

DON'T BE DISCOURAGED!

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LESSON DESCRIPTION

The students develop a classification chart identifying which workers are employed and unemployed, determining which workers are counted as unemployed and classifying what type of unemployment each worker is experiencing. The students calculate the unemployment rate in a nation and learn why this is considered an imperfect measure of unemployment.

AGE LEVEL

16-18 years old

CONCEPTS

Labor force
Frictional unemployment
Structural unemployment
Cyclical unemployment
Seasonal unemployment
Unemployment rate
Discouraged worker

CONTENT STANDARD

Standard 19 – Unemployment imposes costs on individuals and nations. Unexpected inflation imposes costs on many people and benefits some others, because it arbitrarily redistributes some purchasing power. Inflation can reduce the rate of growth of national living standards, because individuals and organizations use resources to protect themselves against the uncertainty of future prices.

BENCHMARKS

- **Benchmark 2 for 8th grade:** The labor force consists of people aged 16 and over who are employed or actively seeking work.

- **Benchmark 1 for 12th grade:** The unemployment rate is the percentage of the labor force that is willing and able to work, does not currently have a job, and is actively looking for work.

- **Benchmark 2 for 12th grade:** The unemployment rate is an imperfect measure of unemployment because it does not (1) include workers whose job prospects are so poor that they are discouraged from seeking jobs, or (2) reflect part-time workers who are looking for full-time work.

- **Benchmark 4 for 12th grade:** Unemployment can be caused by people changing jobs, by seasonal fluctuations in demand, by changes in the skills needed by employers, or by cyclical fluctuations in the level of national spending.

OBJECTIVES

The students will:

- ◆ Define "labor force" and "unemployment rate."
- ◆ Explain why unemployment statistics do not reflect the true impact of unemployment.
- ◆ Define and categorize types of unemployment (frictional, structural, cyclical and seasonal).
- ◆ Calculate the unemployment rate.

TIME REQUIRED

75-90 minutes

MATERIALS

- One set of the following materials for each pair of students:
 - Colored pencils (six recommended colors are red, yellow, blue, brown, gray and green)
 - One pair of scissors
 - Glue stick
 - Calculator
- One copy of Activities 1, 2 and 3 for each pair of students
- One copy of Activity 4 for each student
- Visuals 1, 2, 3 and 4

LESSON SIX

- Prior to the start of lesson, find the current unemployment rate.

PROCEDURE

1. Write the following headline on the board: “Unemployment Rate Unchanged; Remains 20%.” Ask the students the following questions:

- A. If this headline appeared in the newspaper, what would an unemployment rate of 20% mean in the United States? *Answers will vary.*
- B. Are all unemployed workers counted in the unemployment rate in the United States? *Answers will vary.*
- C. How do you think the unemployment rate is determined in the United States? *Answers will vary.*

2. Write the current unemployment rate on the board. Tell the students that this is the current unemployment rate and ask the following questions:

- A. Do you know anyone who is unemployed? *Answers will vary.*
- B. Do you know what this number means? *Answers will vary.*
- C. Do you know how the unemployment rate is determined? *Answers will vary.*

3. Explain to the students that they will learn about different types of unemployment and how a nation's unemployment rate is determined.

4. Display Visual 1. Discuss the information on the visual as follows:

- “Total population” is all individuals living within a given country.
- “Labor force” is defined as all individuals aged 16 years and older that either have a job or are actively

searching for employment. Ask the students if they are part of the labor force. *Answers will vary. If they are at least 16 years old and are working part-time, they are considered part of the labor force. If they are 16, do not have a job and are not looking for one, they are not considered part of the labor force.*

- There are different types of unemployment – frictional, seasonal, structural and cyclical.
- Frictional unemployment occurs when people change jobs or enter the labor market for the first time. A recent university graduate going to his first job interview is an example of someone who would be classified as frictionally unemployed. Another is an individual who has left one job and is searching for another. Ask the students for additional examples. *Answers will vary.*
- Seasonal unemployment occurs as a result of a shift in demand for workers when industries slow or shut down for a season. It also occurs because of harvest schedules. A young man who loses his job on a farm because the harvest is complete is an example of someone who is seasonally unemployed. Another is a young man who paves roads for a paving company. When the temperature drops to freezing, the company must close because it is impossible to lay asphalt in cold temperatures. Ask students for additional examples. *Answers will vary.*
- Structural unemployment occurs when peoples' skills do not match the jobs that are available. Causes of structural unemployment include lack of education, development of new technology, changes in consumer demand, discovery of new resources,

and globalization. Workers losing their coal-mining jobs because new machinery has revolutionized methods for extracting coal from mines is an example of structural unemployment. Another example occurred when workers who delivered ice to keep foods cold lost their jobs because refrigerators, run by electricity, replaced ice boxes cooled by ice. Ask the students for other examples. *Answers will vary.*

