

## Macroeconomic Definitions -- Dr. Tom McGahagan -- Spring 2005

### V. UNEMPLOYMENT

1. **Labor force.** The civilian non-institutionalized population above sixteen years of age who either have a job or are actively looking for a job.

2. **Labor force participation rate.** The percentage of the civilian non-institutionalized population above 16 who are in the labor force.

3. **Unemployed.** Those members of the labor force who are actively (within the past month) looking for work but have not found it.

4. **Unemployment rate.** The percentage of the labor force who are unemployed.

5. **Seasonal unemployment.** Unemployment due to seasonal factors. Construction workers are likely to be seasonally unemployed in winter.

6. **Frictional unemployment or search unemployment.** Unemployment due to the time it takes to find another job.

7. **Structural unemployment.** Unemployment due to changes in the structure of a particular industry or to changes in demand or in production technology. Blacksmiths became structurally unemployed with the introduction of the auto; auto workers displaced by robots are also structurally unemployed.

8. **Cyclical unemployment.** Unemployment due to a downturn in the business cycle affecting all or most industries. This is the only type of unemployment which is strictly macroeconomic.

9. **Natural rate of unemployment.** The rate of unemployment due to causes other than cyclical unemployment; the sum of seasonal, frictional and structural unemployment.

10. **Non-accelerating inflation rate of unemployment or NAIRU.** A synonym for natural rate of unemployment used by those who believe that unemployment below that rate will lead to accelerating inflation.

11. **Efficiency wages.** The level of wages which will maximize output per dollar spent on wages. Wages are regarded as an input into production, which will increase employee effort (as a result of gratitude or of fear of losing a well-paying job).

The level of efficiency wages may well be higher than the market clearing level of wages, so efficiency wages may lead to unemployment.

12. **Household survey.** The monthly telephone survey of 60,000 households by the Bureau of Labor Statistics which is the basis of the estimate of the unemployment rate.

13. **Establishment survey.** The survey of all large economic establishments (factories or firms, including service industries), which gives the total **employment** in those establishments. Note that it is possible for employment (as measured by the establishment survey) to increase while the unemployment rate (measured by the household survey) is increasing.