What's going on in the labor market? Employment is not coming back!

How is all that extra production occurring? Increased productivity...
Demand for workers is low:

The number of people looking for work and not finding it is still high.....
The unemployment rate is low, even though a lot of people have dropped out and given up looking. The fraction of the population participating in the labor force has gone down by one percent, from 67 percent in recent times to 66 percent now:

![Civilian Participation Rate Graph]

People looking for work are having a harder time finding it....

![Median Duration of Unemployment Graph]
The people who are working aren’t working many hours..

How many people are missing from the payrolls, who might ‘normally’ be there?

US population in December 2003 was 222.509 million.
If 67 percent had been in the labor force, then 149 million people would have been in labor force, or 2.2 million more than actually were in the labor force.
If the unemployment rate had been a more ‘normal’ rate of 5 percent, then there would have been 142 million people working.
There actually were 138 million working, so close to 4 million people are not working, who might normally be.

Why is this? Answer from our model: in short run, quantity produced is determined by demand. Improvements in technology do not have a direct effect on demand. So, firms let workers go because they don’t need them. In the medium and longer run, the employment response to technology is positive. We’ll get to that later.