

**Matching**

Match the definition in Column A with the term in Column B.

Column A

- \_\_\_\_\_ No jobs available for current worker skills.
- \_\_\_\_\_ Job loss from work tied to seasons.
- \_\_\_\_\_ Percent of job-seekers in the labor force.
- \_\_\_\_\_ Job loss during economic slowdowns.
- \_\_\_\_\_ Short-term job loss from moving or switching.
- \_\_\_\_\_ People working or actively looking for work.

Column B

- a. Unemployment rate
- b. Labor force
- c. Frictional unemployment
- d. Structural unemployment
- e. Cyclical unemployment
- f. Seasonal unemployment

**Multiple Choice**

1. **Even in a healthy economy, some unemployment still exists. Why might a 4–6% unemployment rate be considered acceptable or even necessary?**
  - a. Some people are unemployed because wages are too low
  - b. Some workers are between jobs or moving locations
  - c. High unemployment helps keep prices from rising
  - d. Businesses limit hiring to increase profits
2. **Economists often say that some unemployment is necessary for a healthy economy. Why might unemployment below the natural rate (around 4–6%) actually cause problems?**
  - a. It means wages are too high for most workers
  - b. It leads to a shortage of available jobs
  - c. It can cause the economy to overproduce goods
  - d. It signals that workers are becoming less productive
3. **If many people lose their jobs because fewer goods are being bought, what is most likely happening in the economy?**
  - a. Structural, because workers need new skills
  - b. Frictional, because people leave voluntarily
  - c. Cyclical, because demand for goods has fallen
  - d. Seasonal, because of tourism slowdowns
4. **A local factory automates its production, and many employees are laid off. What might be the long-term economic challenge for these workers?**
  - a. Finding similar jobs in an outdated industry
  - b. Retiring early due to lack of work
  - c. Moving into seasonal job markets
  - d. Applying for unemployment benefits

**Application (continued on next page)**

In a town of 10,000 people, 6,000 are in the labor force. Of those, 5,400 have jobs, and 600 are actively looking for work.



What is the unemployment rate in this town? Show your work. Then, explain what this rate might tell us about the town's economy.

## Unemployment: Vital Sign of an Economy | Answer Key

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#### Column B

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### Application Answer

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Step 1: Show your work:

$$\text{Unemployment Rate} = \left( \frac{\text{Unemployed}}{\text{Labor Force}} \right) \times 100 \Rightarrow \left( \frac{600}{6000} \right) \times 100 = 10\%$$

Step 2: Explanation.

A 10% unemployment rate is higher than the natural rate (usually around 4–6%), which may suggest the town's economy is struggling. It could mean businesses are laying off workers, there's less demand for goods and services, or people are having a hard time finding jobs.