

## Unemployment and Employment: Problems

Consider the following employment data for the economy of Darrin Walls Island:

Category	Number
Total Population	150,000,000
Full Time Employed	90,000,000
Unemployed, Actively Searching	10,000,000
Unemployed, No Longer Searching	5,000,000
Serving in the Army of Darrin Walls Island	20,000,000
Prison Inmates	1,000,000
Full Time Students	20,000,000
Part Time Workers, Including Students	30,000,000
Children	9,000,000

1. Calculate the labor force participation rate and standard (U-3) measure of unemployment for Darrin Walls Island.
2. How confident are you in your estimate of U-3?
3. Calculate a broader measure of unemployment, similar to U-6, which attempts to include discouraged workers and the underemployed.
4. How confident are you in your estimate of unemployment from #3?
5. Discuss the implications on U-3 and welfare of the following changes to these data:
  - i. 5,000,000 unemployed Wallsians stop searching for work.
  - ii. 5,000,000 unemployed Wallsians become employed.
  - iii. The method of counting U-3 is changed so that members of the military are classified as employed.
  - iv. The method of counting U-3 is changed so that prison inmates are classified as employed.
6. True or False? The increase in the employment rate since 2009 is consistent with the decline in the U-3 unemployment rate over the same timeframe.