

LABOR-MARKET TIGHTNESS IN THE WAKE OF THE GREAT RECESSION

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1

TIGHTNESS

$$T_t = \frac{V_t}{H_t}$$

ANALYSIS OF MATCHING EFFICIENCY

“Measuring Matching Efficiency with Heterogeneous
Jobseekers” with Sam Schulhofer-Wohl

Based on CPS adjusted transition rates among 6 categories
of unemployment, 2 categories of employment, and
out-of-labor-force

Directly related to shifts of the Beveridge curve: Lower
matching efficiency implies outward shift of curve

2

AGGREGATE TIGHTNESS



3

4

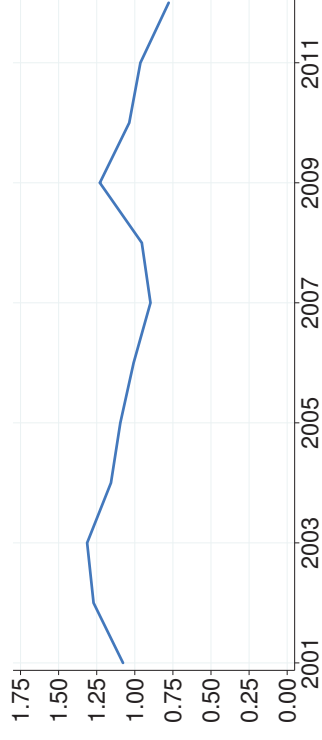
MATCHING EFFICIENCY

$$f_{i,t} = \gamma_{i,t} T_t$$

$$\gamma_{i,t} = \frac{f_{i,t}}{T_t}$$

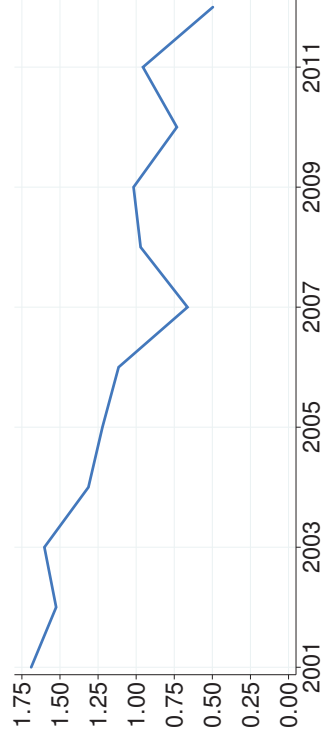
