

ECONOMICS MADE EASY



A Journalism Workshop

Understanding Labor Markets

John Weinberg, Senior Vice President and Director of Research

October 20, 2010



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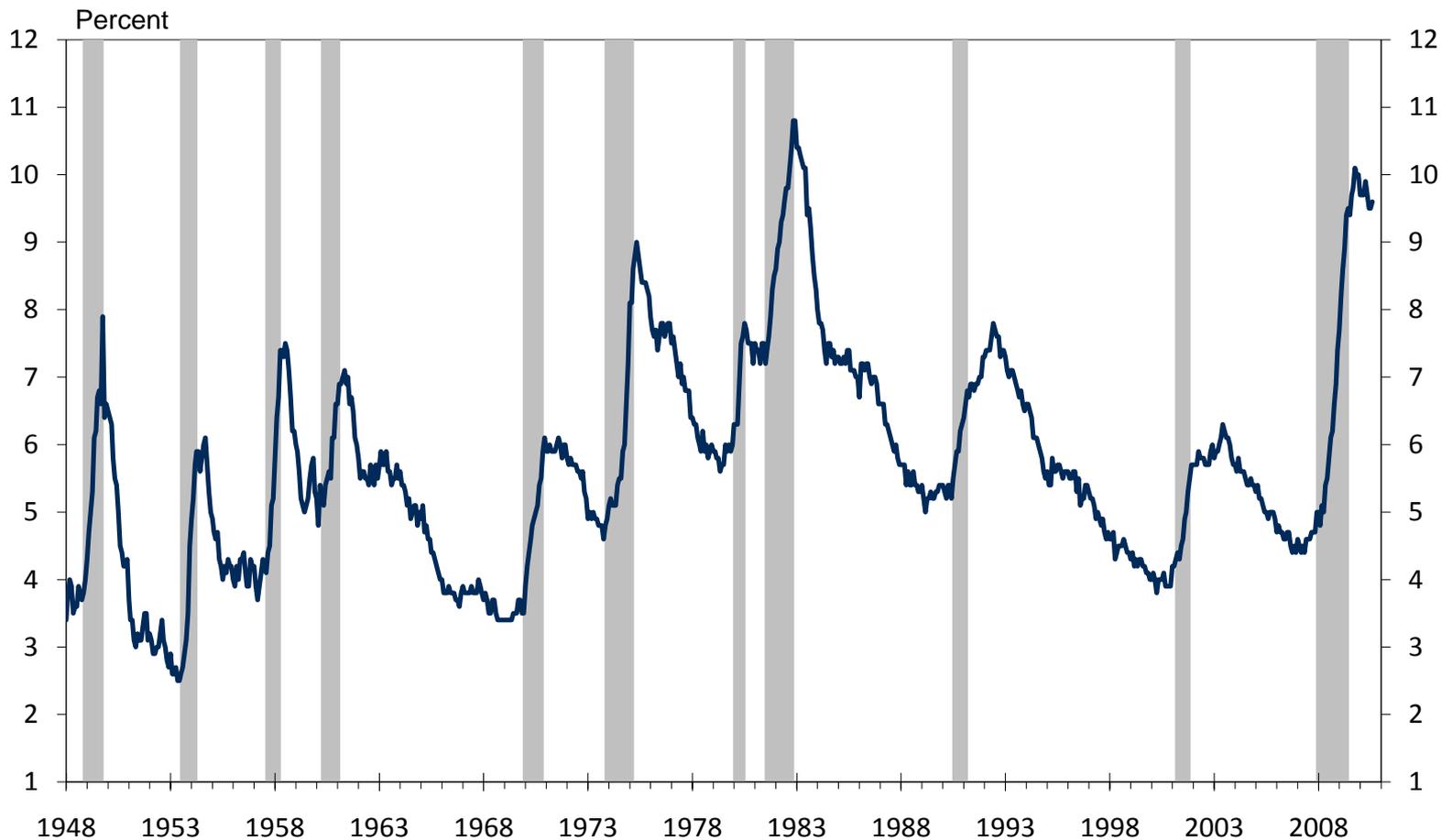


Unemployment

- Official unemployment rate at 9.6%
- Historically unprecedented
- Only modest signs of improvement in the labor market
- Normalization could take a long time



