The Labor Market: Problems

Consider the following labor market data.

Category	Number
Children	10
Employed, including part-time	50
Part time for Economic Reasons	5
Retirees	20
Unemployed, seeking work	20
discouraged workers	5

1. It is simply the sum of the employed and unemployed who are seeking work. 70.

2. 20/70?

3. First, the unemployed could become employed.If ten did so, unemployment would fall to 1/7. This would indicate a stronger labor market. Second, the unemployed could leave the labor market by becoming discouraged workers. If they did, the unemployment rate would fall to 10/60=1/6. Note that in this case, we must also reduce the denominator. This would indicate a weaker labor market.

4. We must add discouraged workers to the U-3 labor force. It now equals 75.

5. In addition to the unemployed, seeking work, we include discouraged workers and part time for economic reasons to the numerator. U-6 equals 30/75