5

NOT IN LABOR FORCE



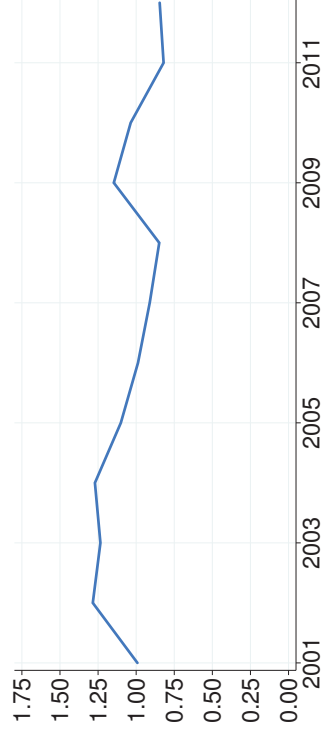
6

EMPLOYED IN NEW JOB



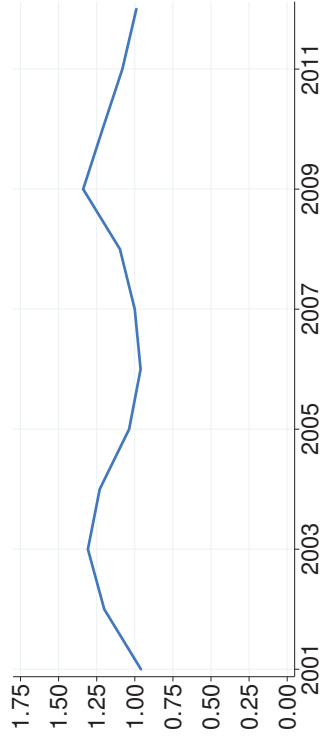
7

EMPLOYED IN EXISTING JOB



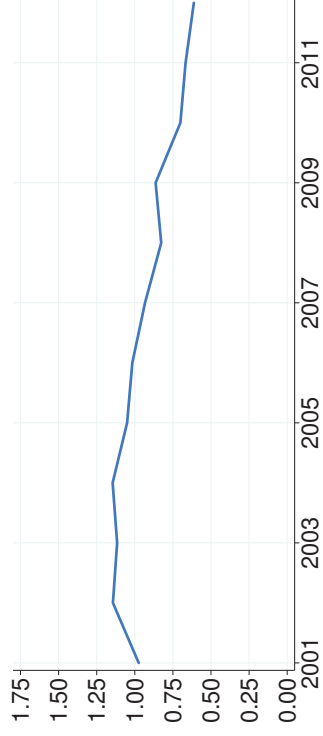
8

ON LAYOFF



9

LOST JOB PERMANENTLY



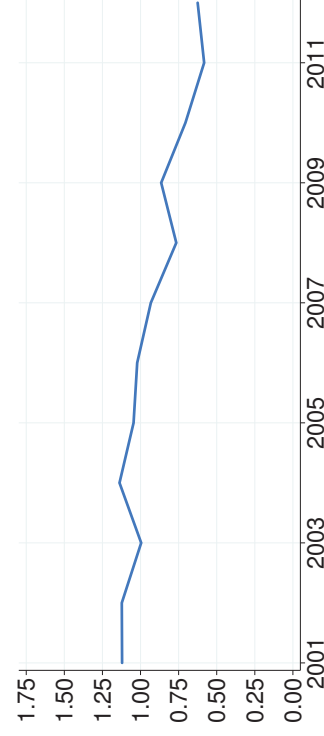
10

TEMPORARY JOB ENDED



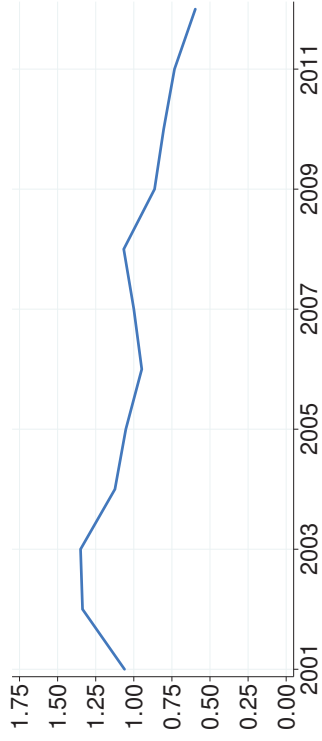
11

QUIT



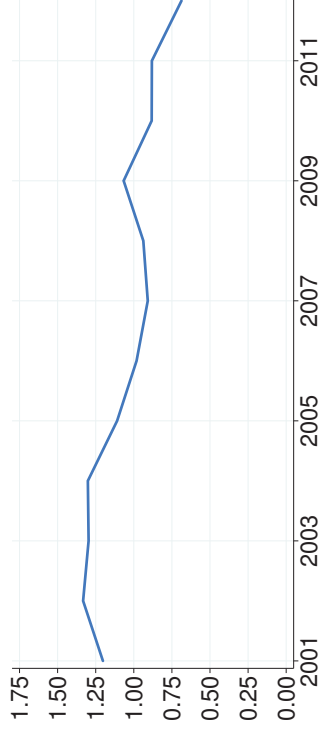
12

NEW ENTRANTS



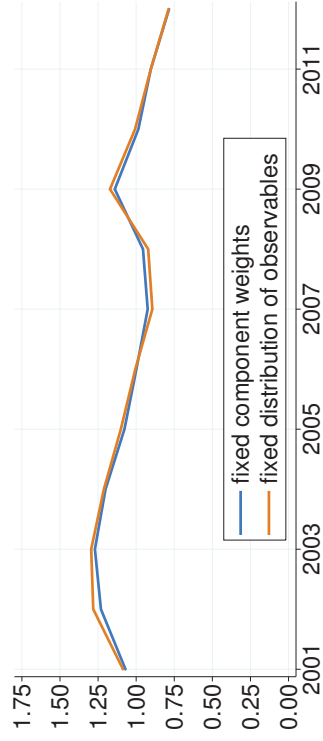
13

RE-ENTRANTS



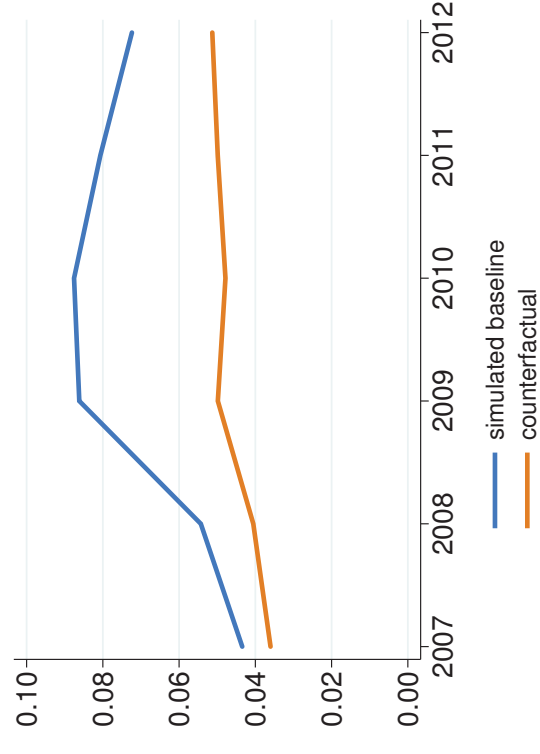
14

OVERALL MATCHING EFFICIENCY



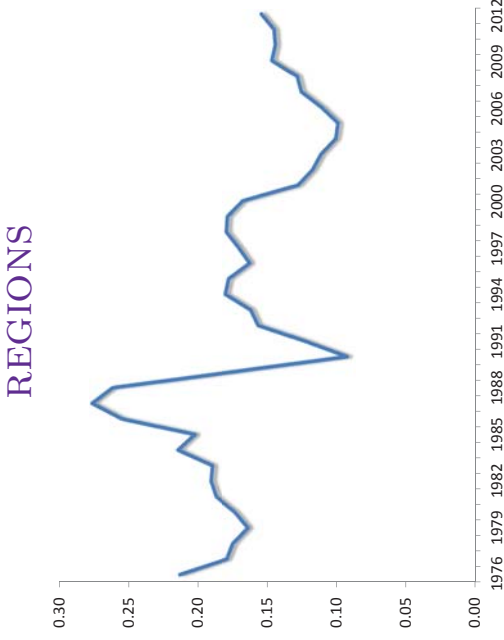
15

COUNTERFACTUAL UNEMPLOYMENT RATE WITH PRE-RECESSION TIGHTNESS



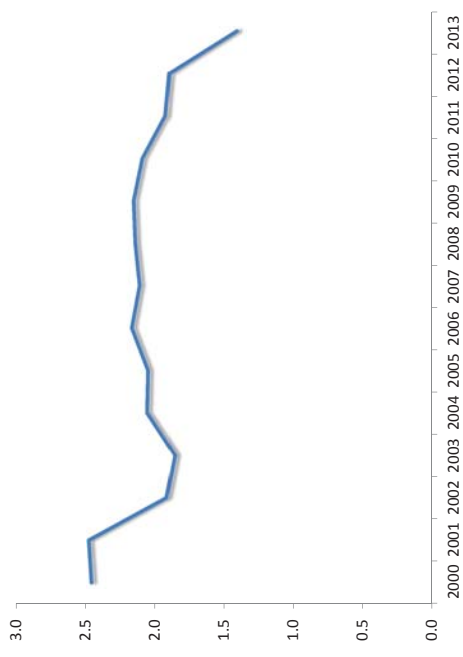
16

COEFFICIENT OF VARIATION OF UNEMPLOYMENT RATE ACROSS 9 REGIONS



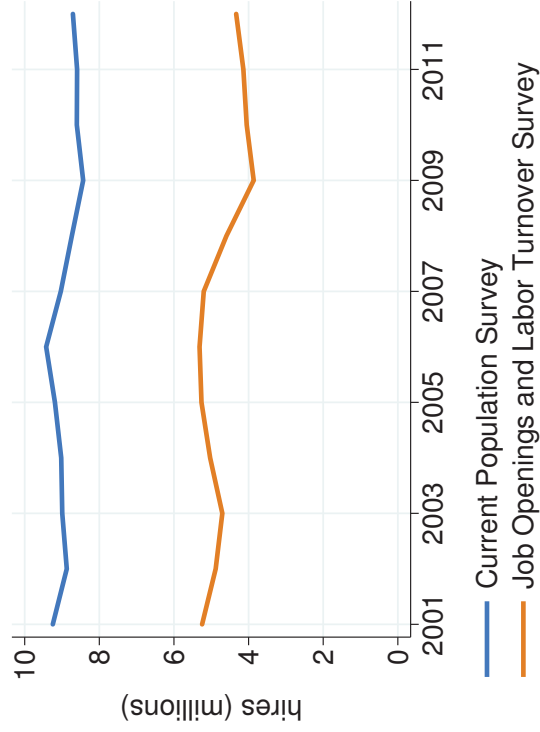
17

COEFFICIENT OF VARIATION OF UNEMPLOYMENT RATE ACROSS 29 OCCUPATIONS



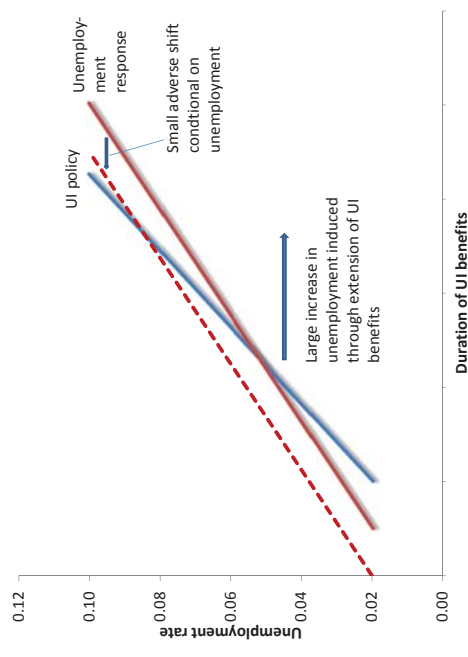
18

TWO MEASURES OF TURNOVER RATE



19

AMPLIFICATION THROUGH UI EXTENSIONS



20

MORAL HAZARD CHANNEL OF EFFECT OF UI ON UNEMPLOYMENT

Diminished search effort reduces matching efficiency for covered unemployed

Latest word: Farber and Valletta, effect limited to keeping job-losers in search when they would otherwise leave the labor force

Total effect is 0.4 percentage points of added unemployment in the immediate post-crisis years

They look at how rapidly job-seekers find work and leave the labor force, given unemployment and employment growth in the local market

21

EVALUATION OF HKMM

Strong endogeneity of UI duration because of triggers and discretionary extensions plainly motivated by high unemployment

Some of the counties have population centers hundreds of miles apart

Questionable data on unemployment, but results for wages, vacancies, and employment are supportive

Detailed evaluation on my website

23

WAGE CHANNEL

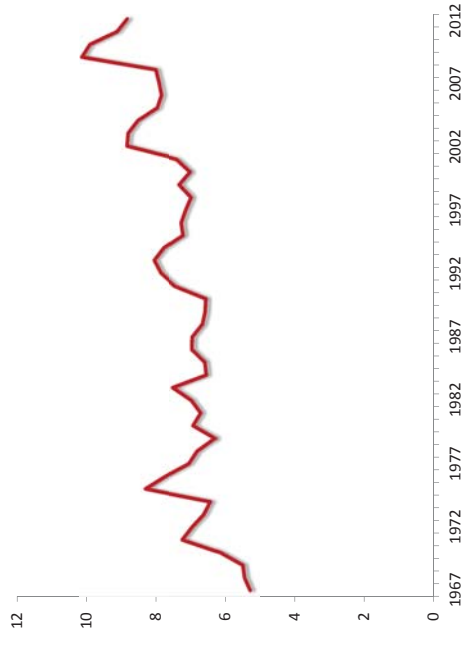
Higher UI benefits raise workers' outside option in wage bargaining and cut employers' incentives to hire, causing slacker labor market with higher unemployment

Hagedorn, Karahan, Manovskii, and Mitman: Confirm Farber-Valletta on moral hazard, but wage channel raised unemployment by another 3.1 percentage points

Compare adjacent counties in different states—same local conditions but different UI durations

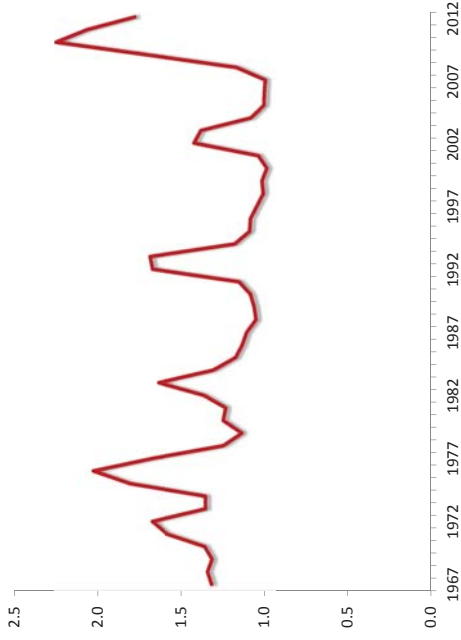
22

DURATION OF AVERAGE SPELL OF UI COVERAGE, MONTHS



24

INDEX OF REAL UNEMPLOYMENT BENEFITS PER MONTH



25

OUTLOOK AND CONCLUSIONS

Continuing downward trend in turnover, offset by downward trend in matching efficiency

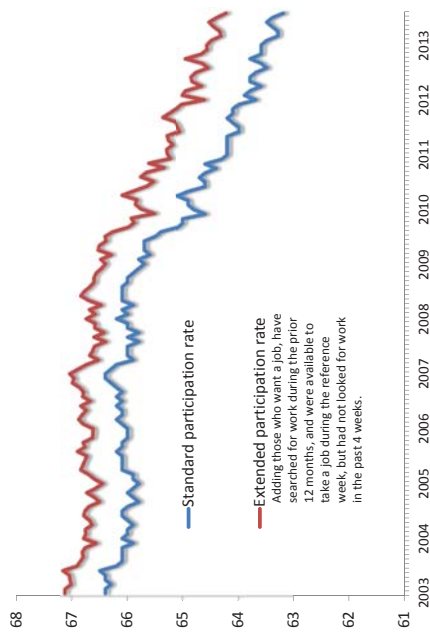
Weak moral hazard effects of UI; no convincing evidence about wage/tightness effect; tightness back to normal already

Overhang of long-duration unemployed is being worked off

Collapse of participation a mystery not obviously related to job-finding process

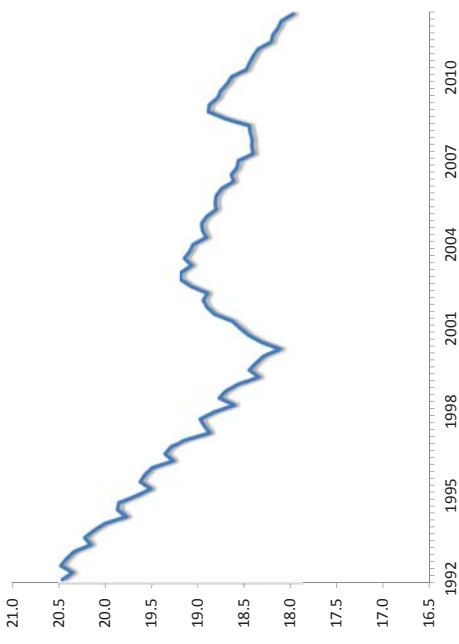
27

TWO MEASURES OF THE LABOR-FORCE PARTICIPATION RATE



26

FRACTION OF EMPLOYMENT IN FIRMS WITH FEWER THAN 20 EMPLOYEES



28

PERCENT OF WORKERS SELF-EMPLOYED

