

The labor market in the US, 2000–2016

Recovery from the Great Recession is essentially complete, but there are difficult unemployment and wage issues

Keywords: unemployment, real earnings, US

ELEVATOR PITCH

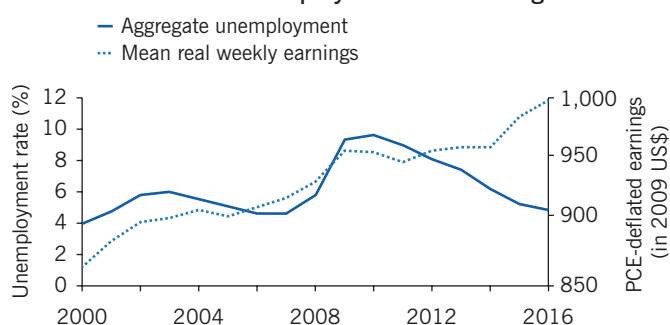
As the largest economy in the world, the US labor market is crucial to the economic well-being of citizens worldwide as well as, of course, that of its own citizens. Since 2000 the US labor market has undergone substantial changes, both reflecting the Great Recession, but also resulting from some striking trends. Most interesting have been a remarkable drop in the labor force participation rate, reversing a nearly 50-year trend; the nearly full recovery of unemployment from the depths of the Great Recession; and the little-known continuing growth in post-inflation average earnings.

KEY FINDINGS

Pros

- + Unemployment has returned to near its pre-Great Recession level.
- + The job vacancy rate is at its highest since data have been collected.
- + The labor force participation of men and women ages 20–54 has fallen, so that in 2016 the labor force has six million fewer people than were expected in 2000.
- + Real earnings of the average and median full-time worker have risen.
- + Women's wages have risen relative to those of men but remain somewhat lower.

Trends in unemployment and earnings



Source: US Department of Labor unemployment statistics. Online at: <https://www.bls.gov/data/#unemployment>; CPS Merged Outgoing Rotation Groups. Online at: <http://www.nber.org/morg/annual/>

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Cons

- Even near full employment in 2016, long-term unemployment is much greater than at similar points of the business cycle.
- Youth unemployment remains far above the adult average.
- The labor force participation of men and women aged 20–54 has fallen, so that in 2016 the labor force has six million fewer people than were expected in 2000.
- Wage inequality has continued to increase with this rise concentrated in the upper half of the earnings distribution.
- Wages of African Americans have fallen compared to that of whites and remain far lower.

AUTHOR'S MAIN MESSAGE

In the aggregate the US labor market is doing quite well. Unemployment is currently below 5%, and real weekly earnings of full-time workers increased from the 2000 cyclical peak to the current period of near full employment. The difficulties lie behind the aggregates. Earnings inequality continues to rise, with the growth in earnings most prevalent among workers in the upper half of the earnings distribution. Even though labor force participation rates of people aged 55 and over have continued to rise, those of adult men aged 20–54 have dropped, continuing a trend. Surprisingly so too have those of women aged 20–54, sharply reversing the previous trend. The earnings of African-American and Hispanic workers relative to whites have not changed greatly and remain far below those of white workers.