

World Economic Situation and Prospects

Weekly Highlights

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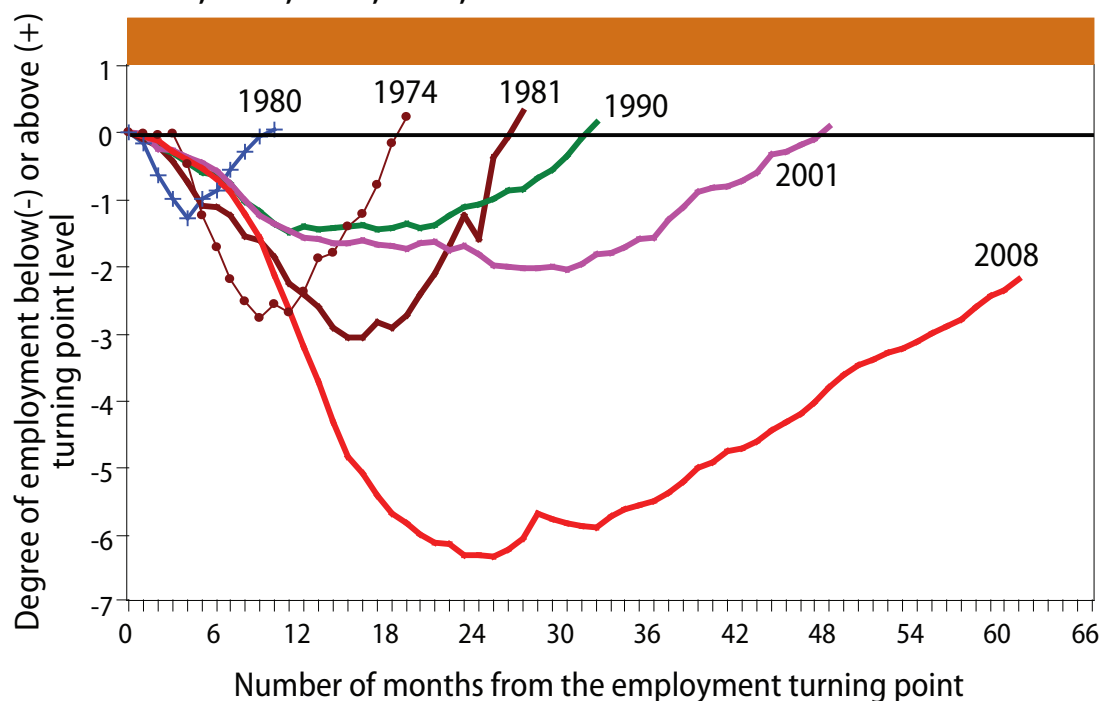
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The United States: lowest unemployment rate in four years, but far from full employment

Total nonfarm payroll employment in the United States increased by 236,000 in February 2013, while the unemployment rate dropped to 7.7 percent in the same month, its lowest level since December 2008.

Notwithstanding the latest encouraging improvement, the labour market is far from fully recovered: the unemployment rate soared from 4.5 per cent in 2007 to about 10 per cent in 2009 in the aftermath of the financial crisis, and has since recovered slowly. While the labour force participation rate remains at the low level of 63.5 per cent, the ratio of the long-term unemployed (without a job for 27 weeks or longer) to total unemployed stands near a record high of 40.2 per cent, compared with the peak of 25 per cent in any other U.S. recession since World War II. In fact, the pace of the employment recovery during this recession has also been the slowest (figure).

Figure 1: Post-recession employment recovery in the United States, 1974, 1980, 1981, 1990, 2001 and 2008



Source: UN/DESA, based on data from United States Bureau of Labor Statistics.

Note: Data refer to "nonfarm payroll employment", seasonal adjusted.

According to some studies, the extremely high ratio of the long-term unemployed is not due to any structural changes in the labour market, but rather to the depth of the latest recession. These studies have found that recent unemployment remains largely cyclical rather than structural: neither industrial nor demographic shifts nor a mismatch of skills is behind the unemployment. Industries that contributed significantly to the increase in unemployment during 2007-2009 are also those that have increased employment in the recovery, and no shift has been identified in employment across industries.

In line with these views, the Federal Reserve of the United States reiterated its target of 6.5 per cent for the unemployment rate as part of its continued monetary easing program.