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## Economic Education Newsletter

### The Jobless Jigsaw. . .

During the last Presidential campaign, one of the subjects that President Ford and Candidate Carter talked about most was unemployment. That's because the percentage of Americans out of work right now is the highest since 1941, with the exception of one other period, May 1975.

When many people are out of work, the entire country suffers, and that's why unemployment was discussed so much by the candidates. The individuals who need jobs and can't find them are understandably unhappy. Imagine how you would feel if you had little or no spending money for a month — no cash to spend on new clothes, or hobbies. You might not even be able to have lunch during the school day.

In addition, unemployment costs the Federal government a lot of money.

As a matter of fact, a Congressional study found that every 1% of unemployment costs the Federal government \$18 billion (in unemployment insurance payments to people out of work, and income taxes those workers would have been paying if they had had jobs). There is also the cost of food stamps and welfare payments to unemployed workers who are poor enough to be eligible. So high unemployment is a very expensive problem for the U.S. government.

What exactly is unemployment? To most of us, "unemployment" means the number of people out of work. When you think of people out of work, though, do you include your grandparents who are over 65 years of age? What about one of your friends who is looking for a part-time job during the school year to earn some extra spending money?

The Federal government defines unemployment in terms of the labor force. The civilian labor force is everyone aged 16 and over, not including people in jails or the armed forces, who is either working, looking for a job, or laid-off but knowing that he or she will be called back to work. In other words, the labor force is total employment plus total unemployment.

The national unemployment rate, the figure that concerned Carter and Ford, is the number of people out of work as a percentage of the total labor force (unemployed/labor force). When we talk about unemployment in this country, that is the figure to which we normally refer, and it is the figure we will be using here, unless otherwise stated.

How does the Federal government know, each month, who is working and who is not? People could be hired to go to every home in the country and ask, but that would certainly take a long time — probably much more

than a month. It would also cost a lot to hire enough people to do the job.

So, instead, the U.S. Census Bureau (one branch of the U.S. Department of Commerce) each month sends people to survey 47,000 households around the country. (That is roughly one out of every 1300 households — what economists call a sample.) These people ask who, in the household, is working, and who is not. The number of people polled who want to work and have been looking for a job for at least four weeks are counted as unemployed. That number is then multiplied by a technical formula, and the result (an estimate based on the sample) is defined as total unemployment.

The individual states figure their unemployment rates differently. They count the number of people collecting unemployment insurance payments, and multiply that number by a U.S. Department of Labor formula designed to yield a more accurate state unemployment figure. The result of these calculations is the state unemployment rate.

However, there has been much speculation lately, among economists, politicians, and other concerned citizens about the accuracy of the unemployment figures. For example, the national survey counts housewives and full-time students as unemployed if they are looking for part-time work. But some people feel that those seeking only part-time work are not really unemployed, or not as unemployed as others, and therefore should not be counted in the same way.

Both state and national unemployment figures do not include workers who were unable to

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# Jobless Jigsaw

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find jobs and became so discouraged that they stopped looking. But those people still want to work and have no jobs, so why aren't they counted?

Also, part-time workers who would prefer to be working full-time are excluded in any count of the unemployed. Are they employed or unemployed?

Still more problems arise when the states use unemployment benefits paid as a base for calculating joblessness. Some people, who have been out of work for an extended period of time, have exhausted their unemployment benefits. So, they are not counted as unemployed, even though they may not yet have found jobs.

Other people are collecting unemployment benefits, even though they don't really want to work. For example, many people who have just retired at age 65, and do not wish to work again, are eligible for unemployment payments. If they decide to collect those payments, the state counts them as unemployed.

Similarly, there are younger people, still deciding what they want to do for a job or career, who would rather collect unemployment benefits after being laid off than look for, or take, another job. Though they don't want to work, they are counted as unemployed.

Who is counted and should not be? Who have we overlooked?

And, finally, how good are the numbers we end up with? They are only estimates, but sometimes estimates come extremely close to the actual figures.

Although people seem unable to agree on exact figures, no one argues with the fact that we have an unemployment problem in this country right now. But, ironically, our employment figures are very healthy. Each month the number of people working either holds steady or increases. So, presently 55 percent of the total population over age 16 are employed, even though unemployment is historically high. How can this be? Let's look at the unemployment rate fraction again: unemployed/labor force. Simple arithmetic tells us that a change in either the numerator or the denominator, or both, will change the value of the fraction, and that's exactly what has been happening.

