The Labor Force and Unemployment

Lesson Author:

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Grade Level:

9-12

Concepts:

Cyclical unemployment	Labor force	Unemployed
Employed	Not in the labor force	Unemployment rate
Frictional unemployment	Structural unemployment	

Objectives:

Students will be able to:

- Identify labor force, unemployment, and the unemployment rate.
- Identify and distinguish among different types of unemployment.
- Calculate a classroom unemployment rate.
- Determine how unemployment rates change when workers enter or leave the labor market.

Time Required:

50 minutes

Materials:

- Classroom Signs (cut into six separate signs)
- Visuals 1, 2, and 3 for overhead viewing
- Handout 1: Scenario Cards (cut into 30 cards)
- www.bls.gov
- Handout 2: Assessment

Preparation:

- Print and cut Classroom Signs into the six separate signs.
- Place three signs—**employed**, **unemployed**, **not in the labor force**—in three separate corners.
- Place three signs—three types of unemployment: **structural**, **frictional**, **cyclical**—on a wall, separated from each other.
- Cut out the 30 Scenario Cards.

Procedure:

1. If your students are 16 and older begin class by asking your students for a show of hands of anyone who is currently **employed.** *(If your students are all younger than 16, skip to step number three; if your students are 16 and older but no one raises their hand, move on to step number two.)* Ask one of the students whose hand is raised where they work and if they consider themselves to be part of the **labor force.**
2. Ask students for a show of hands of anyone who has not worked at a job during the last week but who has been looking for one in the past four weeks. Ask one of the students whose hand is raised where they have looked for work and if they consider themselves to be **unemployed**. *(Move on to step number three if no one raises their hand.)*
3. Ask for a volunteer to explain what is meant by the term **labor force** and what it means to say someone is **not in the labor force**. Ask another student volunteer to explain the difference between being **employed** versus **unemployed**.
4. Display Visual 1 and introduce each of the terms listed on the visual. Explain that these terms are official definitions used by economists and government agencies to administer surveys to gather data about the nature and levels of employment and unemployment during a given period. Tell students employment data is collected by the Bureau of Labor Statistics (BLS).
5. Distribute the 30 Scenario Cards, one to each student. Make sure to pass out all three of the **not in the labor** force cards. *[When you use all 30 cards, you will have 18 **employed**, three **not in the labor force**, and nine **unemployed**. For classes of less than 30 students, adjust the number of cards, making sure that you have **unemployed** (cards 22 – 30) and **not in the labor force** (cards 19 – 21) represented. Also, make sure that you distribute at least one card for each of the types of **unemployment**, noted with an A, B, or C on cards 22 –30. Adjust all calculations for class size if you use less than 30 cards.]*
6. Tell students to first read their card and to move to the sign in the corner that they feel best represents the scenario identified on their card. Initially, some students are likely to sort themselves into an incorrect category. This is part of the learning process.
7. Ask students in the corner with the **not in the labor force** sign to read their scenarios and have the class either affirm or contest the classification. *(Cards 19 – 21.)* Allow time for students who are misplaced to move to the correct corner and ask those students who correctly identified their place to sit down.
8. Count the students who are left standing. Explain that the **labor force** is made up of workers who are **employed** and workers who are **unemployed** but actively searching for a job. Tell the class that all the students still standing represent people who are in the **labor force**. *(With 30 cards, 27 will remain standing, cards 1–18 and 22–30.)*
9. Count the number of students standing in the **employed** corner. *(With 30 cards, 18 are **employed**.)* Ask each student to read their scenario and have the class either affirm or contest the classification. Allow time for students who are misplaced to move to the correct corner. Have the **employed** students sit down.
10. Count the remaining students who are in the **unemployed** corner. *(With 30 cards, nine are **unemployed**.)* Have each student read their card. Have the class affirm or contest their classifications.
11. Display Visual 2. Explain that there are three types of unemployment—**frictional**, **structural**, and **cyclical**. Ask for three student volunteers to read the definition of each type.

