

## **Talking Points**

### **Understanding the Unemployment Picture**

#### **The Current Unemployment Picture in the U.S.**

- Unemployment remains close to 9%.
- Hardest-hit groups:
  - Younger workers,
  - Less educated workers,
  - People employed in housing-related and financial sectors.
- High levels of long-term unemployment are a concern.

#### **Why isn't unemployment coming down more?**

- Job separations (layoffs and quits) are at low levels.
- Rate of hiring also remains very low.
- Number of people looking for work also has declined.
- The employment-to-population ratio was 58.5 % in both Oct. 2009 and Nov. 2011 – no progress.

#### **Explanations for Poor Job Market.**

- Process of matching workers to jobs is not working as well as it used to.
  - Could be due to skill or geographic mismatches.
- Collapse of the housing bubble can be partly to blame.
  - Lost jobs in the housing sector
  - Homeowners stuck in mortgages, unable to move.
- Weak economic growth, which means employers don't need to hire many workers to meet demand.
- Existence of unemployment insurance that can extend to almost two years.

#### **What can policymakers do?**

- The Fed has conducted a very stimulative monetary policy since late 2007.
- Federal budget deficits have run over \$1 trillion for three years straight.
- Monetary and fiscal policies are not the right tools for solving the problems of the labor market at the level of individual workers and jobs.