- Cyclical unemployment occurs when people lose jobs because of changes in the business cycle. For example, workers lose their jobs because of a drop in the sale of goods and services or factories reducing their production. Ask the students for other examples. *Answers will vary.*

(NOTE: Economists consider the economy to be at full employment if there is only frictional and structural unemployment.)

5. Divide the students into pairs. Distribute a copy of Activity 1 and six colored pencils (red, yellow, blue, brown, gray and green) to each pair of students.

6. Display Visual 2 and review the instructions as follows. If necessary, review the four types of unemployment.

- A. Determine if each individual is employed, unemployed, or not employed but no longer in the labor force. Color the boxes with scenarios of employed workers green and workers not in the labor force gray.
- B. Categorize unemployed workers into one of the four types of unemployment. Color the boxes with scenarios representing frictional unemployment brown, structural

blue, seasonal yellow, and cyclical red.

7. Give each pair of students a pair of scissors, a glue stick and a copy of Activity 2. Tell the students to cut out the job scenarios from Activity 1 and glue each under the correct category on Activity 2. Students may have to glue some job scenarios on the back of Activity 2. Display Visual 3 for the students to check their answers, and discuss the following:

- A. Which individuals are in the labor force? *All individuals except Stewart, Joan and Cheryl* Explain. *All these individuals, except Stewart, Joan and Cheryl, are employed or actively looking for work.*
- B. Who are some of the employed individuals? *Misha, Chris, Arnold, Francis, Tom, Alexander, Rafael, Sam, Elisa, Svetlana, George, Bradford and Elena*
- C. How are workers categorized who work part-time but would prefer full-time employment? *Employed*
- D. Which of the unemployed workers are considered part of frictional unemployment? *Jake and Mitch* Why? *Both left their jobs voluntarily in hopes of finding another job that meets their criteria.*
- E. Which of the unemployed workers are considered part of seasonal unemployment? *Misty and Charlie* Why? *Both of their positions were eliminated because of change in the weather or season.*
- F. Which of the unemployed workers are considered part of structural unemployment? *Daniel and Gerald.* Why? *Gerald lost his job due to new technology. Daniel lost his job because the company he worked for moved the production of athletic shoes to another country where labor costs are less.*

LESSON SIX

- G. Which of the unemployed workers are considered part of cyclical unemployment? *Carey and Sally*
Why? *Both lost their jobs because of a slowdown in business activity.*

8. Explain that individuals who have given up searching for a job are considered discouraged workers. For example, a worker has lost her job to downsizing and interviews for new positions for a year. Finally, she gives up looking and decides to retire. Who is an example of a discouraged worker from Activity 1? *Joan* Why? *She has searched for two years and finally decides to give up looking for a job as a civil engineer.* Point out that discouraged workers are not considered in the unemployment rate.

(NOTE: Discouraged workers are not included in the unemployment rate. However, when a person in a family becomes unemployed, one or more of the other people in the family who are not in the labor force are now more likely to go out and look for work, which increases the unemployment rate. This is referred to as the additional worker effect.)

9. Display Visual 4. Remind the students that the labor force consists of all individuals over 16 years of age who are employed or actively looking for work. Tell the students that the unemployment rate is the percentage of the labor force that is willing and able to work, does not currently have a job, and is actively looking for work. Explain that to determine the unemployment rate, the students must divide the number of unemployed workers by the total labor force and multiply by 100.

10. Write the following information on Visual 4:

20 unemployed workers
80 people in the labor force

11. Ask the students to determine the unemployment rate. *25%*

12. Distribute calculators and refer the students back to Activity 2. Tell the students to determine the number of employed workers, unemployed workers, and number in the labor force. *13 employed workers, 8 unemployed workers, and 21 workers in the labor force* Instruct the students to use these data to calculate the unemployment rate. $8/21 \times 100 = 38\%$

13. Distribute one copy of Activity 3 to each pair of students. Ask the students to answer the questions on the Activity.