12. Ask the **unemployed** students to review their scenario and to move to the sign on the wall that most closely represents the type of unemployment they are experiencing. *(With 30 cards, there will be three people in each category. Cards A are **frictional**, cards B represent **structural**, and cards C show **cyclical**.)*
13. Ask each of the **unemployed** students to summarize their cards again and ask the class if the scenario matches the types of unemployment they have chosen. Have the class suggest the correct type of unemployment for students who are in the wrong category and ask the students to move accordingly.
14. Ask all students to return to their seats.
15. Display Visual 3. Explain that the **unemployment rate** is a key indicator of the state of the labor market and that when unemployment is high, workers have a difficult time finding jobs and the people who do have jobs may find it challenging to be promoted or to receive wage increases.
16. Tell students that the **unemployment rate** is calculated by dividing the number of **unemployed** people by the total **labor force**, then multiplying by 100.
17. Ask students to open their notebooks. Ask the students to use the classroom data from their scenarios to calculate the classroom unemployment rate. (With 30 cards, the classroom **unemployment rate** is 33 percent; 9 ÷ 27 = .33 x 100 = 33%).
18. Tell students that changes in the **unemployment rate** may not always reflect workers gaining or losing jobs. Explain that changes in the composition of the **labor force** can also affect the **unemployment rate** and that additional information provided in unemployment reports can be helpful in determining underlying changes to the **unemployment rate**.
19. Ask all students who were classified as **employed** or **unemployed** to stand up. Remind them that currently 27 students are in the classroom **labor force**, and nine are **unemployed**, which gives the class an **unemployment rate** of 33 percent.
20. Ask three students who are **unemployed** to sit down. Tell them that they have left the **labor force**. Explain that there are now 24 people in the classroom **labor force**. Direct the students who are **employed** to move to one side of the room and the students who are **unemployed** to move to the opposite side.
21. Ask students how many are **unemployed**. *(With 30 cards, there should be six remaining **unemployed**.)* Ask the class to recalculate the classroom **unemployment rate** using the updated data. *(6 ÷ 24 X 100 = 25%).* Point out that since some workers left the labor force, the **unemployment rate** fell. Emphasize that this was not due to unemployed people finding jobs.
22. Have the students who are **employed** to remain on their side of the room. Ask all remaining students, including those who were previously in the **not in the labor force** category, to join the **unemployed** category. Explain that the classroom **labor force** is now 30. Count the number of **unemployed** workers *(12).* Calculate the new classroom **unemployment rate** *(12 ÷ 30 X 100 = 40%).*
23. Explain that as more workers came into the **labor force** and looked for jobs in the past four weeks but were unable to find a job, the **unemployment rate** rose. Ask the students if more workers lost their jobs. *(Students should answer no.)*
24. Explain that as more workers entered the **labor force** without immediately finding a job, the **unemployment rate** rose as these individuals searched for jobs. Emphasize that higher unemployment rates can also reflect this pattern, which is good for an economy because workers who were previously discouraged usually rejoin the **labor force** when they think they can find a job.

