

The Labor Market

According To The Federal Reserve

Business and industry are made up of four components:

- *Labor*
- *Capital*
- *Natural Resources*
- *Entrepreneurship*

Labor

People who produce goods and services



Capital

Equipment, machinery, buildings, factories



Natural Resources

Land, minerals, water, energy



Entrepreneurship

Ideas and Innovations



Labor Market

- **Labor** = people who offer their time and skill to businesses in exchange for wages.



- **Labor market** =
 - ✓ people with jobs
 - ✓ people looking for jobs
 - ✓ businesses looking for workers

Labor Market

- **Businesses use labor to produce goods and services**
- **Economy's level of production and rate of growth depend on the quantity and quality of labor**
- **Wages as well as salaries depend on the interaction between people supplying labor and businesses needing labor.**



Labor Market Depends On:

- A skilled and adequately trained work force
- Relocation readiness. Workers are willing to move in order to be employed.



- **Workers want jobs that offer high wages**
- **Businesses want workers who are productive and willing to work for the wages offered**



What Affects the Labor Market?

Changes in the Economy

- Growing economy – businesses may have problems finding qualified workers
- Slowing economy – workers may have problems finding quality jobs



Demands For

- **Goods and Services**
- **Growth**
- **New Jobs**



Slowdown in Economy

- Cutbacks
- Loss of Jobs
- Unemployment



Unemployment

**Serious economic problem
for the labor market**



Three Types of Unemployment

Frictional, Structural, Cyclical

Frictional

Results from normal turnover in the economy such as retirements and relocations.

Structural

Happens when there are jobs, but a shortage of people trained for those jobs.

Cyclical

Occurs during a downturn in the economy which causes a decrease in the demand and leads to unemployment.

What is the Role of the U.S. Government in the Labor Market?

Government Supports Unemployment Benefit Insurance

These plans assist workers who are laid off but may discourage people from seeking new employment.



Government Requires Employers to Pay Minimum Wage

Workers have the potential to earn more money, but employers may hire fewer workers.



Government Regulates Business Taxes

This allows employers to hire more workers, but may decrease government revenue.



Government Enforces Labor Union Laws

These laws protect both workers and businesses, but they can cause a decrease in production.



Government Establishes Special Programs to Create Jobs

These do increase employment, but may result in temporary rather than permanent jobs.



Government Includes the Federal Reserve

This agency sets monetary policy that affects the availability of money and credit.



Government Uses its Power to Maintain a Balanced Economy

Too little money and credit can cause slow economic growth while too much money and credit can result in inflation.



Federal Reserve Bank of Dallas Website

Use this web site to obtain more information concerning the overall economy, labor and monetary policies.



www.dallasfed.org

The End!
