



## Course Learning Outcomes for Unit IV

Upon completion of this unit, students should be able to:

4. Examine the effects of unemployment and inflation on the economy.

## Reading Assignment

### Chapter 7:

Unemployment and Inflation

### Chapter 8:

Productivity and Growth

## Unit Lesson

One would think that unemployment and its measurement would make it easy to determine who is unemployed and what the national rate of unemployment is. However, it is a complex issue and one that has multiple factors for consideration. We will consider a few of the issues to tweak our interest for further readings.

As of July 2015, the “U.S. unemployment rate drops to 6.1%” (Randle, 2014). Is this considered a good unemployment rate or a bad one? Is 6.1% a high number or a low number? Should the goal for political leaders be 0% unemployment? There are questions that need to be considered and are best viewed through economic theories.

The definition of who is unemployed is agreed upon, but there is much argument about who should be included or excluded. Should a 16-year-old looking for a job be included or excluded? Should a 70-year-old, who just lost his or her job, and is actively looking for a job, be counted? What about a 62-year-old, who after years of trying to find a job, gives up and stops looking; should that person be counted?

Oner (2010) gives a summary of definitions of who is unemployed. In the U.S., to be counted as unemployed one must be out of work and in active pursuit of a job, such as applying for jobs or sending out resumes. How does the government collect the unemployment statistics? Oner (2010) states that the government sends out a monthly survey of 100,000 individuals based on statistical sampling. This sample includes those looking for work and those that are unemployed. Yes, it is self-reported and is defined as the percentage looking for a job.

Who is excluded from being considered unemployed? If one does want a job and is of working age, he or she is not included. If one has been unemployed for a long time and no longer looking for work, this group is not considered as unemployed. If one has a job that is part-time or is self-employed but did not receive pay in a prior pay period, these would be considered to be employed, and this can cause inflated employment numbers (Oner, 2010, para. 3-4).

Consider the classifications for unemployment: frictional, seasonal, structural, and cyclical. By viewing through this scheme, one can grasp where unemployment is coming from and develop economic policies to address. Each classification above likely would take a different tactic to address.

Frictional unemployment is essentially the time from when one loses one job until one finds find another job. This is considered natural and occurs as it takes time to interview, find a job, be selected, hired, and start work. The match between job market and worker finding each other is natural.

Seasonal unemployment occurs because a unique market may require more or less workers during part of the year. For example, in south Florida fruit pickers are seasonal workers. In your own area where you live, one will note the need for seasonal workers in many retail stores during December for the shopping season.

Structural unemployment means that the workers in one area no longer have the skills needed for the current set of jobs in an area. For example, if in North Dakota there is an oil boom, and the demand is high for oil workers, but the current work force was trained to do textiles, this creates a mismatch or structural issue that must be addressed by training, labor force moving, or other types of structural adjustments.

Cyclical unemployment comes because of expansions and contractions in the general economy. In a contraction, demand goes down, and the amount of labor needed to produce the goods and services that are being demanded, resulting in excess supply of labor, and thus, unemployment.

As one studies the readings on unemployment and inflation, consider the economic factors, how these factors affect you, your family, your neighborhood, your country, and the world. View what you consider through the lenses of the models studied.

### References

- Oner, C. (2010). Back to basics: What constitutes unemployment? *Finance & Development*, 47(3), 48-49. Retrieved from <http://www.imf.org/external/pubs/ft/fandd/2010/09/basics.htm>
- Randle, J (2014, Jul 04). US unemployment rate drops to 6.1%. *Voice of America*. Retrieved from <http://www.voanews.com/content/us-unemployment-rate-drops/1950501.html>

### Suggested Reading

Click [here](#) for the Chapter 7 Presentation in PowerPoint form. Click [here](#) to access a PDF version of the presentation.

Click [here](#) for the Chapter 8 Presentation in PowerPoint form. Click [here](#) to access a PDF version of the presentation.

### Learning Activities (Non-Graded)

The online tutorial below [link to MyCourseTools tutorial of same name] focuses on specific topics in Unit IV.

The Costs of Inflation

[https://media.pearsoncmg.com/pcc/pls/pls\\_mycoursetools/fulfillment/mct\\_1256689785\\_csu/prin\\_macro/redire ct\\_01\\_pm\\_l09\\_t03.html](https://media.pearsoncmg.com/pcc/pls/pls_mycoursetools/fulfillment/mct_1256689785_csu/prin_macro/redire ct_01_pm_l09_t03.html)

Non-graded Learning Activities are provided to aid students in their course of study. You do not have to submit them. If you have questions, contact your instructor for further guidance and information.