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Les marchés du travail européen et américain dans la crise

European and American Labor Markets in the Crisis

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Who Suffers During Recessions? An Analysis of the United States in the Great Recession

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Overview

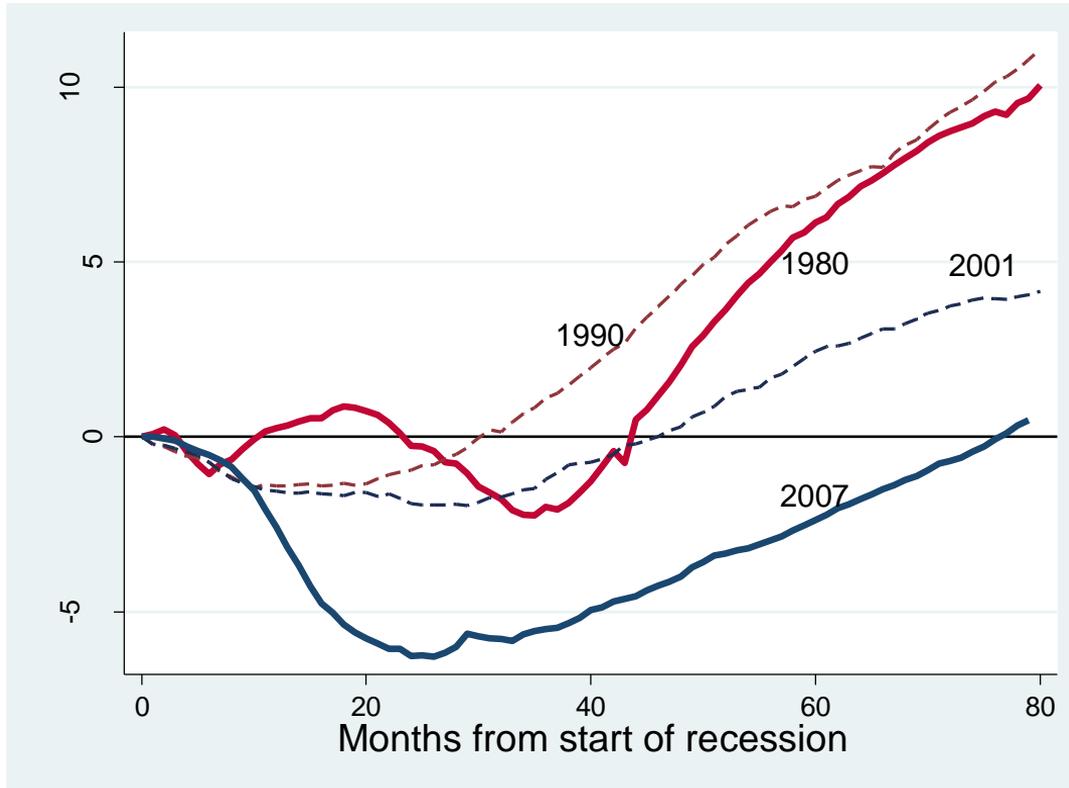
- The Great Recession generated large reductions in employment; the recovery has been slow and weak.
- We comprehensively analyze how business cycles affect labor market outcomes in the U.S. We ask two questions:
 - How do cycles affect outcomes across age, education, race/ethnicity and gender groups?
 - Are the across group differences in the Great Recession different from prior recessions?
- We find that there are significant differences across groups and those patterns are persistent over time.

- My talk is based on joint work:
 - Hilary Hoynes, Doug Miller and Jessamyn Schaller “Who Suffers in Recessions,” *Journal of Economic Perspectives*, 2012 (extended using data through 2013)
 - Marianne Bitler and Hilary Hoynes “The More Things Change the More They Stay the Same? The Safety Net and Poverty in the Great Recession,” forthcoming *Journal of Labor Economics*.

