

# How Do We Measure Unemployment?

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**Standards and Benchmarks** (see page 5)

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## Lesson Description

This activity is designed to use as a classroom example to show students how we calculate the civilian unemployment rate. It is adapted from the lesson *What is Unemployment, How is it Measured, and Why Does the Fed Care?* by Mary C. Suiter, Ph.D.

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## Materials

- Two small yellow slips of paper
- Three small blue slips of paper
- 20 small green slips of paper
- 18 small candy bars or other small tokens
- Small container in which to place the slips of paper
- A copy of Handout 1 for each student
- Optional: candy bars or small tokens for all students to be distributed after the activity is complete.

NOTE: This activity was designed for a class of 25. For smaller classes, reduce the number of green slips of paper. For larger classes, increase the number of green slips of paper and increase the number of candy bars or small tokens.

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## Procedure

1. Before the start of class, place one of the candy bars or tokens on each of 18 desks. Place the slips of yellow, green, and blue paper in the container.
2. As students enter the classroom, have each of them draw a slip of paper from the container. Tell the students not to take their seats but to stand along the walls of the classroom instead.
3. Tell the students that on the way to school there was a news report about unemployment. Ask them what unemployment is. (*Answers will vary. Some students may say that unemployment is people not working.*)

4. Ask the students with yellow slips of paper to raise their hands. Explain that these students represent those in the community who are younger than 16 years old, and because of that, they are not eligible to work. Ask these students to stand in one corner of the room.
5. Ask the students with blue slips of paper to raise their hands. Explain that these students represent those who are not looking for work because they are retired, staying home with children, or have chosen not to work. Ask these students to stand in another corner of the room.
6. Ask the students who are still standing what color slip of paper they have. (*Green*) Explain that they represent people who are 16 years old or older and who are looking for work. Tell those students to take seats at the desks that have a candy bar or token on them. After a few seconds it will become clear that there are two students (in a class of 25) who do not have seats. Explain that these two students represent unemployment in the classroom.
7. Tell all the students to take their seats. Distribute a copy of *Handout 1: Classroom Labor Force, Employment, and Unemployment* to each student.
8. Complete the chart as a class and discuss the following:
  - How many people were younger than 16 years old—those with yellow slips of paper? (*Two*) Record the number in the “Not in labor force” column of the chart across from “Number of people younger than 16.”
  - How many people were not seeking work—those with blue slips of paper? (*Three*) Record the number in the “Not in labor force” column of the chart across from “Number of people not seeking work.”
  - How many people were 16 years or older and actively looking for work but didn’t find a job—those with green slips who weren’t able to find a seat at a desk with a candy bar or token? (*Two*) Record the number in the “In labor force” column of the chart across from “Number of unemployed people 16+ actively looking for work.”
  - How many people were 16 years or older and found jobs—those with green slips of paper who were able to find a seat at a desk with a candy bar or token? (*18*) Record the number in the “In labor force” column of the chart across from the “Number of people 16+ who are employed.”
9. Tell the students that the U.S. labor force is the number of people 16 years or older—not including those in the military or institutionalized—who are currently employed or actively seeking employment. Discuss the following:
  - What is the size of the classroom labor force? (*20*) How do we know this? (*There were 18 people who were 16 years or older and able to find jobs and 2 people who were 16 years or older who were looking but couldn’t find jobs.*)

10. Explain that to calculate the civilian unemployment rate, we divide the number of unemployed by the labor force and multiple by 100. This equation is  $(2/20) \times 100$ , which gives us 10 percent.
11. Explain that 10 percent is high—much higher than the current U.S. unemployment rate—(use the link to get the current U.S. civilian unemployment rate); <https://fred.stlouisfed.org/series/UNRATE>.
12. Explain that in the U.S. economy, members of the labor force who have full- or part-time jobs are employed. Ask the students what percentage of the labor force in the classroom is employed. (*90 percent*)
13. Remind them that in the United States the civilian unemployment rate represents those 16 years or older (not in the military or institutionalized) who are activity seeking work—it is the percentage of the labor force not able to find work.

**Handout 1: Classroom Labor Force, Employment, and Unemployment**

	<b>Not in labor force</b>	<b>In labor force</b>
Number of people younger than 16		
Number of people not seeking work		
Number of unemployed people 16+ actively looking for work		
Number of people 16+ who are employed		
Total labor force		

**Calculating the Civilian Unemployment Rate**

$$\frac{\text{Number of unemployed}}{\text{Labor force}} \times 100 = \text{Unemployment rate}$$

### Standards and Benchmarks

#### National Standards in Economics

#### Standard 19: Unemployment and Inflation

- **Benchmark 2, Grade 8:** The labor force consists of people age 16 or over who are employed or actively seeking work.
- **Benchmark 1, Grade 12:** 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.