The Unemployment Rate

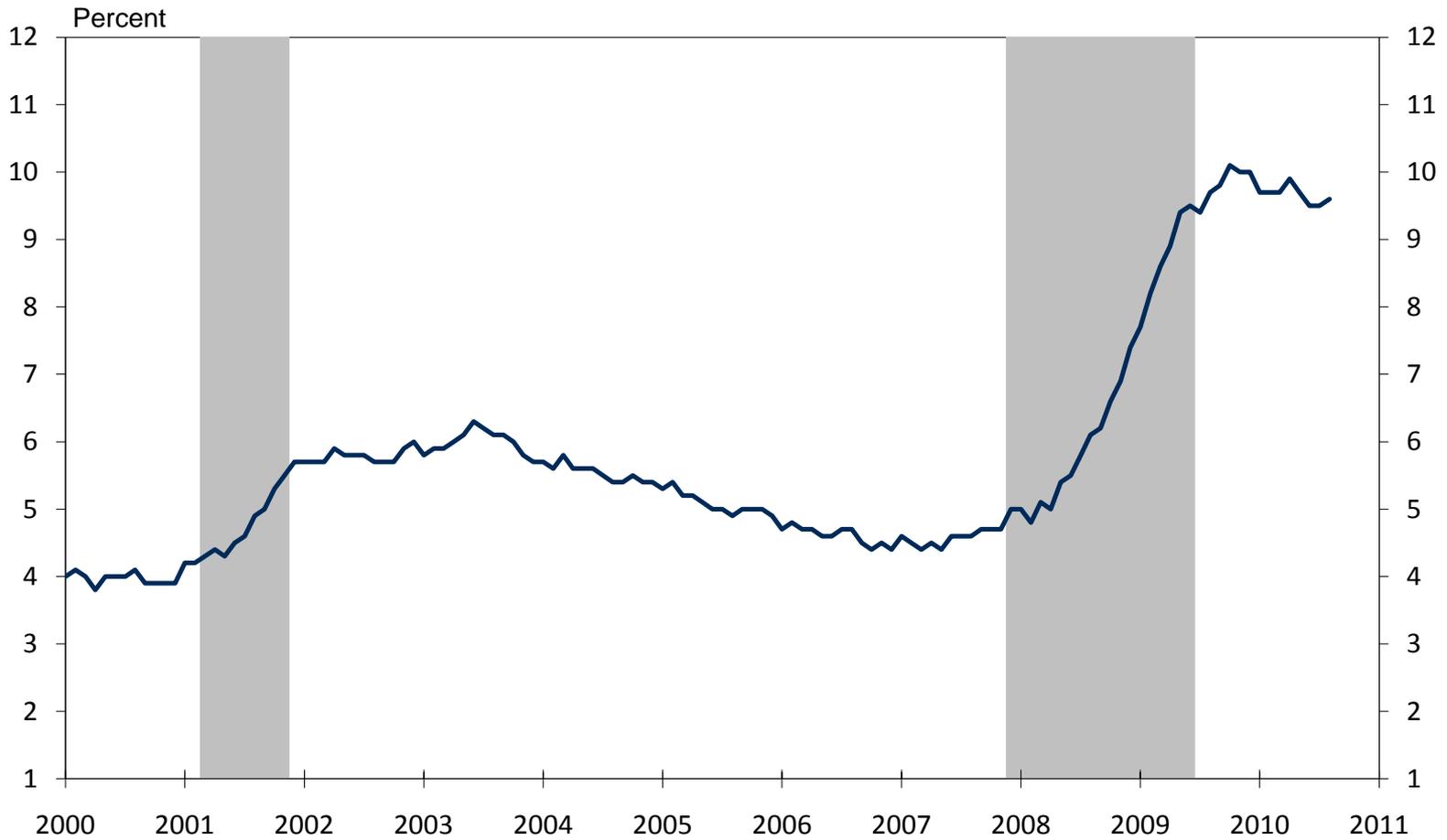


Notes: U3 is the "official" unemployment rate series. Business cycle trough for latest recession is unofficial.
Source: Bureau of Labor Statistics/Haver Analytics





