

# The Labor Market and Labor Force



# What is the **LABOR MARKET**?

The supply and demand of all jobs in our economy.

- ✓ The number of different job available
- ✓ Who is obtaining jobs and who is not
- ✓ What jobs are being created



# Why is the **LABOR MARKET** important?

**Jobs (*employment*)** are a vital part of our economy.

*a. Jobs generates income, investments, and determines our standard of living.*



# Who collects information about the Labor Market?

## The Bureau of Labor Statistics (BLS)

- a. *They have a website that has all of the labor market data*



# What is the Labor Market Data used for?

The government and the public use the labor market information to **create economic policies** and make **important decisions**.

## The Bureau of Labor Statistics (BLS)

- **Unemployment Rate:** 3.6% in May 2019
- **Civilian Labor Force Participation Rate:** 62.8% in May 2019



# What is the **LABOR FORCE**?

When measuring the labor market, the government closely looks at the labor force.

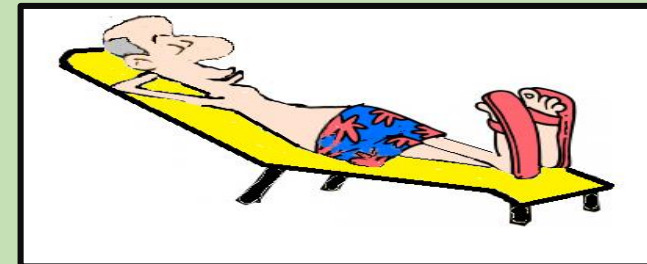
## **THE LABOR FORCE =**

- 1) at least 16 years old**
- 2) has a job (employed)**
- 3) or actively looking for job**



## NOT PART OF LABOR FORCE =

- 1) Given up looking for work  
(*discouraged worker*)**
- 2) Retired**
- 3) Disabled and not working**



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# The Unemployment Rate



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# In the labor market, what is closely watched?

- How many people are UNEMPLOYED (*can't find a job*) in the labor force
  - a. Economists use what is called the unemployment rate to determine the number of people that can't find a job.

*The number of people that can't find a job signals if the economy is strong or weak; this is why the unemployment rate are so closely watched.*



**STRONG ECONOMY =**  
**Low Unemployment**



**WEAK ECONOMY =**  
**Higher Unemployment**

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# What is the **UNEMPLOYMENT RATE**?

- It is the percentage of people that are in the labor force who **WANT** to work but can't find a job

For example, if there are a 100 people in the labor force and 10 people can't find a job, then the unemployment rate would be 10%.

- Every month, the **Bureau of Labor Statistics** (BLS) calculates and releases the unemployment rate to the public.

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2014 | 6.6 | 6.7 | 6.6 | 6.2 | 6.3 | 6.1 | 6.2 | 6.1 | 5.9 | 5.7 | 5.8 | 5.6 |



These are unemployment rates for each month of 2014.



# What does the unemployment rate tell us about the economy?

- A low unemployment rate is a good sign and usually means the economy is doing well and is healthy.
- A high unemployment rate is a sign that economy is doing poorly or is unhealthy

