Macroeconomics 1 - Seminar 3

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- Define:
  - Unemployment rate
  - Labor force
  - Population
  - Labor force participation

- Explain:
  - Natural rate of unemployment
  - Cyclical unemployment
  - Frictional unemployment
  - Structural unemployment

- Why are there always some people unemployed?

To which type of unemployment these examples correspond?

Ms. B worked as a secretary. She got married and together with her husband they moved to another city which was far from the place where she worked before to commute there every day to work. She started to look for similar job in the new city. After a month of searching she finally found a secretary job with which she was entirely happy. During the time when she was searching for a new job she was unemployed.

a) seasonal   b) frictional   c) structural   d) cyclical

Which of the following statements is true?

a. It is possible for an economy to completely and permanently eliminate unemployment.

b. It is possible for an economy to eliminate unemployment completely, but only temporarily.

c. It is impossible for an economy to eliminate unemployment completely.

d. It is possible for an economy to completely and permanently eliminate unemployment, but only if the government finds a way to avoid recessions altogether.

Which of the following policies would be most effective in reducing the unemployment rate?

a. Pass laws that make it difficult for employers to fire workers.

b. Reduce the benefits to the unemployed (unemployment insurance).

c. Pass laws that force businesses to hire more workers.

d. Raise taxes on imports (tariffs), to protect American producers and workers.

All of the following make it difficult for wages to go down when necessary, EXCEPT:

a. unions and collective bargaining.

b. minimum wage laws.

c. efficiency wages.

d. job search time.

The following statistics were recorded in the US in 2009:

- Population 307 007 th.
- Work-age population 235 801 th.
- Number of employed 139 887 th.
- Number of unemployed 14 319 th.

Compute the participation rate and the unemployment rate.

Participation rate: 65.4%

Unemployment rate: 9.3%

The Bureau of Labor Statistics announced that in April 2010, of all adults Americans, 139,555 th. were employed, 15,260 th. were unemployed and 82,614 th. were not in the labor force. Use this information to calculate:

a. The adult population

237,429 th.

a. The labor force

154,815 th.

a. The labor-force participation rate

65.2%

a. The unemployment rate

9.9%

Economists use labor-market data to evaluate how well an economy is using its most valuable resource-its people. Two closely watched statistics are unemployment rate and the labor force participation rate. Explain what happens to each of these in the following scenarios.

a. An auto company goes bankrupt and lays off its workers, who immediately start looking for new jobs.

b. After an unsuccessful search, some of the laid-off workers quit looking for new jobs.

c. Numerous students graduate from college but cannot find work.

d. Numerous students graduate from college and immediately begin new jobs.

e. A stock market boom induces newly enriched 60-year-old workers to take early retirement.

f. Advances in healthcare prolong the life of many retirees.

Between 2004 and 2007, total U.S. employment increased by 6.8 million workers, but the number of unemployed workers declined by only 1.1 million.

How are these numbers consistent with each other?

Why might one expect a reduction in the number of people counted as unemployed to be smaller than the increase in the number of people employed?

Are the following workers more likely to experience short-term or long-term unemployment. Explain.

a. A construction worker laid off because of bad weather.

b. A manufacturing worker who loses her job at a plant in an isolated area

c. An expert welder with little formal education who loses her job when the company installs automatic welding machine.

d. A short-order cook who loses his job when a new restaurant opens across the street.

Consider an economy with two labor markets – one for manufacturing workers and one for service workers. Suppose initially that neither is unionized.

a. If manufacturing workers formed a union, what impact on the wages and employment in manufacturing would you predict?

b. How would these changes in the manufacturing labor market affect the supply of labor in the market of service workers? What would happen to the equilibrium wage and employment in these labor market?

The labor force is the:

a. sum of the employed and the unemployed.

b. percentage of the labor force that is employed.

c. workers employed.

d. percentage of workers employed out of the total population

The unemployment rate is the:

a. number of people unemployed in the nation.
b. percentage of the labor force that is unemployed.
c. percentage of the population that is unemployed.
d. number of people unemployed in a given state

The normal rate of unemployment around which the unemployment rate fluctuates is called the _____ rate of unemployment.

a. cyclical

b. natural

c. frictional

d. structural

The unemployment that results because it takes time for workers to search for the jobs that best suit their tastes and skills is called _____ unemployment.

a. cyclical

b. natural

c. frictional

d. structural

The unemployment that results because the number of jobs available in some labor markets is insufficient to provide a job for everyone who wants one is called _____ unemployment.

a. cyclical

b. natural

c. frictional

d. structural