The Unemployment Rate



Source: Bureau of Labor Statistics/Haver Analytics





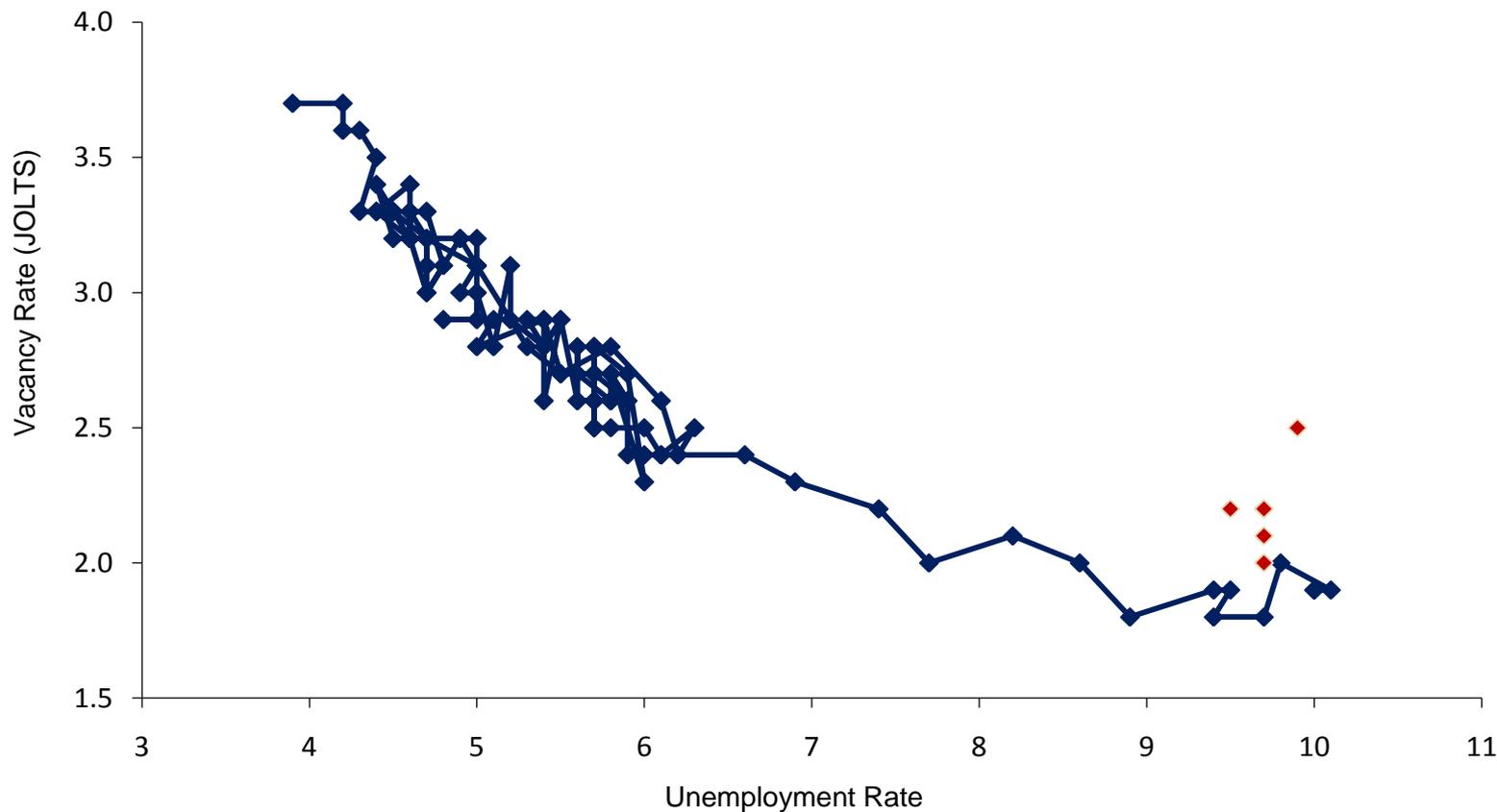
Unusual Labor Market Performance

- Rising concern that labor market is no longer functioning normally
- Unusual behavior of the Beveridge curve





The Beveridge Curve



Source: Bureau of Labor Statistics/Haver Analytics





Unusual Labor Market Performance

- Rising concern that labor market is no longer functioning normally
- Unusual behavior of the Beveridge curve
- Is “mismatch” the explanation?





