

The labor market in the US, 2000–2018

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

Keywords: unemployment, real earnings, US

ELEVATOR PITCH

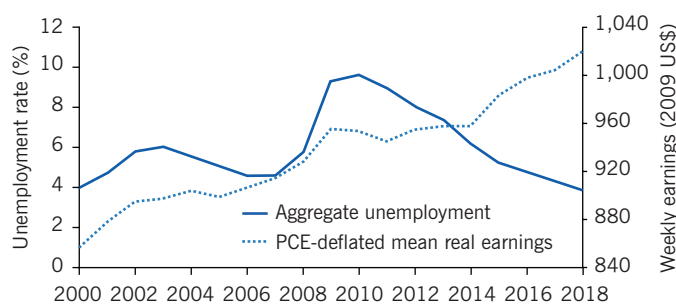
As the largest economy in the world, the US labor market is crucial to the economic well-being of citizens worldwide as well, of course, that of its own citizens. Since 2000 the US labor market has undergone substantial changes, both reflecting the Great Recession, but also resulting from some striking trends. Most interesting have been a remarkable drop in the labor force participation rate, reversing a nearly 50-year trend; the 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 gone below its pre-Great Recession level.
- + The job vacancy rate is at its highest since data have been collected and now exceeds the hire rate.
- + The labor force participation of men and women aged 20–54 has fallen, so that in 2018 the labor force has six million fewer people than were expected in 2000.
- + Real earnings of the average and median-earning full-time worker have risen.
- + Women's wages have risen relative to those of men but remain somewhat below men's.

Aggregate unemployment rate and real weekly earnings



Source: US Department of Labor unemployment statistics. Online at: <https://www.bls.gov/data/#unemployment>; calculated from <http://www.nber.org/morg/annual/>

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Cons

- Even at full employment in 2018, long-term unemployment is much greater than at similar points of the business cycle in the past.
- Youth unemployment remains far above the adult average.
- The labor force participation of men and women aged 20–54 has fallen, so that in 2018 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-American workers have fallen compared to those of white workers and remain far below those of white Americans.

AUTHOR'S MAIN MESSAGE

In the aggregate the US labor market is doing quite well. Unemployment is currently around 4%, and real weekly earnings of full-time workers increased from the 2000 cyclical peak to the current period of full employment. The difficulties lie behind the aggregates. Earnings inequality continues to rise, with the growth in earnings concentrated in, although not restricted to, workers in the upper half of the earnings distribution. Even though labor force participation rates of people aged 55 and over have been constant for the past decade, 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 white workers have not risen rapidly and remain far below those of white workers.