



The U.S. Labor Market Recovery

Adriana Kugler
U.S. Department of Labor

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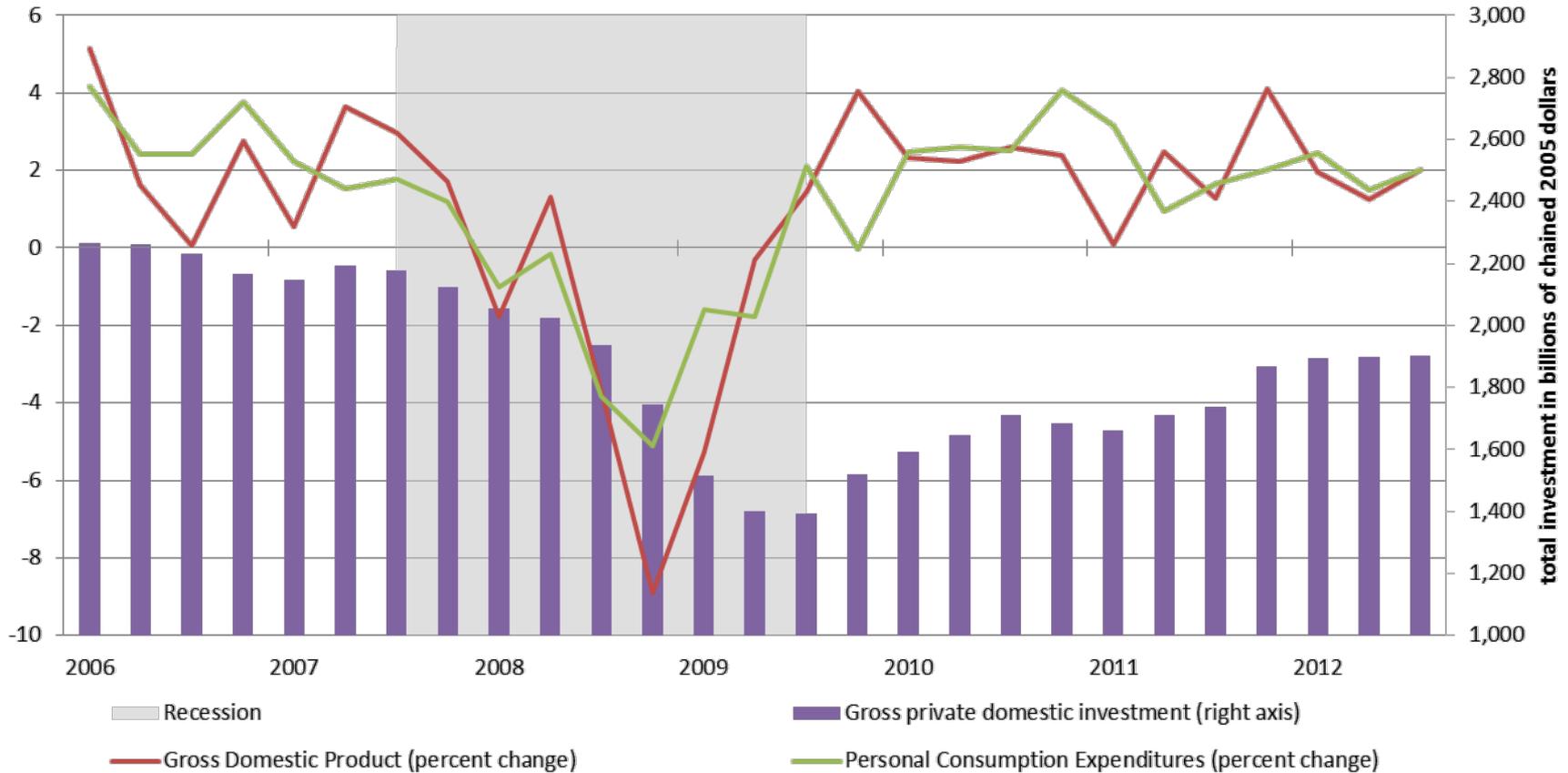
November 2012