Data

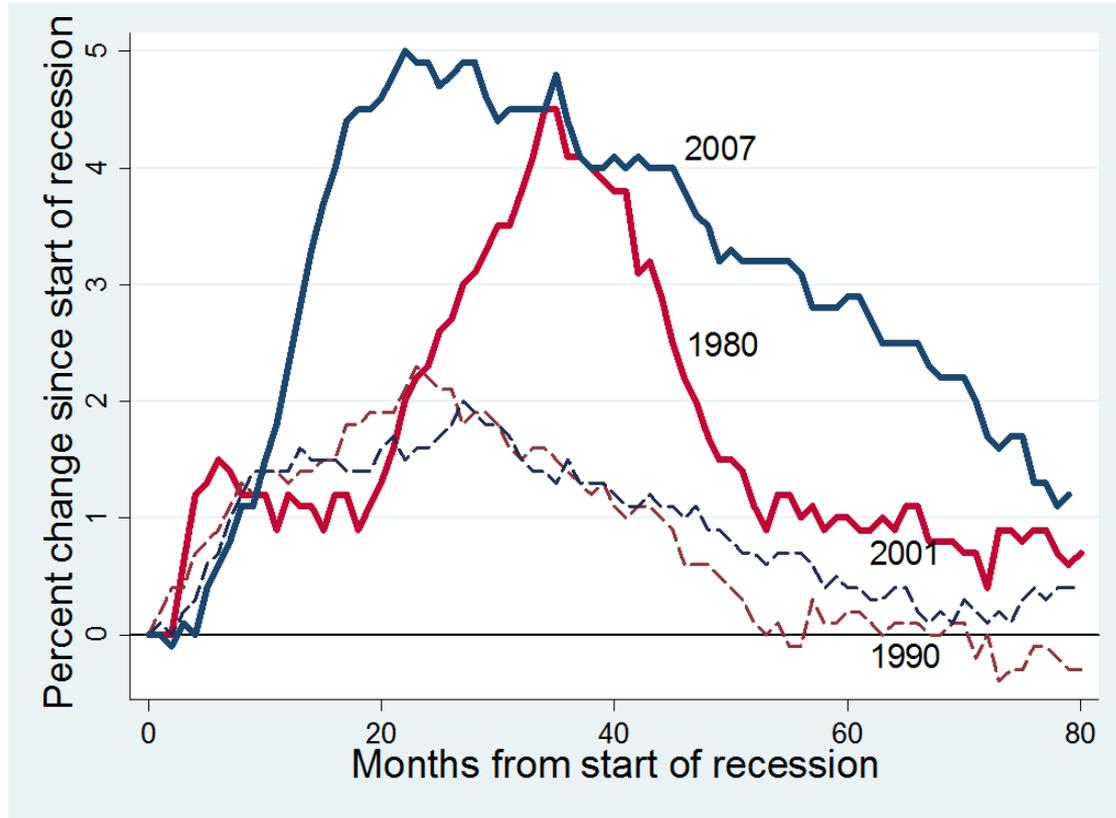
- Our primary measure of the cycle is the unemployment rate (seasonally adjusted, monthly)
- Monthly data from the CPS Outgoing Rotation Group from 1979-2013, ages 16-60.
- Annual data from March CPS (for poverty rates)

Employment (seasonally adjusted) since peak



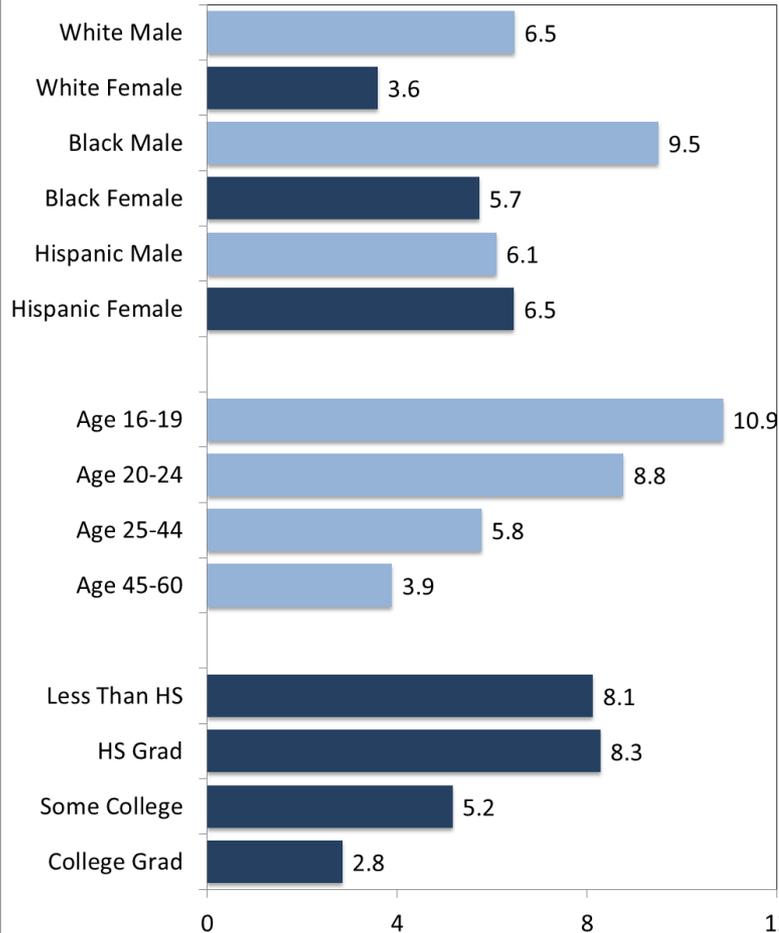
Source: Hoynes, Miller and Schaller “Who Suffers in Recessions”, *Journal of Economic Perspectives* 2012 (updated with data through 2013)

