



# RE-EVALUATING LABOR MARKET DYNAMICS

FEDERAL RESERVE BANK OF KANSAS CITY  
JACKSON HOLE ECONOMIC POLICY SYMPOSIUM  
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**Y**ears after the darkest days of the financial crisis and despite aggressive monetary stimulus, labor markets remain far from pre-crisis conditions in many advanced economies. Countries hardest hit by the housing bust and financial crises continue to witness high rates of unemployment, with rates in some cases near or above 20 percent.

Several years may be required before many of these labor markets return to “normal,” providing that normal has not been permanently altered by recent experiences. In addition, high rates of long-term unemployment and youth joblessness raise the risks of hardened labor markets.

High rates of unemployment in many countries reflect decisions by firms to lower labor costs by reducing the number of

employees rather than wages. Such wage inflexibility, particularly during swings in the business cycle, likely contributes to extended periods of unemployment.

Moreover, there are other longer-term labor market developments that also have implications for economic growth. For example, there is evidence that churn in some labor markets and rates of new firm creation have declined, which may suggest less robust, productive and growing economies going forward. There also is increasing evidence of greater job polarization, where employment in middle-skill occupations is declining due in part to technological innovations and shifts in manufacturing activity toward emerging markets. Finally, demographic changes will continue to have significant effects on labor markets in the decades ahead.

The 2014 Jackson Hole Economic Policy Symposium, Re-Evaluating Labor Market Dynamics, addressed these issues, while central bankers—whether their objectives focus on inflation alone or include employment—consider labor market conditions in monetary policy decisions.

Some of the speakers at the symposium included: Janet L. Yellen, chair, Board of Governors of the Federal Reserve System; Mario Draghi, president, European Central Bank; Haruhiko Kuroda, governor, Bank of Japan; Alexandre Antonio Tombini, governor, Central Bank of Brazil; and Ben Broadbent, deputy governor of monetary policy, Bank of England.

“The Economic Symposium offers an environment for attendees to present insights and exchange ideas about important economic issues such as the labor market, which is a key consideration in the Federal Reserve’s monetary policy decisions,” Kansas City Fed President Esther George said. “Our Bank is proud to host the symposium to help generate better understanding of these issues.”

To read the proceedings, including papers and commentary for this year’s economic policy symposium and previous symposiums, visit [KansasCityFed.org/research](http://KansasCityFed.org/research).



PHOTO BY FEDERAL RESERVE BANK OF KANSAS CITY

Kansas City Fed President Esther George is interviewed by Fox Business Network’s Peter Barnes at the 2014 Economic Policy Symposium.

## Economic Policy Symposiums

- 2014 Re-Evaluating Labor Market Dynamics
- 2013 Global Dimensions of Unconventional Monetary Policy
- 2012 The Changing Policy Landscape
- 2011 Achieving Maximum Long-Run Growth
- 2010 Macroeconomic Challenges: The Decade Ahead
- 2009 Financial Stability and Macroeconomic Policy
- 2008 Maintaining Stability in a Changing Financial System
- 2007 Housing, Housing Finance and Monetary Policy
- 2006 The New Economic Geography: Effects and Policy Implications
- 2005 The Greenspan Era: Lessons for the Future
- 2004 Global Demographic Change: Economic Impacts and Policy Challenges
- 2003 Monetary Policy and Uncertainty: Adapting to a Changing Economy
- 2002 Rethinking Stabilization Policy
- 2001 Economic Policy for the Information Economy
- 2000 Global Economic Integration: Opportunities and Challenges
- 1999 New Challenges for Monetary Policy
- 1998 Income Inequality Issues and Policy Options
- 1997 Maintaining Financial Stability in a Global Economy
- 1996 Achieving Price Stability
- 1995 Budget Deficits and Debt: Issues and Options
- 1994 Reducing Unemployment: Current Issues and Policy Options
- 1993 Changing Capital Markets: Implications for Monetary Policy
- 1992 Policies for Long-Run Economic Growth
- 1991 Policy Implications of Trade and Currency Zones
- 1990 Central Banking Issues in Emerging Market-Oriented Economies
- 1989 Monetary Policy Issues in the 1990s
- 1988 Financial Market Volatility
- 1987 Restructuring the Financial System
- 1986 Debt, Financial Stability and Public Policy
- 1985 Competing in the World Marketplace: The Challenge for American Agriculture (Kansas City)
- 1985 The U.S. Dollar: Recent Developments, Outlook, and Policy Options
- 1984 Price Stability and Public Policy
- 1983 Industrial Change and Public Policy
- 1982 Monetary Policy Issues in the 1980s
- 1981 Modeling Agriculture for Policy Analysis in the 1980s (Vail, Colo.)
- 1980 Future Sources of Loanable Funds for Agricultural Banks, (Kansas City)
- 1979 Western Water Resources: Coming Problems and the Policy Alternatives (Denver)
- 1978 World Agricultural Trade: The Potential for Growth (Kansas City)