Understanding Employment

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The views expressed herein are those of the author and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.
The Federal Reserve’s “dual mandate”

- Stable prices
- Maximum employment
PCE inflation
12-month percent change

Source: Bureau of Economic Analysis
U.S. unemployment rate by race and ethnicity

Percent

Source: Bureau of Labor Statistics
Alternative measures of unemployment

Percent

Source: Bureau of Labor Statistics
Labor market statistics we’ve considered

- Unemployment rate
- U5
- U6
What about labor force participation?

unemployment = \frac{\text{job seekers}}{\text{job seekers} + \text{employed}}

labor force participation = \frac{\text{job seekers} + \text{employed}}{\text{all adult civilians}}
U.S. labor force participation rate

Percent

Source: Bureau of Labor Statistics
U.S. employment-population ratio

Percent

Source: Bureau of Labor Statistics
U.S. employment-population ratio, age 25-54

Percent

Source: Bureau of Labor Statistics
Labor market statistics we’ve considered

• Unemployment rate
• U5
• U6
• Labor force participation
• Employment-population ratio
Labor force working part-time for economic reasons
Percent, 12-month moving average

Source: Bureau of Labor Statistics; Minneapolis Fed calculation
U.S. average hourly earnings
1-year percent change; private industry

Source: Bureau of Labor Statistics
Labor market statistics we’ve considered

- Unemployment rate
- U5
- U6
- Labor force participation
- Employment-population ratio
- Involuntary part-time employment
- Hourly earnings growth

- And we could add more …
Inflation vs. unemployment, 1984-present

Source: Bureau of Economic Analysis, Bureau of Labor Statistics; annual changes, quarterly data.
Questions?