Unemployment (seasonally adjusted) since peak



Source: Hoynes, Miller and Schaller “Who Suffers in Recessions”, *Journal of Economic Perspectives* 2012 (updated with data through 2013)

**Percentage Point Change in Unemployment Rate
May 2007 to October 2009**



Percentage point change
in UN Rate, peak to
trough 2007 recession
(5/07-10/09)

Groups with higher
baseline UN rates
experienced larger
increases:

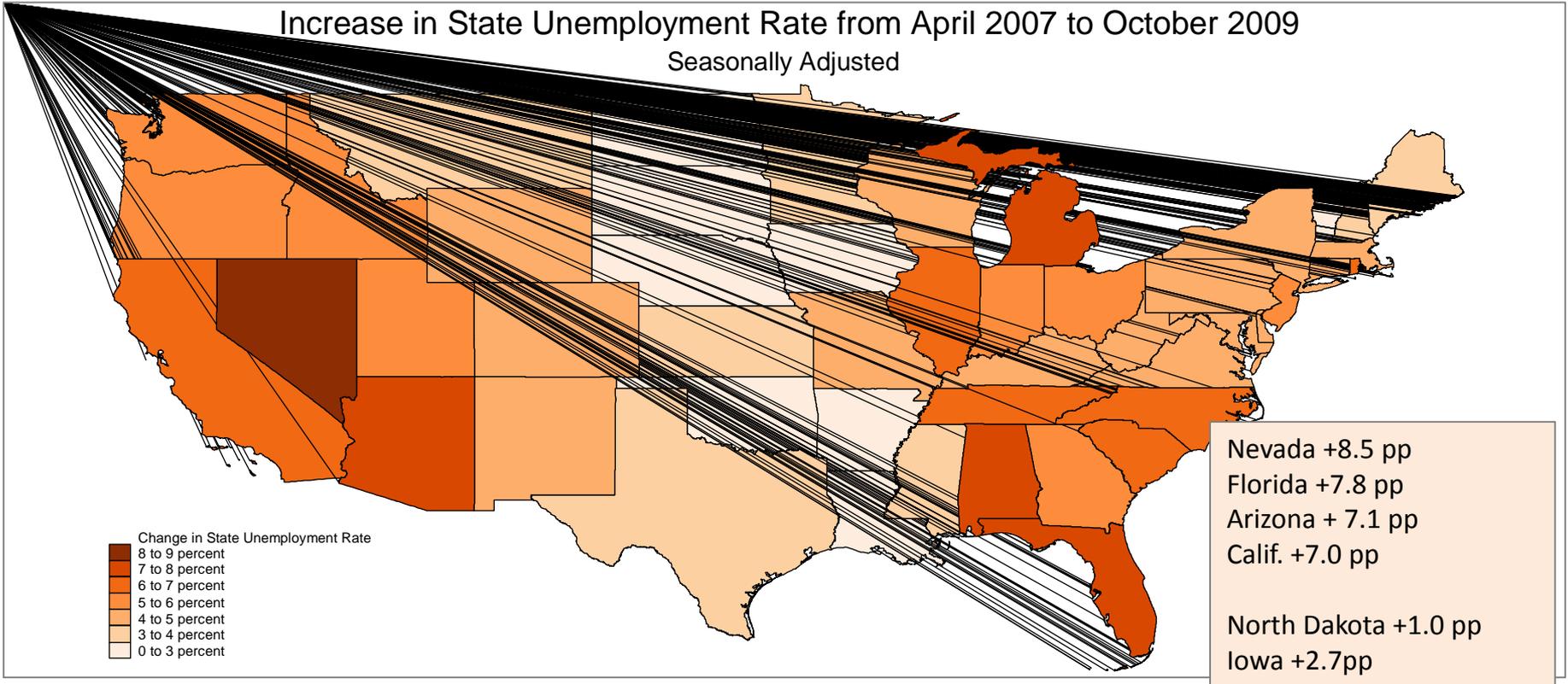
➤ men, nonwhites, youth,
low education

Main empirical approach

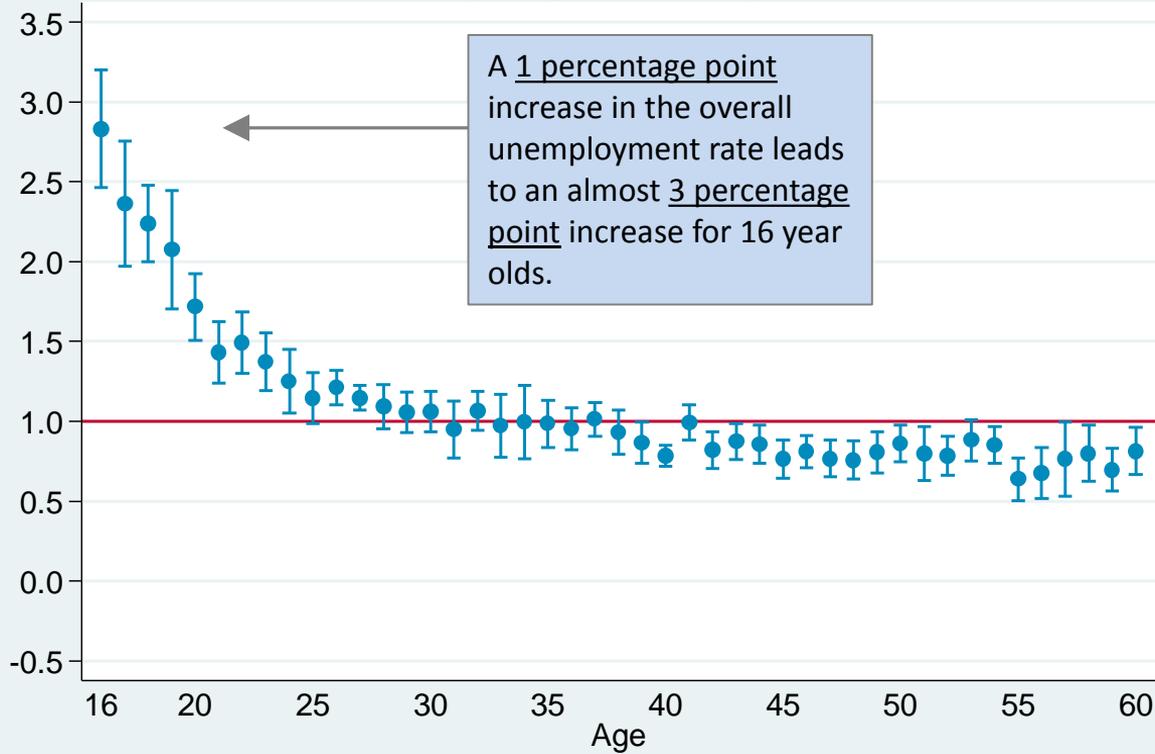
- We extend these results by estimating panel fixed effects models, using variation in labor market fluctuations across states and over time; pooling data from 1979-2013
- Main coefficient of interest: Effect of a one percentage point increase in aggregate area unemployment on demographic group unemployment
- Control for fixed effects for states, month-year and demographic group
- This approach allows us to *compare the cyclicity across demographic groups* and to *test whether the effects are significantly different in the Great Recession*

Our approach leverages substantial variation across states and over time in labor market fluctuations

Increase in State Unemployment Rate from April 2007 to October 2009
Seasonally Adjusted



Effect of State Unemployment Rate on Group Unemployment Rate, by Single Year of Age

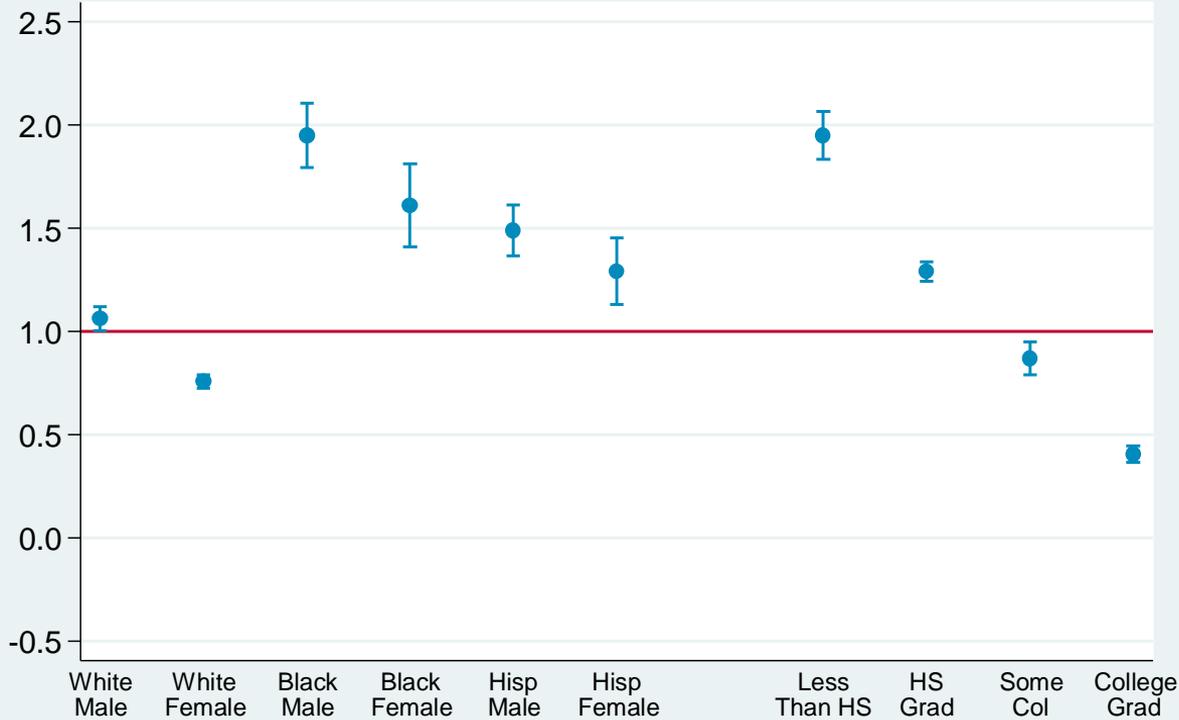


A 1 percentage point increase in the overall unemployment rate leads to an almost 3 percentage point increase for 16 year olds.

Result:
Effect of labor market fluctuation declines with age

Source: Hoynes, Miller and Schaller "Who Suffers in Recessions", *Journal of Economic Perspectives* 2012 (updated with data through 2013)

Effect of State Unemployment Rate on Group Unemployment Rate,
by Race/Sex and Education



Result: Effect of
labor market
fluctuation larger
for:

- men
- lower education
- minorities

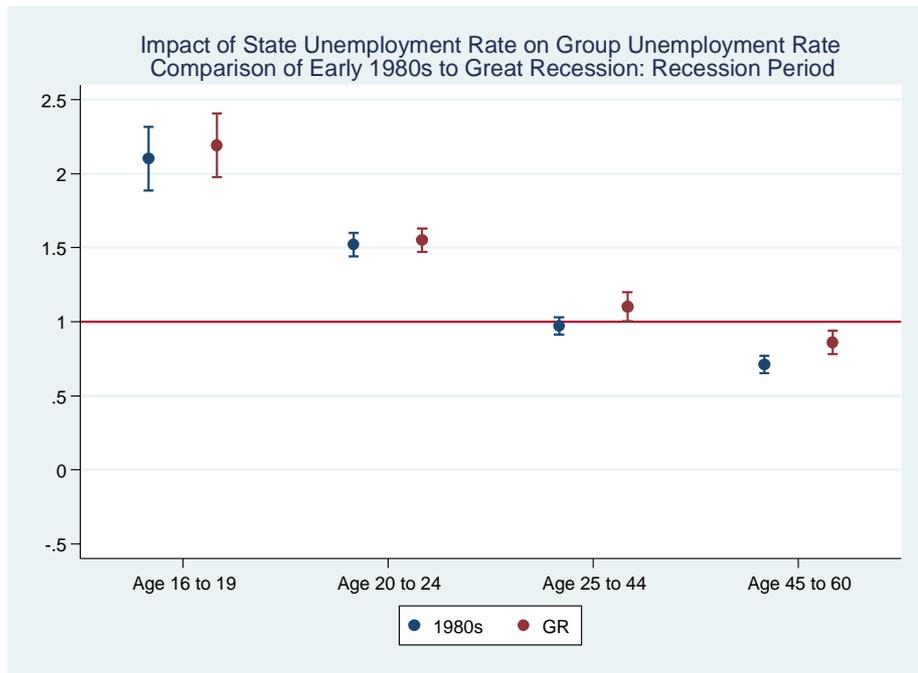
Source: Hoynes, Miller and Schaller “Who Suffers in Recessions”, *Journal of Economic Perspectives* 2012 (updated with data through 2013)

Summary: Impacts of cycles across groups

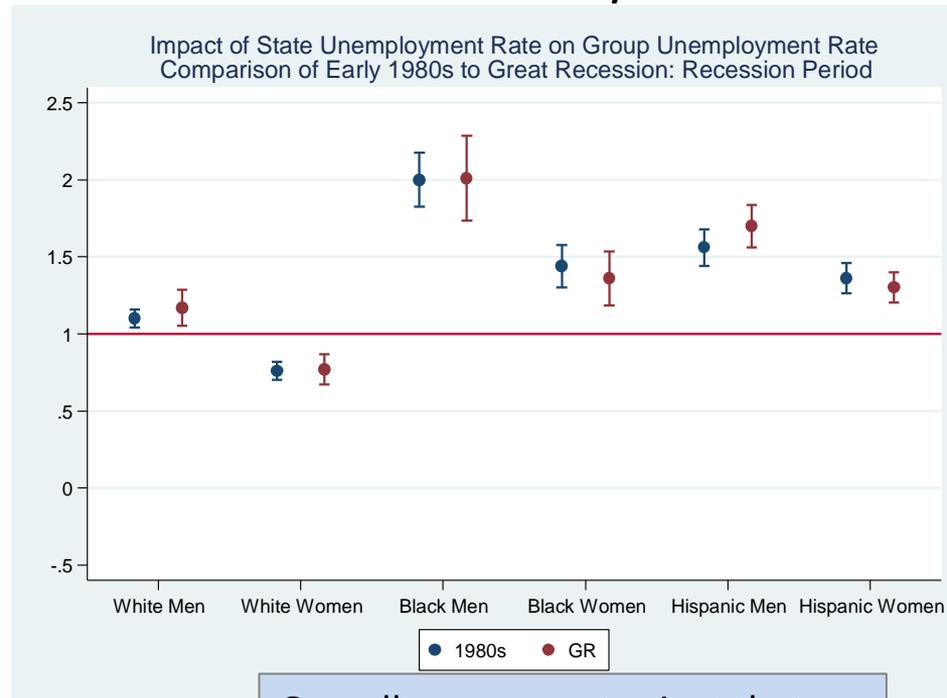
- Examining labor market fluctuations between 1979-2013, we find that recessions are more likely to impact:
 - Young persons
 - Men
 - Racial and ethnic minorities
 - Those with lower education levels
- We then extend our model allowing for different effects in the GR and the 1980s recession (the most severe recession prior to the GR)
 - We test separately for changes across the recession period of the cycle and the expansion part of the cycle
 - Overall, we find the differences across groups are persistent and there is little difference between the 1980s recession and the Great Recession

Testing for differences between GR and 1980s recession

BY AGE



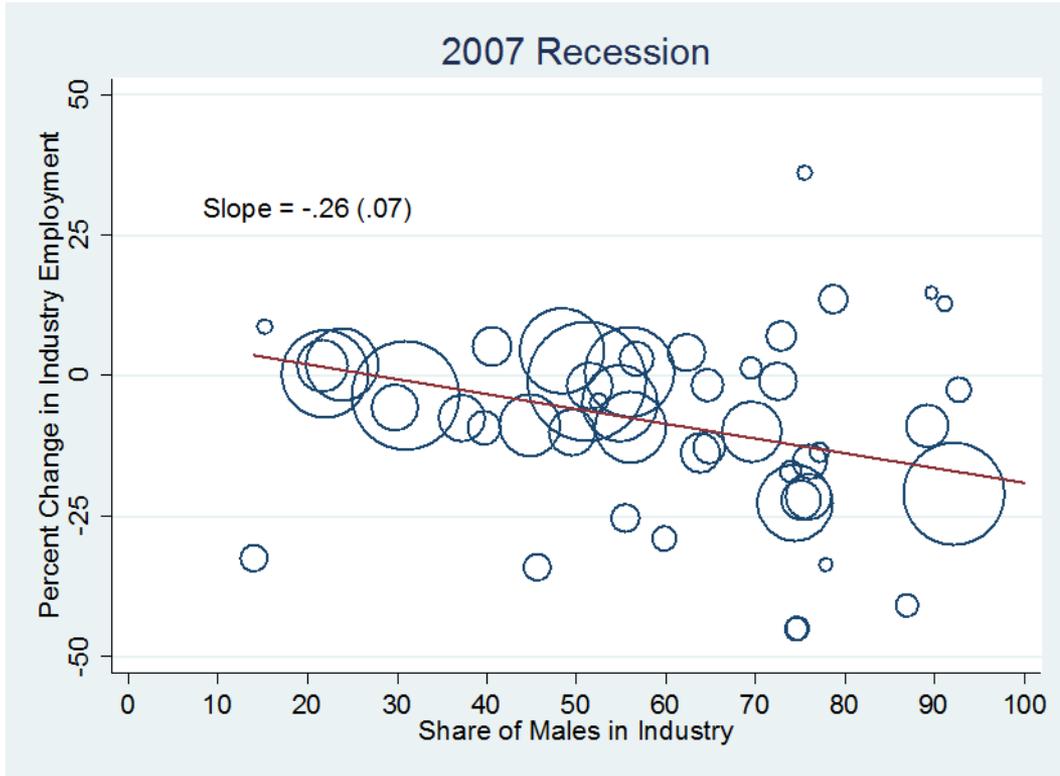
BY GENDER / RACE



Overall, we can not reject that the responses are the same in the two recessions. Persistence in patterns across groups.

Source: Hoynes, Miller and Schaller “Who Suffers in Recessions”, *Journal of Economic Perspectives* 2012 (updated with data through 2013), note the *rest of period coefficients are omitted*.

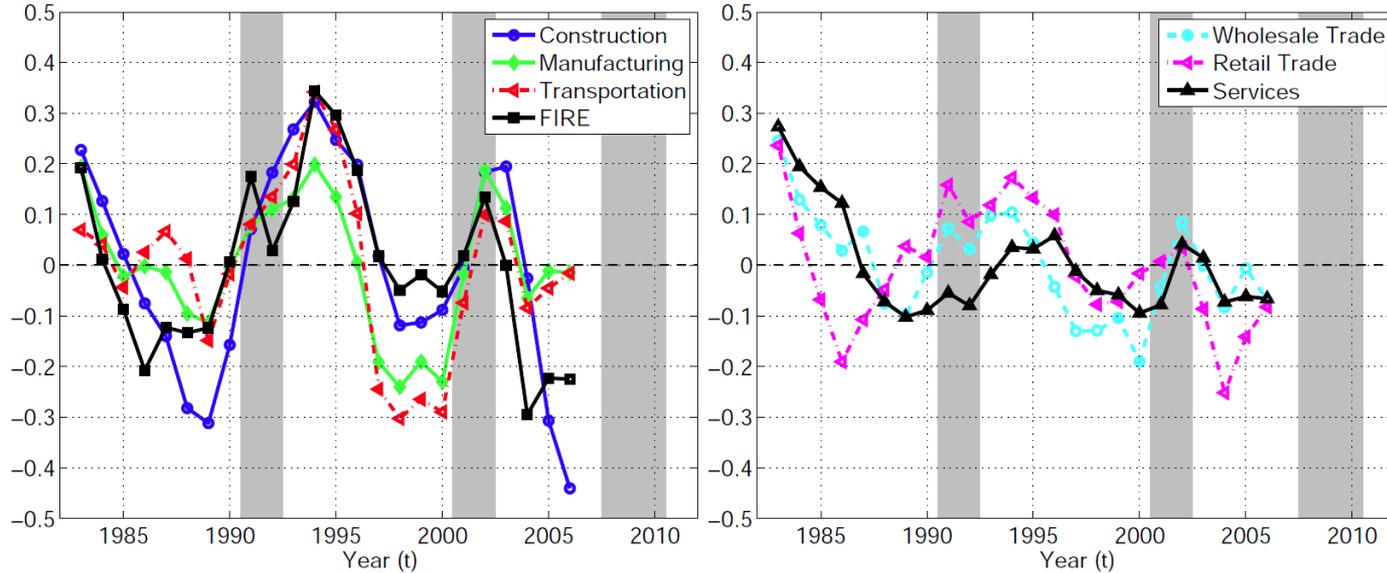
What explains the differences across groups?



Percent change in employment, peak to trough 2007 recession by share male in the industry (2-digit NAICS)

Larger share male → more cyclical

Mean 5-year earnings growth of individuals in the top 1%, by sector [Guvenern, Kaplan, and Song AERPP 2013]

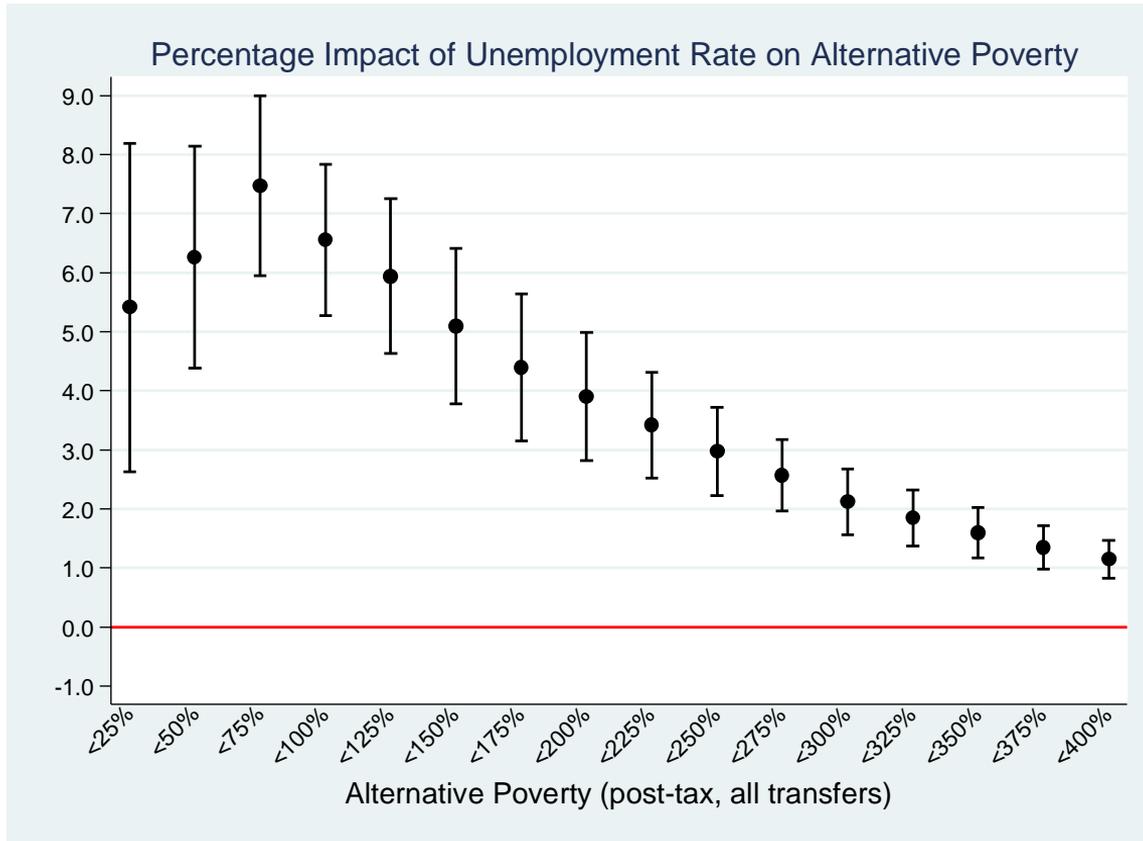


Similar story for the highest earners in the U.S.
Greater cyclicalty in construction, manufacturing; less in services.

Extending the analysis to examine the effect of cycles on poverty

- U.S. defines poverty as an absolute measure
- A family is poor if their resources are less than the federal poverty threshold
 - Poverty lines vary by family size and are adjusted for changes in prices each year
- We measure family resources comprehensively as after tax and transfer income, including the value of in-kind transfers (e.g. food stamps, housing benefits) [*U.S. official poverty uses only cash resources.*]

Results for Nonelderly Poverty, full period (1980-2013)

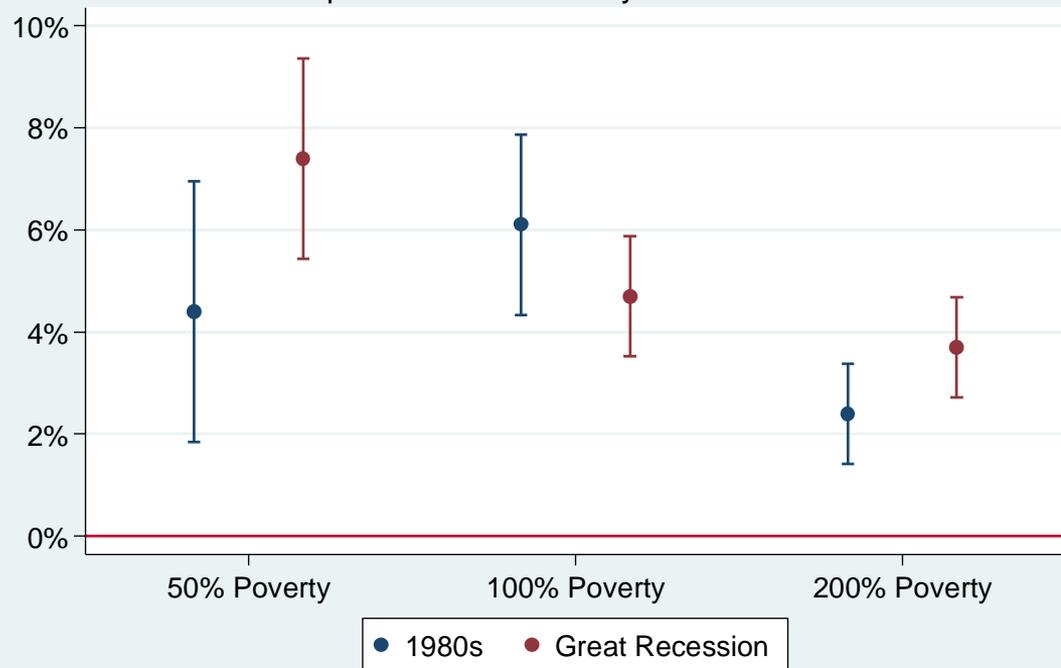


Shows effect of a one pp increase in UR on percent in poverty

Result: effect of the cycle declines as you move up the income distribution

Nonelderly Poverty: Differences in cyclical GR vs 1980s

Responsiveness of Poverty Rate to Unemployment Rate
Comparison of GR to Early 1980s Recession



- Extreme poverty more cyclical
- 100% poverty less cyclical

Summary of findings

- Impacts of the Great Recession are not uniform across groups: men, blacks, Hispanics, youth, low education groups, and the lowest income groups are more heavily affected.
- These differences across demographic groups are remarkably stable over this 30 year period, and across recessions and expansions.
- Any changes over time are small relative to the baseline differences across groups. Amazing given the changes in the economy over this period (increase in female emp, increase in Hispanics, decline of manufacturing)