**A Low Unemployment Rate =**

- 1) 3%- 6%**
- 2) more jobs**
- 3) better wages**
- 4) stronger economy**

**A High Unemployment Rate =**

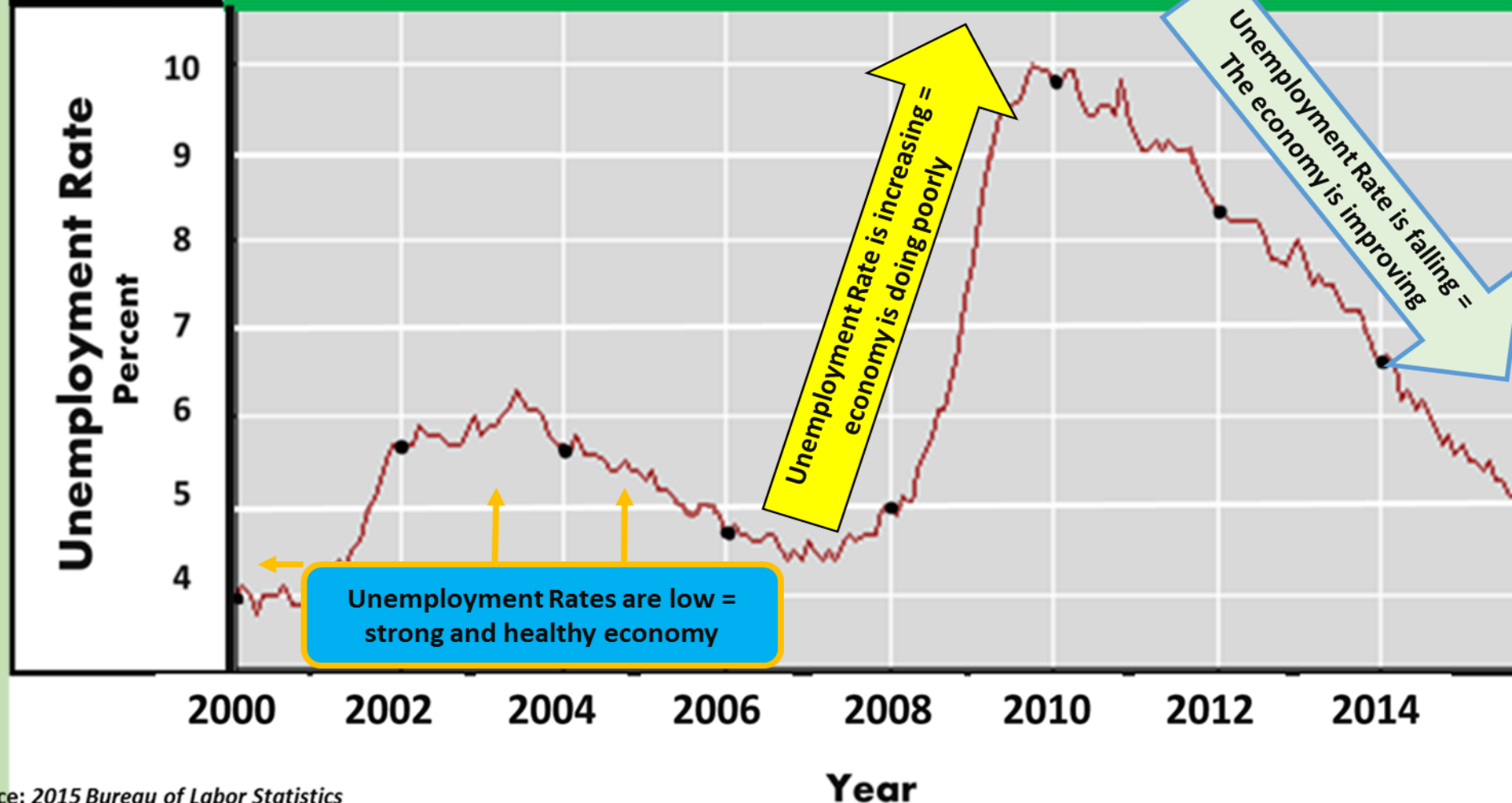
- 1) fewer jobs**
- 2) weak economy**
- 3) lower wages**

**When there is an economic recession or a depression the unemployment rate is very high and can stay high for a while.**



# U.S. Unemployment Rate

From 2000 to 2014



Source: 2015 Bureau of Labor Statistics

# The Four Types of Unemployment



# What are the FOUR types of unemployment?

- 1) Cyclical
- 2) Seasonal
- 3) Frictional
- 4) Structural



# What is **CYCLICAL UNEMPLOYMENT**?

= Anytime there is a direct link between a downturn in the economy and an increase in unemployment



*The economy goes through business cycles of ups (GDP growing) and downs (GDP shrinking). When the economy is going down, businesses are making fewer things and many businesses close, which means fewer workers are needed. Hence, a decrease in the supply of jobs leads to an increase in the unemployment rate.*



# What is SEASONAL UNEMPLOYMENT?

= Unemployment caused by seasonal issues.

*For instance, lifeguards are in high demand during the summer but few are needed during winter. Hence, when the unemployment rate for lifeguards increases during the winter season, it is considered **seasonal unemployment**. There are many jobs that can be classified seasonal such as construction, landscaping, and retail.*



# What is FRICTIONAL UNEMPLOYMENT?



= is when people change jobs or are looking for their first job.

*There is always a certain amount of turnover in the job market; every year a number of people decide to change jobs as well as there are always younger people looking for their first job. Depending on the job and the economy, the time for them to find a job can vary, taking a long time or a short time. This time it takes for people to find a job is friction; the more friction there is in the entire job market is usually a sign that the economy is doing poorly.*



# What is **STRUCTURAL UNEMPLOYMENT**?

= When people become unemployed because they lack certain skills or education

*The structure of the job market is always changing. The types of jobs in demand and the supply of jobs change as the structure of our economy changes. For instance, in the last ten years there were fewer coal mining jobs because coal is no longer a popular resource. However, there are more technology based jobs because technology has become more important in our economy.*