Closure

25. Display Visuals 1–3 and review the key points of the lesson by discussing the following:

- What is the **labor force**? (People who are age 16 or over who are **employed** or are **unemployed** and seeking work—excluding the population in the military, prisons, mental hospitals, and nursing homes.)
- Give an example from the Scenario Cards of a person who is in the **labor force**. *(You work as a nail tech at a local beauty salon. Business is booming.)*
- What does it mean if someone is **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.)*
- What does it mean if someone is **unemployed**? *(A person is **unemployed** if he or she did not work during the preceding week but tried to find a job in the last four weeks.)*
- Give an example from the Scenario Cards of a person who is **employed**. *(You are a pharmacist at a local drug store.)*
- Give an example from the Scenario Cards of a person who is **unemployed**. *(You worked as a bank teller. With the rise in mobile banking, the bank has discontinued your position.)*
- What does it mean to **not be in the labor force**? *(People who did not work in the past week and did not look for work in the past four weeks. People such as full-time students, stay-at-home parents, and retirees, who are neither **employed** nor searching for work, are examples of people who are not in the **labor force**.)*
- Give an example from the Scenario Cards of a person who is **not in the labor force**. *(You are 15-years-old and make money walking pets in your neighborhood.)*
- What are the three types of **unemployment**? *(**frictional**, **structural**, and **cyclica**l)*
- What is **frictional unemployment**? *(Workers who are either searching for jobs or waiting for a job to start.)*
- What is **structural unemployment**? *(**Structural unemployment** is caused by a mismatch in the skills held by those looking for work and the skills demanded by those seeking workers. This category includes workers who are **unemployed** because their skills are no longer demanded by employers, because they lack sufficient skills to obtain employment, or because they cannot easily move to locations where jobs are available.)*
- What is **cyclical unemployment**? *(**Cyclical unemployment** is caused by the recession phase of the business cycle, where spending on goods and services has fallen. As the overall demand for goods and services decreases, less labor is required, so employment falls and unemployment rises.)*
- Give an example from the Scenario Cards of each of the three types of **unemployment**:
  a. **Frictional**—You recently completed your college degree in information technology and have several job interviews lined up.
  b. **Structural**—You worked in tech support. Your job has been outsourced to an overseas firm. You lost your job.
  c. **Cyclical**—You work for a clothing manufacturer that has excess inventory. You were laid off.
- What is the meaning of the **unemployment rate**? *(The **unemployment rate** is a key indicator of the state of the **labor market**. When this rate is high, work is hard to find, and people who have jobs may find it harder to get promotions or wage increases.)*
- How is the **unemployment rate** determined or calculated? *(The **unemployment rate** is calculated by dividing the number of unemployed people by the total **labor force**.)*
- What factors may cause changes to the **unemployment rate**? *(The **unemployment rate** may increase or decrease as workers enter and leave the **labor force** and as they find or lose jobs in the labor market.)*

Assessment

26. Have students go to the website of the Bureau of Labor Statistics (BLS) (www.bls.gov) to complete the Assessment handout.

27. (Optional) For additional reinforcement or for advanced classes, you may also assign the Maximum Employment Infographic and its supporting activity (https://bit.ly/frba-max-employment). This activity features U-3 and U-6 unemployment and alternative indicators of labor market health.

Assessment

Go to the website of the Bureau of Labor Statistics (BLS) (www.bls.gov) to answer questions 1 and 2. Under the "Subjects" tab, click "Unemployment" and then "National Unemployment Rate" and "State and Local Unemployment Rates".

1. What is the current national unemployment rate?
2. What is the current unemployment rate for your state? Is it higher or lower than the national average?
3. Match the following workers to the correct category: **employed**, **unemployed**, or **not in the labor force**. For each worker that you identify as unemployed, categorize the worker by type of unemployment (**structural**, **frictional**, or **cyclical**).

Worker Description	Category (**employed**, **unemployed**, **not in the labor force**)	If unemployed, type of unemployment (**structural**, **frictional**, **cyclical**)
A firefighter working with the city.		
A student who has just received their associate's degree. They have sent out several resumes and are awaiting a response.		
A worker searching for a job after being let go from a bookstore that closed due to competition from online sales and E-readers.		
A railroad worker who has retired after 30 years on the rails.		
A flight attendant working for a national airline.		
A data scientist working for an insurance company.		
A worker seeking a job after losing their position with an automobile manufacturer whose sales have slowed due to economic conditions.		
A grocery store clerk seeking a job after being laid off due to the increasing use of self-checkout.		
A customer service representative for a national footwear brand.		
A fourteen-year-old student who babysits for extra money.		
A former member of the military who has completed their service and is seeking a job in the civilian sector.		
A full-time student.		

4. Calculate the following and answer the questions.
    a. The city of Suburbiaville has 12,000 adults over the age of 16. 2,000 are **not in the labor force,** 1,000 are **unemployed**, and 9,000 are **employed**. How many are in the **labor force** of Suburbiaville?
    b. What is the **unemployment rate** for Suburbiaville?
    c. If 200 of the unemployed workers leave the **labor force** (with no changes in other categories), what will happen to the **unemployment rate**?
    d. If 500 residents move to Suburbiaville and start looking for work (with no changes in other categories), what will happen to the **unemployment rate** in Suburbiaville?
    e. What type of unemployment will these new residents be experiencing?

