

## The labor market in the US, 2000–2020

Covid-19 ended the longest US economic expansion, pushing unemployment to its highest level with a slow and incomplete recovery

Keywords: unemployment, real earnings, inequality, US

### ELEVATOR PITCH

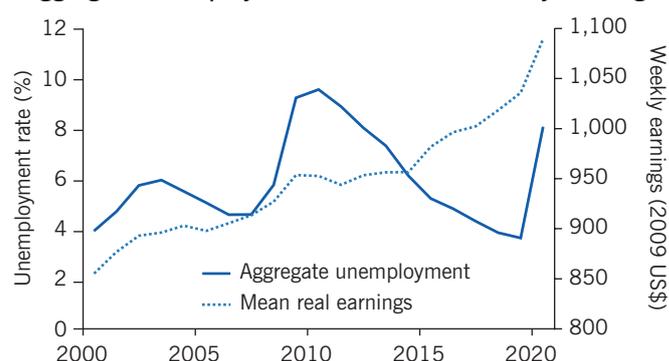
As the largest economy in the world, the US labor market is crucial to the economic well-being of citizens worldwide as well as, of course, that of its own citizens. Since 2000 the US labor market has undergone substantial changes, reflecting the Great Recession and the Covid Recession, but also resulting 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 after 2010 and its skyrocketing in 2020; and the little-known continuing growth in post-inflation average earnings.

### KEY FINDINGS

#### Pros

- + Unemployment is slowly recovering from its Covid Recession peak.
- + The job vacancy rate near the end of the Covid Recession is the highest since data have been collected and exceeds the hiring rate.
- + Labor force participation of men and women aged 20–54 has fallen, so that in 2020 the labor force has ten 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.

Aggregate unemployment rate and real weekly earnings



Source: US Bureau of Labor 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 2019, long-term unemployment was much greater than at similar points of past business cycles.
- Youth unemployment remains far above the adult average.
- Labor force participation of men and women aged 20–54 has fallen, so that in 2020 the labor force has ten million fewer people than were expected in 2000.
- Inequality is high, but unchanged over the last few years.
- Wages of African-Americans remain far below those of white Americans and no higher than in the early 2000s.

### AUTHOR'S MAIN MESSAGE

In the aggregate the US labor market is recovering slowly from the Covid Recession. Unemployment is currently around 6%. Because this recession killed jobs of low-wage workers, real weekly earnings of full-time workers increased substantially during it. The difficulties lie behind the aggregates. Earnings inequality continued to rise, with the growth in earnings concentrated in, although not restricted to, workers in the upper half of the distribution of earnings. Even though labor force participation rates of people aged 55+ have been constant for the past decade, those of adult men aged 16–54 have dropped, continuing a trend. Surprisingly so too have those of women aged 16–54, sharply reversing the previous trend and easily offsetting increases in participation of older Americans. The earnings of African-American workers relative to whites' earnings have not risen over this 20-year period. Those of Hispanics have, but both remain far below those of whites.