The economy has been growing for 13 quarters

Real GDP, Consumption, and Investment, quarterly percent change Seasonally Adjusted, 2006-2012

quarterly percent change, seasonally adjusted at annual rates



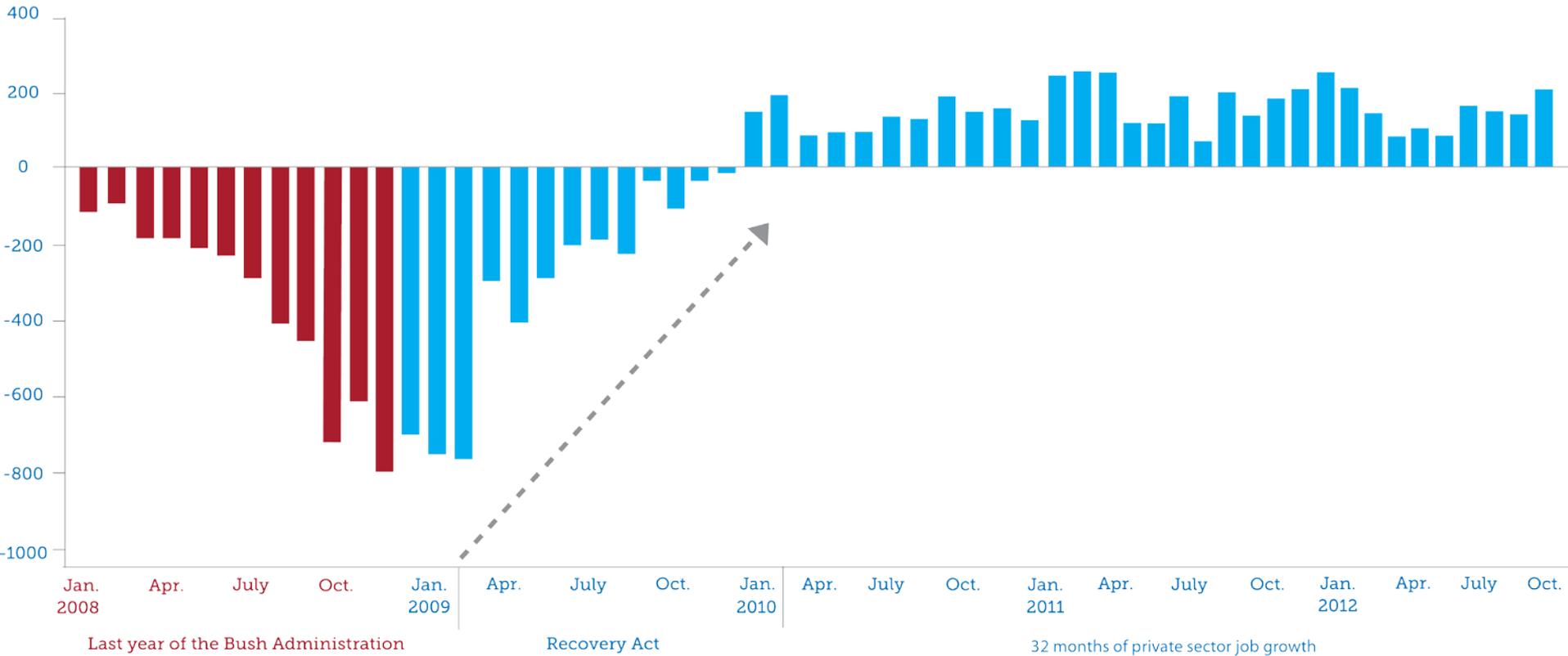
Source: Bureau of Economic Analysis

Office of the Chief Economist



We've seen 32 straight months of private sector job growth adding over 5.4 Million jobs