Over the last 20 years, people's attitudes toward work have been changing. Women and teenagers especially have been entering the labor force much faster over the last few years than historically. The result is that the labor force has been, and is, growing faster than the job market. So both numerator and denominator are increasing, but the numerator is increasing faster. Faster than new jobs are created, new people begin looking for work. So, there are more available workers than jobs.

The problems created by a rapidly growing labor force are further complicated by what is known as a mismatch of jobs and skills. That means that many available jobs do not suit the skills or experience of the available workers.

To understand this first-hand, pretend that you are looking for a job after high school graduation this June. Now, pick up your

daily newspaper and look through the want ads. Many of the jobs advertised require special skills that you may not have: nursing, or computer programming, for example.

Other jobs require experience which you probably have not had a chance to acquire yet.



Many people older than you are looking for jobs, and find that they are underqualified for certain specialized or technical positions.

It is also possible that the jobs which are available don't pay enough for the people looking for work. An unemployed person may turn down a job because the salary is too low or because it isn't the kind of work that the person wants to do. This is called voluntary unemployment.

As you're beginning to see, it is not only the total unemployment figure which is important. Some unemployment is voluntary; some is not.

And, the amount of hardship or suffering caused by unemployment depends upon who is out of work. If there is one income earner in your family, and that person is out of work, how will your family be affected?

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These unemployment lines were caused by the closing of the Quincy shipyard in fall, 1963.



# Multi-Media

Grade level code: Capital letters (E—J—H—C) after each item indicate grade levels for which the materials are most appropriate: E—elementary school, J—junior high school, H—high school, C—college.

**Community-Based Study of Economic Principles in Consumer Education, Ecological Studies, Career Planning**, (experimental edition), (E—J), 37 pages, 1976, published results of a collaborative project between Boston University and teachers in Boston, Walpole and Wellesley, MA, sponsored by the Massachusetts Department of Occupational Education. Contains primary- and intermediate-level student activities in consumer issues, ecology and career planning. Focuses on neighborhood projects as well as classroom activities. Multi-media resources suggested. A limited number of copies are available, free of charge, from: Bank and Public Information Center, Federal Reserve Bank of Boston, 30 Pearl St., Boston 02106, (617) 426-7100, X656.



**Checking Out Checks**, (J—H), 1976, discusses the function of a check, its route through the banking system, and its importance in today's economy. A multi-media package including: 6-minute filmstrip with audio cassette tape, teacher's guide, and student activity sheets. Support publications available upon request. Activity sheets give students check writing

practice and exercises in check-book budgeting. Available for purchase from: Public Information Department, Federal Reserve Bank of New York, New York 10045, \$12.50. Or available on loan from: Bank and Public Information Center, Federal Reserve Bank of Boston 30 Pearl St., Boston, 02106, (617) 426-7100, X656.

**A Bicentennial Chronology of Economic and Financial Events in their Social and Political Environment**, (H), 92 pages with illustrations, 1976, a timetable of significant events from 1776 to 1976. Places economic and financial landmarks within the context of other American developments. Available, in limited quantities, from: Publications Section, Research Department, Federal Reserve Bank of Chicago, Box 834, Chicago, IL 60690, single copy free, additional copies, \$1 each.

**A Business Casebook for Young Decision-Makers**, (H), 60 pages, 1976, 10 useful case studies designed to encourage student involvement in business decisions. Well-known examples, such as First National Stores and Ground Round Restaurants, add the flavor of local interest. For copies, write: Paul H. Tedesco, BHelp Coordinator, 219 CU, Department of Curriculum and Instruction, College of Education, Northeastern University, Boston 02115.

**Coins and Currency**, (H), 22 pages with illustrations, 1977, a brief but thorough history of the varied types of coins and paper money used throughout American history. Copies available, free of charge, from: Public Information Department, Federal Reserve Bank of New York, New York 10045.