14. Review Activity 3 answers:

- 1a. *3,000,000*
- 1b. *5%*
- 2a. *4,800,000*
- 2b. *25%*
- 3a. *200,000*
- 3b. *2%*
- 4a. *2,880,000*
- 4b. *10%*

15. Ask the students why the unemployment rate might be an imperfect measure of a country's true unemployment. *The rate does not include discouraged workers, individuals who are unemployed and have given up looking for work. The rate does include those who are working part-time.*

CLOSURE

16. Review the main points of the lesson by asking the following questions:

- A. Who are counted as members of the labor force? *All individuals who are 16 or older and either have a job or are actively searching for employment.*
- B. Who are considered employed workers and unemployed workers? *Employed are individuals who have a*

- job. Unemployed are people who do not have a job but are actively searching for a job.*
- C. Which individuals are not included in determining unemployment statistics? *Part-time workers who are looking for a full-time jobs; workers whose job prospects are so poor that they are discouraged from seeking jobs*
- D. What are the four types of unemployment? *Frictional, structural, cyclical and seasonal*
- E. Define each type of unemployment. *Frictional: Unemployment when an individual quits a job in hopes of getting a new job or is first entering the job market; Structural: Unemployment that occurs when a person's skills don't match the jobs that are available; Seasonal: Unemployment resulting from changes in demand for workers when industries slow or shut down for a season or harvest schedules; Cyclical: Unemployment that occurs as a result of decreases in the level of national production, spending and income*
- F. How do you calculate the unemployment rate?
 $[unemployed / labor\ force] \times 100$
- unemployed; changing the age from 16 to a lower or higher age; and including part-time workers as unemployed.*

ASSESSMENT

Distribute one copy of Activity 4 to each student and allow time for the students to work.

Answers to Activity 4

Part I

- a. 720,000
- b. 2,600,000
- c. 30%

Part 2

Answers will vary.

Part 3

The students may suggest adding discouraged workers to the category of

Visual 1

Key Terms

- **Total Population – All individuals living within a given country**
- **Labor Force – All individuals 16 years of age and over that either have a job or are actively searching for employment**
- **Frictional Unemployment – Unemployment that occurs when a person quits a job in hopes of getting a new job, or when a person enters the job market for the first time**
- **Seasonal Unemployment – Unemployment as a result of a shift in demand for workers due to industries slowing or shutting down for a season or harvest schedules**
- **Structural Unemployment – Unemployment resulting from changes in the skills employers expect their employees to possess**
- **Cyclical Unemployment – Unemployment as a result of decreases in the level of national production, spending and income**
- **Discouraged Worker – A person who is no longer looking for work and is therefore not considered a part of the labor force or unemployed**

Visual 2

Coding Unemployment

Determine if each individual is employed, unemployed, or not employed but no longer in the labor force.

Color the boxes with scenarios of employed workers green.

Color the boxes that represent people not in the labor force gray.

Categorize unemployed workers into one of the four types of unemployment.

Color the boxes as follows:

Scenarios representing frictional unemployment – brown

Scenarios representing structural unemployment – blue

Scenarios representing seasonal unemployment – yellow

Scenarios representing cyclical unemployment – red

Visual 3

Job Scenarios (Answers)

Misha runs his own micro-computer company. Employed	Rafael plays goalkeeper for the national soccer team. Employed	Jake leaves his position as director of marketing for ABC Company in hopes of getting a better job as vice-president of marketing at XYZ Company. Frictional
Chris works as the sports anchor for the local news station. Employed	Sam works in the Department of Labor. Employed	George works as a farmer. Employed
Arnold works as a sales representative for a major shoe company. Employed	Elisa works as a public relations director for a local ice cream company. Employed	Bradford delivers the local newspaper from 5:00 a.m. to 7:00 a.m. daily. Employed
Francis works only 20 hours per week as a waitress at a restaurant despite her request to her supervisor to work extra hours. Employed	Charlie is a lifeguard at the city pool during the summer months but loses his job when the temperature gets too cold for swimmers. Seasonal	Mitch quits his job as a salesman earning commission in hopes of getting a salaried position at the local mall. Frictional
Daniel loses his job on the production line making athletic shoes. The company he works for moves his job to another country where the labor costs are lower. Structural	Svetlana works as professor of economics at a state university. Employed	Elena works as an attorney for a major corporation. Employed
Stewart works hard as a full-time student at a state university. Not in the Labor Force	Cheryl stays at home caring for her small preschool children. Not in the Labor Force	Sally loses her job when the sock factory where she works closes due to the recent recession. Cyclical
Gerald loses his job to a fleet of robots at the auto manufacturing plant. Structural	Carey loses her job in the steel factory because spending by consumers is weak and business inventories are rising. Cyclical	
Tom works as a movie star and lives in New York City. Employed	Joan has finally decided to give up searching for a job as a civil engineer after two long and fruitless years searching for positions on the Internet. Discouraged-Not in the Labor Force	
Misty loses her job in January working as a gift wrapper at the local department store after the mad holiday rush for gifts subsides. Seasonal	Alexander works in the mayor's office. Employed	

Visual 4

Unemployment Rate

The unemployment rate is the percentage of the labor force that is willing and able to work, does not currently have a job, and is actively looking for work.

Let's plug in some numbers!

Labor Force = Employed + Unemployed

$$\text{Unemployment Rate} = \frac{\text{Unemployed}}{\text{Labor Force}} \times 100$$

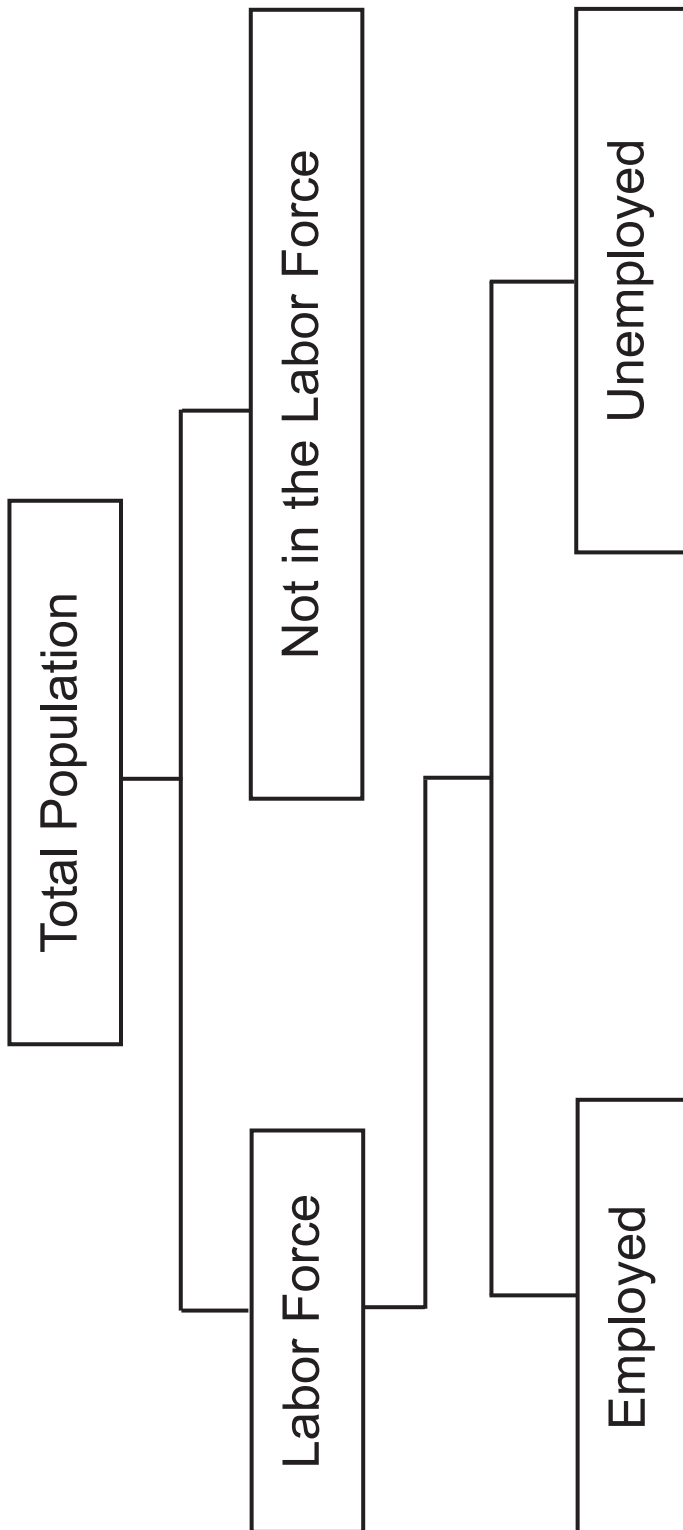
Activity 1

Job Scenarios

Misha runs his own micro-computer company.	Gerald loses his job to a fleet of robots at the auto manufacturing plant.	Rafael plays goalkeeper for the national soccer team.	Jake leaves his position as director of marketing for ABC Company in hopes of getting a better job as vice-president of marketing at XYZ Company.
Chris works as the sports anchor for the local news station.	Tom works as a movie star and lives in New York City.	Sam works in the Department of Labor.	George works as a farmer.
Arnold works as a sales representative for a major shoe company.	Carey loses her job in the steel factory because spending by consumers is weak and business inventories are rising.	Elisa works as a public relations director for a local ice cream company.	Bradford delivers the local newspaper from 5:00 a.m. to 7:00 a.m. daily.
Francis works only 20 hours per week as a waitress at a restaurant despite her request to her supervisor to work extra hours.	Joan has finally decided to give up searching for a job as a civil engineer after two long and fruitless years searching for positions on the Internet.	Charlie is a lifeguard at the city pool during the summer months but loses his job when the temperature gets too cold for swimmers.	Mitch quits his job as a salesman earning commission in hopes of getting a salaried position at the local mall.
Daniel loses his job on the production line making athletic shoes. The company he works for moves his job to another country where the labor costs are lower.	Misty loses her job in January working as a gift wrapper at the local department store after the mad holiday rush for gifts subsides.	Svetlana works as professor of economics at a state university.	Elena works as an attorney for a major corporation.
Stewart works hard as a full-time student at a state university.	Alexander works in the mayor's office.	Cheryl stays at home caring for her small preschool children.	Sally loses her job when the sock factory where she works closes due to the recent recession.
<p>Legend of Colors: Employed: Green Not in Labor Force: Gray Unemployed: Frictional: Brown Structural: Blue Seasonal: Yellow Cyclical: Red</p>			

Activity 2

Labor Market Classification



Activity 3

Figure It Out

	Country A	Country B	Country C	Country D
Total Population	6,000,000	10,100,000	17,600,000	6,420,000
Employed	2,850,000	3,600,000	9,800,000	?
Unemployed	150,000	1,200,000	?	320,000
Labor Force	3,000,000	?	10,000,000	3,200,000
Not in the Labor Force	?	5,300,000	7,600,000	3,220,000
Unemployment Rate	?	?	?	?

The chart above gives you the unemployment figures for various fictitious countries. Your job is to figure out the two missing pieces of data in each country.

Part I:

- a) What is the size of the **Not in the Labor Force** for Country A? _____

b) What is the unemployment rate in Country A? _____
- a) What is the size of the **Labor Force** in Country B? _____

b) What is the unemployment rate in Country B? _____
- a) What is the number of **Unemployed** in Country C? _____

b) What is the unemployment rate in Country C? _____
- a) What is the number of **Employed** in Country D? _____

b) What is the unemployment rate in Country D? _____

Activity 4

Assessment

	Country A	Your Country
Total Population	5,000,000	
Employed	1,680,000	
Unemployed		
Labor Force	2,400,000	
Not in the Labor Force		
Unemployment Rate		

Part 1

- What is the number of unemployed in Country A? _____
- What is the number of Not in the Labor Force for Country A? _____
- What is the unemployment rate for Country A? _____

Part 2

Create your own country, in which the unemployment rate is above 6%. In this country, create numbers for total population, employed, unemployed labor force, and not in labor force.

Part 3

You have been hired by the Bureau of Labor Statistics to explain why the current formula for determining the unemployment rate does not reflect the true impact of unemployment. Give recommendations for reconfiguring the formula to better reflect the true unemployment problem of a country.