MONTHLY CHANGE IN TOTAL PRIVATE EMPLOYMENT
February 2008 - October 2012
(jobs in thousands, seasonally adjusted)

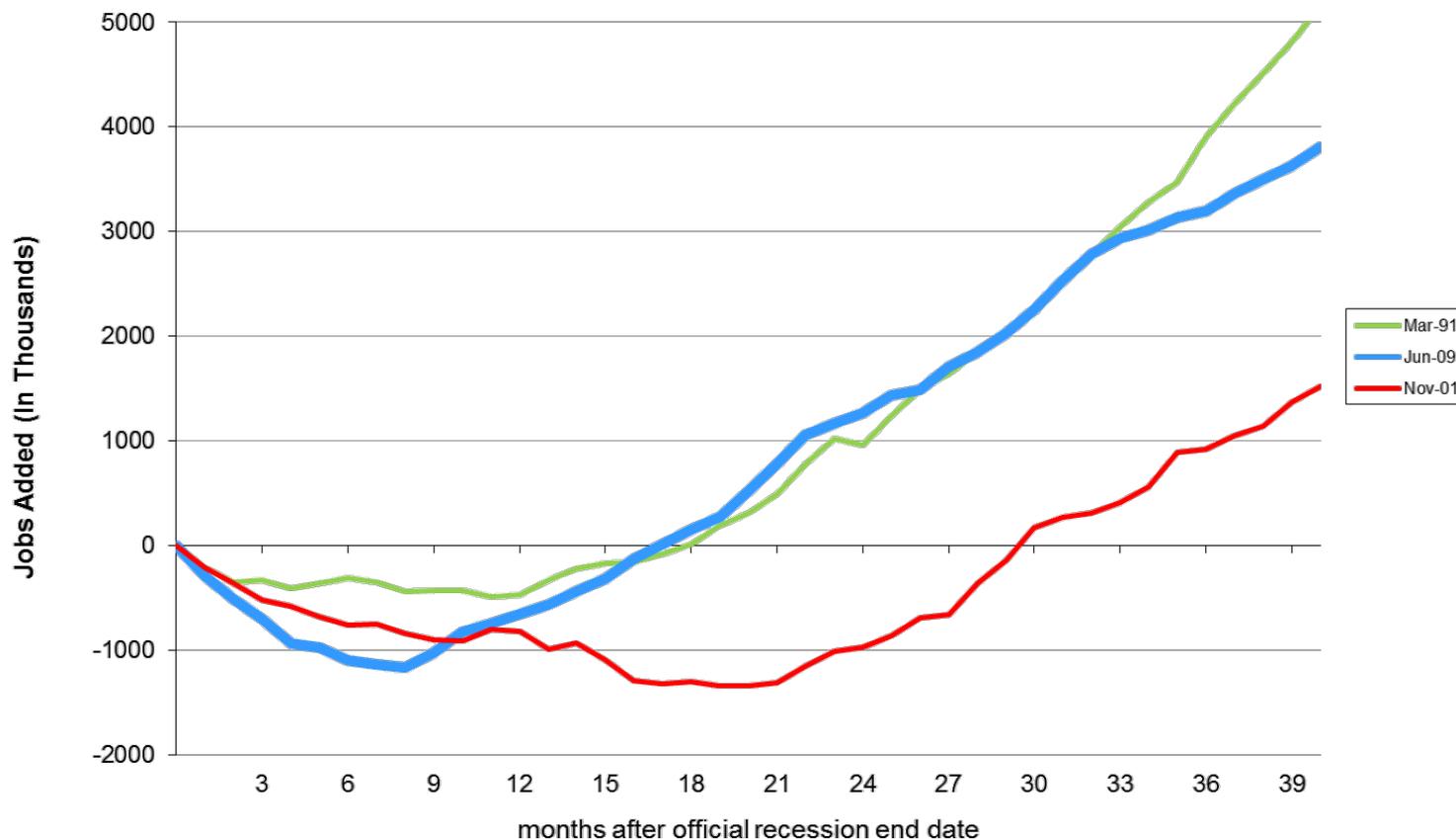


Source: Bureau of Labor Statistics, Current Employment Statistics Program



For the private sector, the current recovery is faster than the previous recovery

