

THE FEDERAL RESERVE BANK OF ATLANTA

Maximum Employment

How does the Fed measure labor market conditions?

MACROECONOMICS

Maximum Employment Infographic Activities *(Updated 2023)*

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Maximum Employment Infographic Activities

The Federal Reserve System has a mandate from Congress to maximize employment and maintain price stability. Maximum employment is the state of the economy in which virtually all individuals who are willing and able to work have the opportunity to do so. In this activity, you will explore some methods the Federal Reserve uses to measure the health of the labor market.

Activity 1

For each of the following people described, identify who is in the labor force and who is out of the labor force. Provide a reason to validate each of your responses. Use the “Labor Force” section of the infographic to help you (bit.ly/frba-max-employment).

1. Jordan’s friends are amazed when they find out he has a summer job at a local fast-food restaurant. Most employers do not hire 14-year-olds, but Jordan got lucky.
Is Jordan **IN** or **OUT** of the labor force? Explain your choice:
2. Chloe sustained a serious knee injury two days ago while teaching her dance classes. She will not be able to go back to work for at least four weeks.
Is Chloe **IN** or **OUT** of the labor force? Explain your choice:
3. Brianna joined the Marines after high school. In her new career, she enjoys training canine units to find explosives.
Is Brianna **IN** or **OUT** of the labor force? Explain your choice:
4. Kory graduated from college last month. He has spent the last few weeks sending résumés to and interviewing with firms seeking a financial analyst.
Is Kory **IN** or **OUT** of the labor force? Explain your choice:



Activity 2

Complete the following three tasks examining the differences between U3 and U6.

1. Using the Maximum Employment infographic (bit.ly/frba-max-employment), identify two groups of people included in the calculation of the U6 unemployment rate but excluded from the U3 unemployment calculation.

Group 1:

Group 2:

2. Go online to the Labor Market Distributions Spider Chart (bit.ly/frba-spider-chart) Click on the tab labeled “Indicators.” Scroll down until you find descriptions of the two groups you identified in the previous question (Activity 2, question 1). Describe these two groups below.

Group 1:

Group 2:

3. How important do you think it is to include these two groups in calculations of the unemployment rate? Explain your answer.

Activity 3

Use the following data from the fictional country of Jobtopia and the Maximum Employment infographic to calculate labor market statistics. Note: PTER stands for part-time for economic reasons.

Total Population:	1,000,000	Number of Unemployed (16+ years):	24,255
Total Adult Population (16+ years):	770,000	Number of Marginally Attached:	38,419
Number of People Working for Pay:	505,371	Number of PTER:	47,116
Number of Employed (16+ years):	460,845		

1. How many people are there in the Jobtopian labor force?
2. What is the U3 unemployment rate for Jobtopia?
3. What is the U6 unemployment rate for Jobtopia?



Activity 4

For each of the following scenarios, determine whether the person counts as unemployed in the U3 unemployment rate and, if so, identify which type of unemployment the person is experiencing. Provide a reason to validate each of your responses. Use the “Types of Unemployment” section of the Maximum Employment infographic (bit.ly/frba-max-employment) to help you.

1. Mia quit her job as a construction worker two weeks ago to devote herself full-time to searching for a public relations job, a field in which she holds a bachelor’s degree.
 - a. Is Mia unemployed?
 - b. What information helped you determine whether she is employed or unemployed?
 - c. If she is unemployed, what type of unemployment is she experiencing?
 - d. What information helped you determine the type of unemployment?

2. Kevin lost his job as a cashier four months ago when his grocery store implemented a mobile app payment system for purchases. After two months of an unsuccessful job search, Kevin stopped looking and applied for a cybersecurity program at a local technical college. He starts next week and does not plan to work while attending his program.
 - a. Is Kevin unemployed?
 - b. What information helped you determine whether he is employed or unemployed?
 - c. If he is unemployed, what type of unemployment is he experiencing?
 - d. What information helped you determine the type of unemployment?

3. A downturn in economic activity has many people worried about the future. In times like these, people often cut back on their spending. Due to this change in consumer behavior, automobile producers are selling fewer cars. Sarah, a welder on the production line at a local car factory, lost her job three weeks ago and has been looking for a new position with other manufacturers in the state.
 - a. Is Sarah unemployed?
 - b. What information helped you determine whether she is employed or unemployed?
 - c. If she is unemployed, what type of unemployment is she experiencing?
 - d. What information helped you determine the type of unemployment?



Activity 5

The Federal Reserve measures the health of the labor market using many different statistics. These statistical indicators are grouped by category. Go online to the Labor Market Distributions Spider Chart (bit.ly/frba-spider-chart). Click on the tab labeled "Indicators" and scroll down until you find descriptions of the indicators for each category. Each of the prompts below identifies one category. Select and explain one of the statistical indicators for that category that is used by the Fed to measure the labor market. Then, evaluate how important you think the indicator is for understanding the health of the market.

1. Category: Employer Behavior
 - a. Indicator:

 - b. Explanation of indicator:

 - c. Evaluation of indicator:

2. Category: Confidence/Perceptions
 - a. Indicator:

 - b. Explanation of indicator:

 - c. Evaluation of indicator:

3. Category: Utilization
 - a. Indicator:

 - b. Explanation of indicator:

 - c. Evaluation of indicator:

4. Category: Labor Market Flows or Wages/Compensation
 - a. Indicator:

 - b. Explanation of indicator:

 - c. Evaluation of indicator: