

## AP Macro Unit 2 Review Station #3 – All about Unemployment

1. Define unemployment (be sure to emphasize WHO is considered unemployed).
2. Explain the concept of a discouraged worker.
3. Define the following types of unemployment, tell whether it is short run or long run, and give an example for each.
  - a. Frictional:
  - b. Structural:
  - c. Cyclical:
4. If the population is 5678, the number of employed people is 2345 and the number of unemployed people is 36, then the unemployment rate is \_\_\_\_\_ and the labor force participation rate is \_\_\_\_\_.

5. Use the following chart to answer the questions:

### ***Labor Stats Table***

**This table shows the 2003 data for males and females ages 16 and over in the imaginary country of Utopia.**

- 1. Not in labor force**
    - a. male: 10 million**
    - b. female: 12 million**
  - 2. Unemployed**
    - a. male: 7 million**
    - b. female: 4 million**
  - 3. Employed**
    - a. male: 100 million**
    - b. female: 100 million**
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- a) State each of the following for Utopia:
  - i. Total adult population
  - ii. Total number in the adult labor force
  - iii. Labor Force Participation Rate
  - iv. Unemployment rate
- b) Give three categories of people who would not be in the Utopian labor force.
- c) Give two reasons why the unemployment rate may understate employment problems in Utopia.

- d) State how an economist in Utopia would define Full Employment or the Natural Rate of Unemployment.
- e) If the Utopian economy had structural unemployment equal to 3% and frictional unemployment equal to 2.5%, then:
- i. The Natural Rate of Unemployment equals \_\_\_\_\_
  - ii. The Cyclical Unemployment rate equals \_\_\_\_\_
  - iii. The long-run unemployment rate equals \_\_\_\_\_
  - iv. The short-run unemployment rate equals \_\_\_\_\_

1. The natural rate of unemployment is the economist's notion of

- a. full employment.
- b. cyclical employment.
- c. structural unemployment.
- d. frictional unemployment.

2. Which of the following is correct?

- a. Some degree of unemployment is inevitable.
- b. Other things the same an increase in the number of people who are unemployed is associated with a decrease in real GDP.
- c. Cyclical unemployment is inversely related to short-run economic fluctuations in GDP.
- d. All of the above are correct.

3. Unemployment data is collected

- a. from unemployment insurance claims.
- b. through a regular survey of about 60,000 households.
- c. through a regular survey of about 200,000 firms.
- d. Unemployment data is collected using all of the above.

4. Assuming everyone in the question below is in the adult population, which of the following is *not* correct?

- a. Elmo works part time as a baby sitter. The BLS counts him as employed and in the labor force.
- b. Anna is a full-time student not looking for a job. The BLS counts her as unemployed and in the labor force.
- c. Jim is on temporary layoff. The BLS counts him as unemployed and part of the labor force.
- d. Liz is seeking work, but has not found it. The BLS counts her as unemployed and in the labor force.

5. In 2004, based on concepts similar to those used to estimate U.S. employment figures, the Japanese adult noninstitutionalized population was 109.684 million, the labor force was 65.760 million, and the number of people employed was 62.630 million. According to these numbers, the Japanese labor-force participation rate and unemployment rate were about

- a. 60%, 2.9%
- b. 60%, 4.8%
- c. 57.1%, 2.9%
- d. 57.1%, 4.8%

6. Suppose some country had an adult population of about 46.5 million, the labor-force participation rate was 63.5 percent, and the unemployment rate was 5.8 percent. What were the number of people employed and the number of people unemployed?

- a. about 29.5 million and 2.7 million.
- b. about 29.5 million and 1.7 million.
- c. about 27.8 million and 2.7 million.
- d. about 27.8 million and 1.7 million.

7. Anna has just finished high school and started looking for her first job, but has not yet found one. As a result, the unemployment rate

- a. increases, and the labor-force participation rate is unaffected.
- b. increases, and the labor-force participation rate increases.
- c. is unaffected, and the labor-force participation rate increases.
- d. increases, and the labor-force participation rate decreases.