Recovery comparison: Total private job growth 40 months after official recession end date

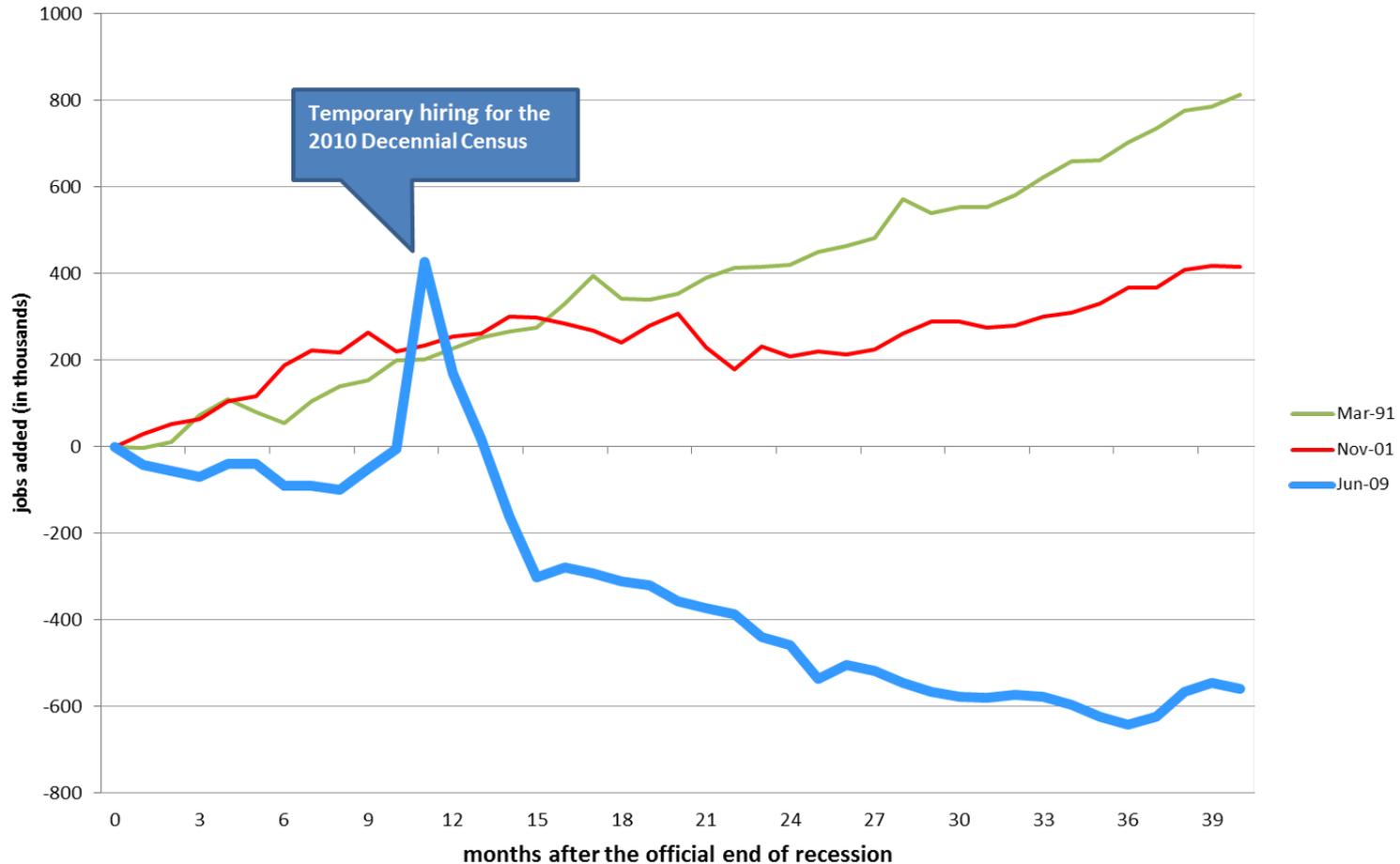


Source: Bureau of Labor Statistics, Current Employment Statistics



Government employment declined in this recovery

Recovery comparison: government job growth 40 months after official end of the recession

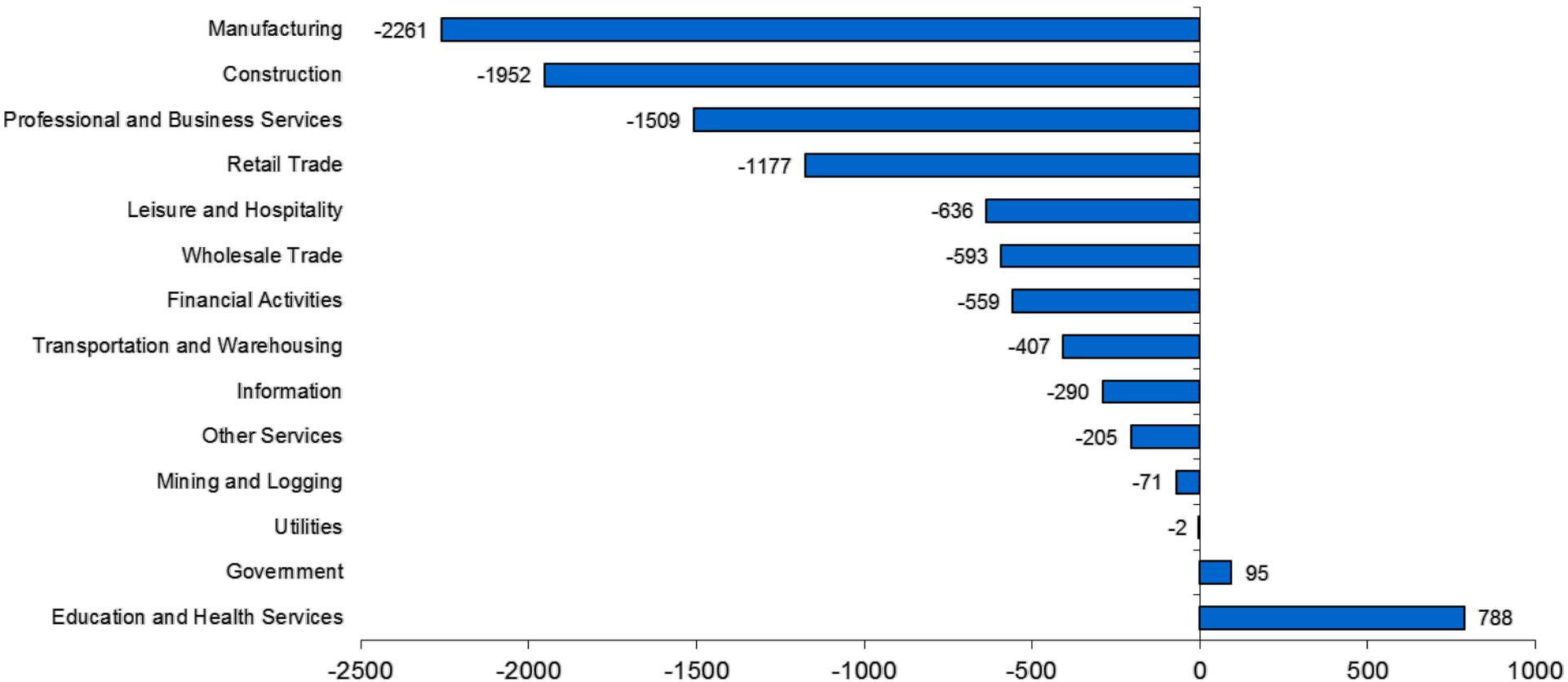


Source: Bureau of Labor Statistics, Current Employment Statistics



Industries during the recession

Employment in Major Industries
During Employment Downturn, Jan 2008 - Feb 2010
(jobs in thousands)