**Making Money Work**, (H—Adult), 1976, a short and catchy introduction to monetary control and the Federal Reserve System. A multi-media package including: 11-minute filmstrip with audio cassette tape, teacher's guide with annotated script, key question outline, glossary of economic terms, and student activity sheets. Support publications available upon request. The activity sheets give students an opportunity to simulate monetary policy decisions, weigh their effects, and re-evaluate their policies. Available for purchase from: Public Information Department, Federal Reserve Bank of New York, New York 10045, \$18.50. Or available on loan from: Bank and Public Information Center, Federal Reserve Bank of Boston, 30 Pearl St., Boston 02106, (617) 426-7100, X656.

**The National Economy Quiz**, (H), a 27½-minute, 16mm film using a question and answer approach to a variety of topics: scarcity, supply and demand, production, profits, employment, taxes and economic stability. A good introduction or "recap" for a social studies unit on economics. Available on loan from: Aetna Life and Casualty Company, 151 Farmington Avenue, Hartford, CT 06115.

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# New England Update

## RHODE ISLAND

Teachers in Rhode Island have a special opportunity for recognition through the Old Stone Incentive Program being sponsored by the **Rhode Island Center for Economic Education** and funded by Old Stone Bank Educational Foundation. Cash prizes will be awarded to teachers who design and implement outstanding classroom instruction in economic education. First, second and third prizes will be awarded to three categories. For more information write: Center for Economic Education, Rhode Island College, Providence, RI 02908.

Other activities at the Rhode Island Center include workshops for teachers on making economic choices for 4th, 5th, and 6th

grades. A highpoint of the project is the use of a puppet show, "Dollars and Sense," written by Marc Kohler of the Puppet Workshop of Rhode Island.

## MASSACHUSETTS

The **Economic Education Council of Massachusetts** has begun distribution of the Sound Filmstrip Program on the Energy Problem to local high schools. Each Program kit includes a filmstrip, cassette tape, teacher's guide and a copy of "Economics of the Energy Problem" publication. The Program was produced by the Joint Council on Economic Education and Teaching Resources (The New York Times) and through a grant by Exxon USA funds.

The Teaching Economics in American History Program is also being distributed. This Program was produced by the Joint Council and The Mazer Corporation and funded by Exxon USA.

A workshop called "**The Role of Business in Contemporary American Society**," will be held at Northeastern University's Henderson House Management Center in Weston July 11-22, 1977. The workshop is offered for graduate credit and is sponsored by the Boston Chapter of the Financial Executives Institute. With a faculty of 40 businesspeople and academics, the students will be exposed to current economic and business concerns. Limited boarding space will be available for a small charge. Anyone interested in the workshop may contact Professor Paul Tedesco, 219 CU, Northeastern University, Boston, MA 02115.

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What if you're looking for a part-time job, but still living at home with your parents who pay the bills? How will your family be affected then?

Let's look at some real unemployment figures to get a better idea of the problem. In January 1975, the total unemployment rate jumped to 8.2%. This was considered by many people to be intolerably high. But, these same people did not stop to look at the component parts of the total.

The rate of unemployment for heads of household (men or women supporting families) was 5.2%.

And, the "hardship rate," the rate of unemployment of 15 weeks or more, was 1.7%. Neither of these figures was nearly as high as the total.

You'll probably continue to hear about unemployment on TV, and read about it in the newspapers, for a long time to come. But the next time that Walter Cronkite, or President Carter, or even your favorite uncle begins to talk about it, listen very carefully.

Remember how the numbers are collected, and that they may not be precise.

And, take some time to think about what the numbers mean — to you, your family, and the entire country.

### QUESTIONS FOR DISCUSSION AND RESEARCH PROJECTS

1. Why is unemployment so high? What causes unemployment? What external factors affect unemployment? What about inflation? The weather? Labor strikes?

2. What is the unemployment rate fraction? What makes it change from month to month?

3. When there was high unemployment in the past, what government policies were used to change the situation? How does a war affect unemployment, and why?

4. What is "full employment?" What does it mean in terms of the total economy? Is it still a relevant concept for measuring the state of the economy? If not, what would be a better yardstick?

5. What is unemployment compensation? How is one eligible for it? How much can one collect, and for how long? What is good about this program? What is bad about it?

6. Do the students know anyone who is out of work? How does that person's unemployment affect them? Do the students work? Have they ever tried to get a job and failed? If so, why?

7. Keep an "unemployment scrapbook" of a month's newspaper clippings on the subject. When completed, analyze and discuss the material.