacturer. You have learned skills that are in high demand, and your job is safe.

You worked as a bank teller. In recent years, more people use electronic payments instead of cash. Because of this decline in volume, the bank discontinued your position.

You are a nurse at a local hospital. Your job is safe.

You are a teacher and have found a full-time position at a local school.

You completed a certification program in information technology. You have found a full-time position at a local business.

You recently completed your degree in accounting and have several job interviews scheduled.

You have been working for a large accounting firm and your services are in high demand.

You worked in technical support for a large computer company. The company outsourced this service to a company overseas, so you are out of a job.

You work for a clothing manufacturer that has excessive inventory. You have been laid off until things pick up.

You worked for a company that supplies the automobile industry. Car sales are down and production has slowed. You have been laid off until things pick up.

You are a detective with the local police department. Your job is safe.

You are 15 years old and make money babysitting.

You are a stay-at-home parent, and you are not looking for a job.



# Scenario cards

Cut the cards apart. Give one card to each student or distribute cards until they are gone.

You are a manager at a local department store. Your job is secure.

You own your own landscaping business. Your job is safe.

You are retired and not looking for a job.

You own a restaurant. Business is good, and your job is secure.

You are a contractor. Business is slow, but your job is secure.

You are a carpenter. Business is slow for the contractor you work for, and he has had to lay you off until things pick up.

You are an attorney at a local firm. Business is good. Your job is secure.

You are an accountant at a local firm. Your job is secure.

You joined the fire department after high school and have moved up the ranks. Your job is secure.

You are a stylist at a local beauty salon. Business is booming. Your job is secure.

You own a plumbing company. Business is good. Your job is secure.

You completed your medical degree and will start work at a local hospital next month.

You have recently been re-elected mayor. Your job is secure.

You are the manager of a large grocery store. Business is good. Your job is secure.

You are a pharmacist at a local drug store. Your job is secure.

## Scenario cards—Answers (for teacher use only)

<p>You finished college and earned a bachelor’s degree in public administration. You have applied for several jobs and are waiting to hear back.</p> <p><b>Frictional</b></p>	<p>You worked for a company that makes music CDs. With the increase in consumers downloading music, your company has filed bankruptcy. You are out of a job.</p> <p><b>Structural</b></p>	<p>You work for an automobile manufacturer. You have learned skills that are in high demand, and your job is safe.</p> <p>Employed</p>
<p>You worked as a bank teller. In recent years, more people use electronic payments instead of cash. Because of this decline in volume, the bank discontinued your position.</p> <p><b>Structural</b></p>	<p>You are a nurse at a local hospital. Your job is safe.</p> <p>Employed</p>	<p>You are a teacher and have found a full-time position at a local school.</p> <p>Employed</p>
<p>You completed a certification program in information technology. You have found a full-time position at a local business.</p> <p>Employed</p>	<p>You recently completed your degree in accounting and have several job interviews scheduled.</p> <p><b>Frictional</b></p>	<p>You have been working for a large accounting firm and your services are in high demand.</p> <p>Employed</p>
<p>You worked in technical support for a large computer company. The company outsourced this service to a company overseas, so you are out of a job.</p> <p><b>Structural</b></p>	<p>You work for a clothing manufacturer that has excessive inventory. You have been laid off until things pick up.</p> <p><b>Cyclical</b></p>	<p>You worked for a company that supplies the automobile industry. Car sales are down and production has slowed. You have been laid off until things pick up.</p> <p><b>Cyclical</b></p>
<p>You are a detective with the local police department. Your job is safe.</p> <p>Employed</p>	<p>You are 15 years old and make money babysitting.</p> <p>Out of the labor force</p>	<p>You are a stay-at-home parent, and you are not looking for a job.</p> <p>Out of the labor force</p>

Scenario cards—Answers (for teacher use only)—page 2

<p>You are a manager at a local department store. Your job is secure.</p> <p>Employed</p>	<p>You own your own landscaping business. Your job is safe.</p> <p>Employed</p>	<p>You are retired and not looking for a job.</p> <p>Out of the labor force</p>
<p>You own a restaurant. Business is good, and your job is secure.</p> <p>Employed</p>	<p>You are a contractor. Business is slow, but your job is secure.</p> <p>Employed</p>	<p>You are a carpenter. Business is slow for the contractor you work for, and he has had to lay you off until things pick up.</p> <p>Cyclical</p>
<p>You are an attorney at a local firm. Business is good. Your job is secure.</p> <p>Employed</p>	<p>You are an accountant at a local firm. Your job is secure.</p> <p>Employed</p>	<p>You joined the fire department after high school and have moved up the ranks. Your job is secure.</p> <p>Employed</p>
<p>You are a stylist at a local beauty salon. Business is booming. Your job is secure.</p> <p>Employed</p>	<p>You own a plumbing company. Business is good. Your job is secure.</p> <p>Employed</p>	<p>You completed your medical degree and will start work at a local hospital next month.</p> <p>Frictional</p>
<p>You have recently been re-elected mayor. Your job is secure.</p> <p>Employed</p>	<p>You are the manager of a large grocery store. Business is good. Your job is secure.</p> <p>Employed</p>	<p>You are a pharmacist at a local drug store. Your job is secure.</p> <p>Employed</p>