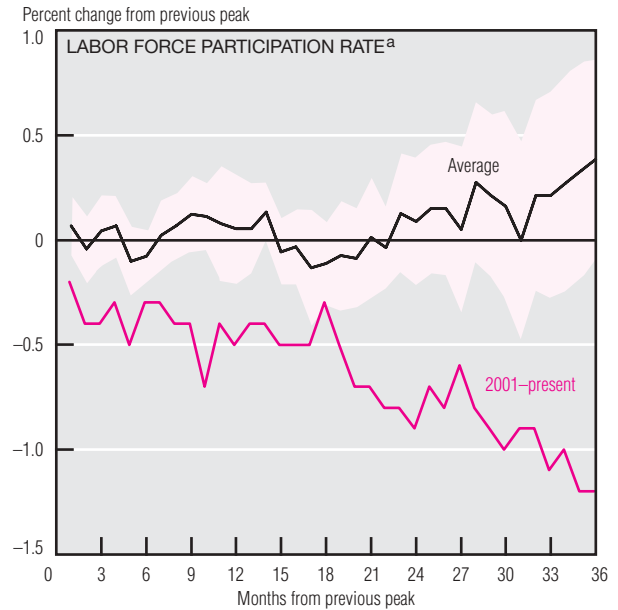
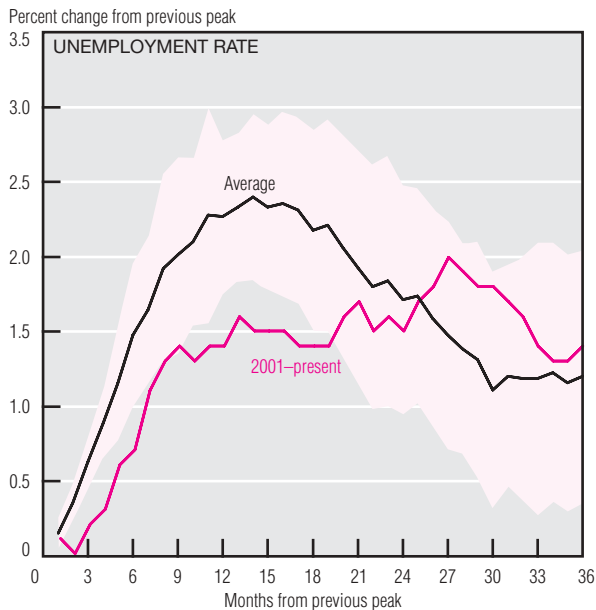
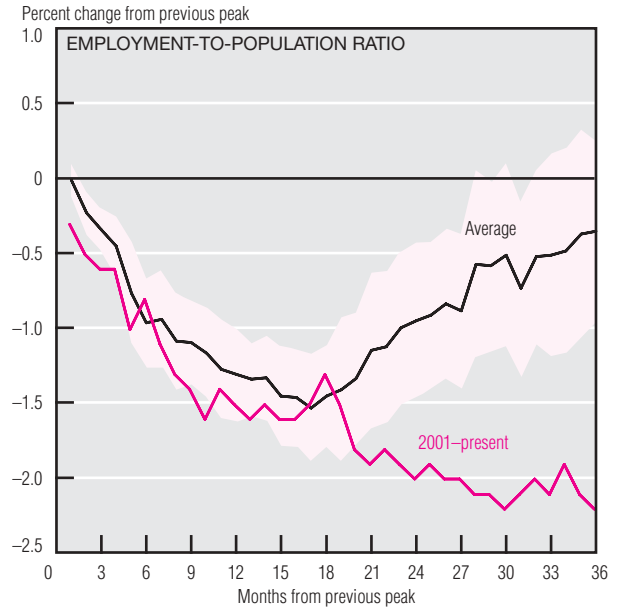
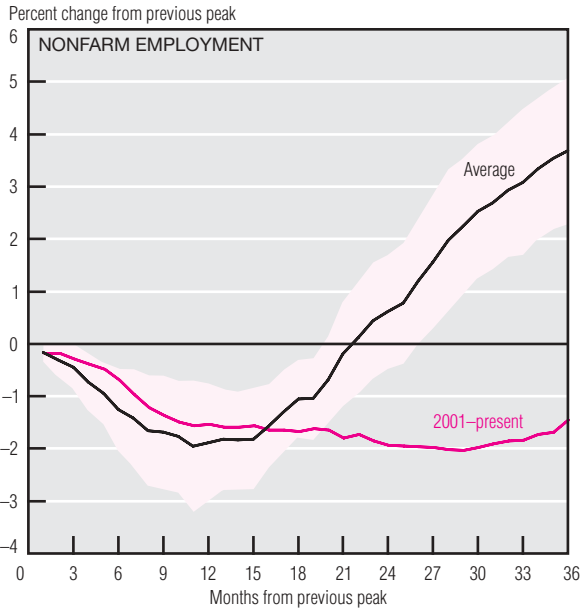


U.S. Employment in the Recovery



NOTE: The shaded bands represent the average for the nine previous business cycles, plus or minus two standard errors.

a. The proportion of the civilian, non-institutional population age 16 and over that is working or looking for work.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

In his recent testimony before Congress, Federal Reserve Chairman Greenspan referred to the labor market's peculiar performance in this recovery, noting that "the expansion of employment has significantly lagged increases in output." Compared to earlier business cycles, current employment patterns are certainly anomalous. The charts above show several labor market measures from the most recent business cycle peak and from peaks in the nine previous business cycles.

Typically, nonfarm employment begins to expand consistently about a year after a business cycle peak. In this episode, it did not begin doing so until the fall of 2003, two and a half years after the peak of the previous expansion. The current cycle's employment-to-population ratio also diverges considerably from the pattern set in previous cycles.

In recent months, the unemployment rate has remained within the range of past experience, which some observers consider promising. But the

labor force participation rate sheds a less favorable light on recent unemployment changes. The participation rate shows that many more people are leaving the labor force than typically do at this point in a business cycle, reducing the number counted as unemployed. People may have dropped out to improve their skills or attend to personal affairs; or they may have left for lack of opportunity. Most of the current increase in nonparticipation is among those "not wanting a job."