Long-term Unemployment

- Shift in Beveridge curve coincides with rise in long-term unemployment



Short- and Long-Term Unemployment Rates



Source: Bureau of Labor Statistics/Haver Analytics



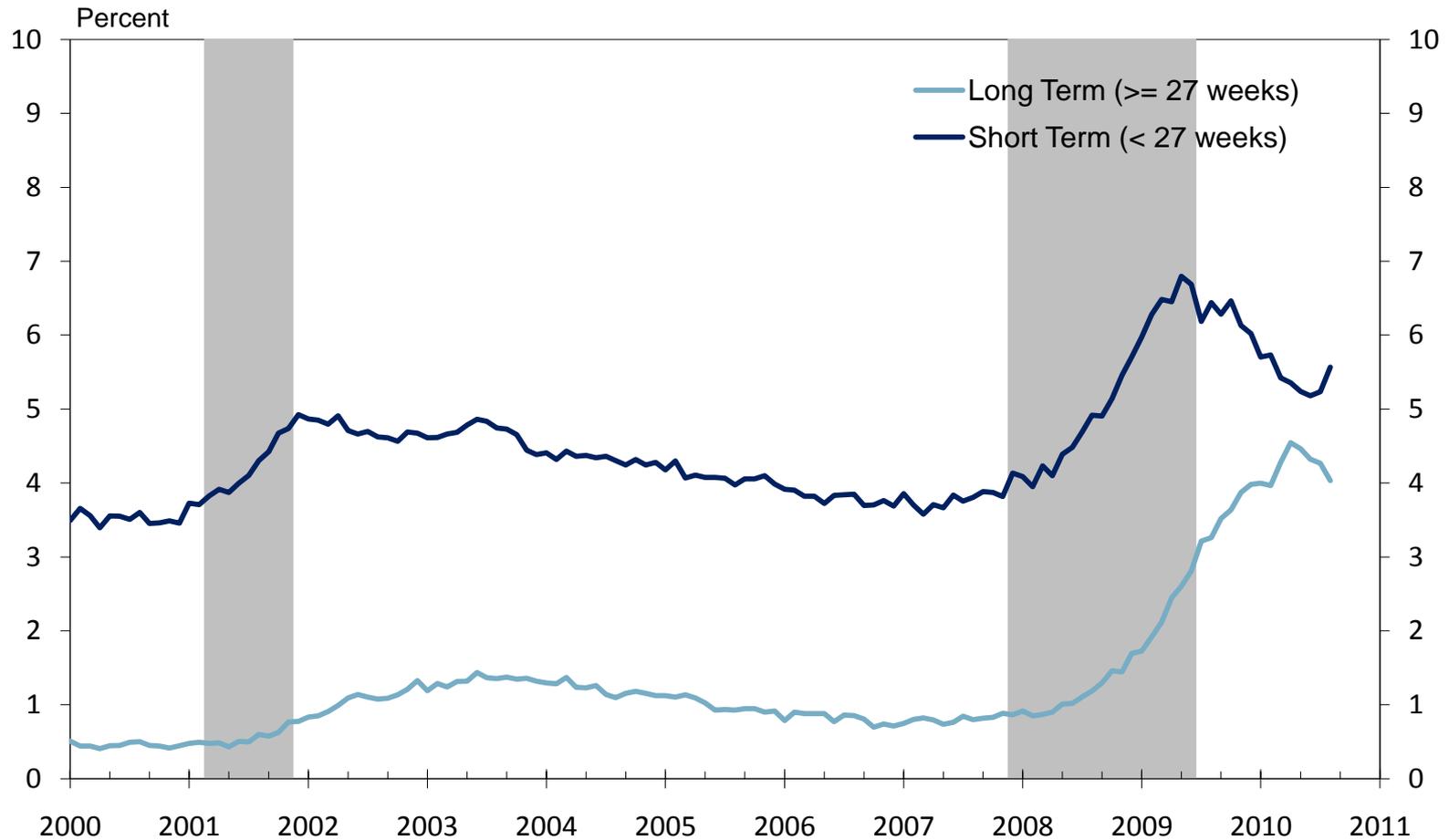


Long-term Unemployment

- Shift in Beveridge curve coincides with rise in long-term unemployment
- Long-term unemployment at historically unprecedented levels
- Short-term unemployment has been falling for a year already



Short- and Long-Term Unemployment Rates



Source: Bureau of Labor Statistics/Haver Analytics





Causes

- Length and depth of recession
- Unemployment benefits
- Structural change





Consequences

- What does this mean for the Fed's dual mandate?
- Increase in the natural rate of unemployment?
- “Euroclerosis” – Are there long-run consequences of high long-term unemployment?



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