Classroom Signs

Employed

A person is employed if they 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 they did not work during the preceding week but tried to find a job in the last four weeks.

Not in the labor force

A person is not in the labor force if they did not work in the past week and did not look for work in the past four weeks. People such as full time students, stay-at-home parents, and retirees, who are neither employed nor searching for work, are examples of people who are not in the labor force.

Frictional unemployment

Unemployment that includes workers who are either searching for jobs or waiting for a job to start. Examples are workers transitioning between jobs and students who have recently graduated.

Structural unemployment

Unemployment caused by a mismatch in the skills held by those looking for work and the skills demanded by those seeking workers.

Cyclical unemployment

Unemployment caused by the recession phase of the business cycle, where spending on goods and services has fallen. As the overall demand for goods and services decreases, less labor is required, so employment falls and unemployment rises.

Visual 1

Labor force—People who are age 16 or over 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 who are on vacation or sick leave from a regular job.

Unemployed—People who did not work during the last week but who tried to find a job in the last four weeks and did not look for work in the past four weeks.

Not in the labor force—People who did not work in the past week and did not look for work in the past four weeks. People such as full time students, stay-at-home parents, and retirees, who are neither employed nor searching for work, are examples of people who are not in the labor force.

Visual 2

Types of Unemployment

Economists have found it useful to think of unemployment as 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 for a job to start. Examples are workers 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 no longer 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, where spending on goods and services has fallen. As the overall demand for goods and services decreases, less labor is required, so employment falls and unemployment rises.

Visual 3

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 may 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.

Unemployment rate

=

Number of unemployed workers

÷

Labor force (employed + unemployed)

X

100

=

Classroom unemployment rate

Handout: Scenario Cards

You work as a software engineer. You have learned skills that are in high demand and your job is safe. **#1**	You are a registered nurse at a local pediatrician's office. Your job is safe. **#2**	You are an economics teacher at the local high school. You have your summers off. **#3**	You completed a certificate program in welding. You have found a full-time position at a local business. **#4**	You have been working for a large accounting firm and your services are in high demand. **#5**
You are a manager at a local grocery store. Your job is secure. **#6**	You own your own lawncare business. Business is booming. **#7**	You own a restaurant. Business is good. **#8**	You are a contractor. Business has slowed but is still steady. **#9**	You are a paralegal at a local law firm. Business is good. **#10**
You are an orthodontist with your own practice. Business has increased. **#11**	You are a firefighter and recently you were promoted. **#12**	You work as a nail tech at a local beauty salon. Business is booming. **#13**	You own a carpet cleaning company. Business continues to grow steadily. **#14**	You were recently re-elected mayor of your town. You'll be sworn in soon for your next term. **#15**
You are the manager of a large sporting goods store. Business has been strong. **#16**	You are a pharmacist at a local drug store. **#17**	You are a building inspector with the city. You recently were promoted. **#18**	You are 15 years old and make money walking pets in your neighborhood. **#19**	You are a stay-at-home parent and you are not looking for a job. **#20**
You have retired from a 40-year career in finance. You enjoy traveling and pursuing your hobbies. You are not looking for a job. **#21**	You worked as a bank teller. With the rise in mobile banking, the bank has discontinued your position. **#22 & B**	You worked for a travel agency. With the increase in online travel websites, your agency has closed; you are out of a job. **#23 & B**	You have finished college and earned a degree in computer science. You have applied for several jobs and are waiting to hear back. **#24 & A**	You recently completed your college degree in information technology and have several job interviews lined up. **#25 & A**
You worked in tech support. Your job has been outsourced to an overseas firm. You lost your job. **#26 & B**	You are a roofer. Business is slow and you have been laid off until it picks up. **#27 & C**	You completed your medical degree and will start work at a local hospital in two months. **#28 & A**	You work for a clothing manufacturer that has excess inventory. You were laid off. **#29 & C**	You work for a cabinet maker. Home sales and new construction is down. You were laid off. **#30 & C**