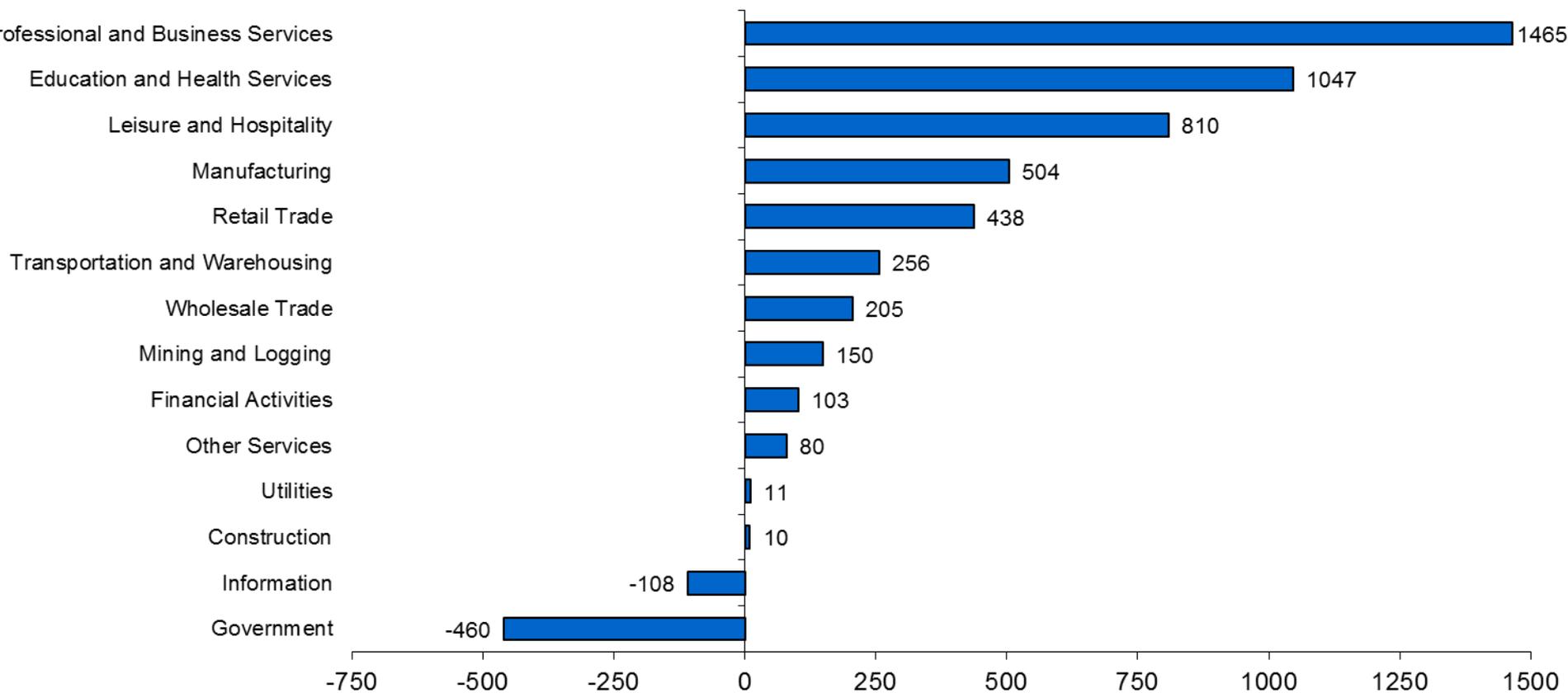


Source: Bureau of Labor Statistics, Current Employment Statistics Program



Industries during the recovery

Employment in Major Industries
Since Employment Trough, Feb 2010 - October 2012
(jobs in thousands)



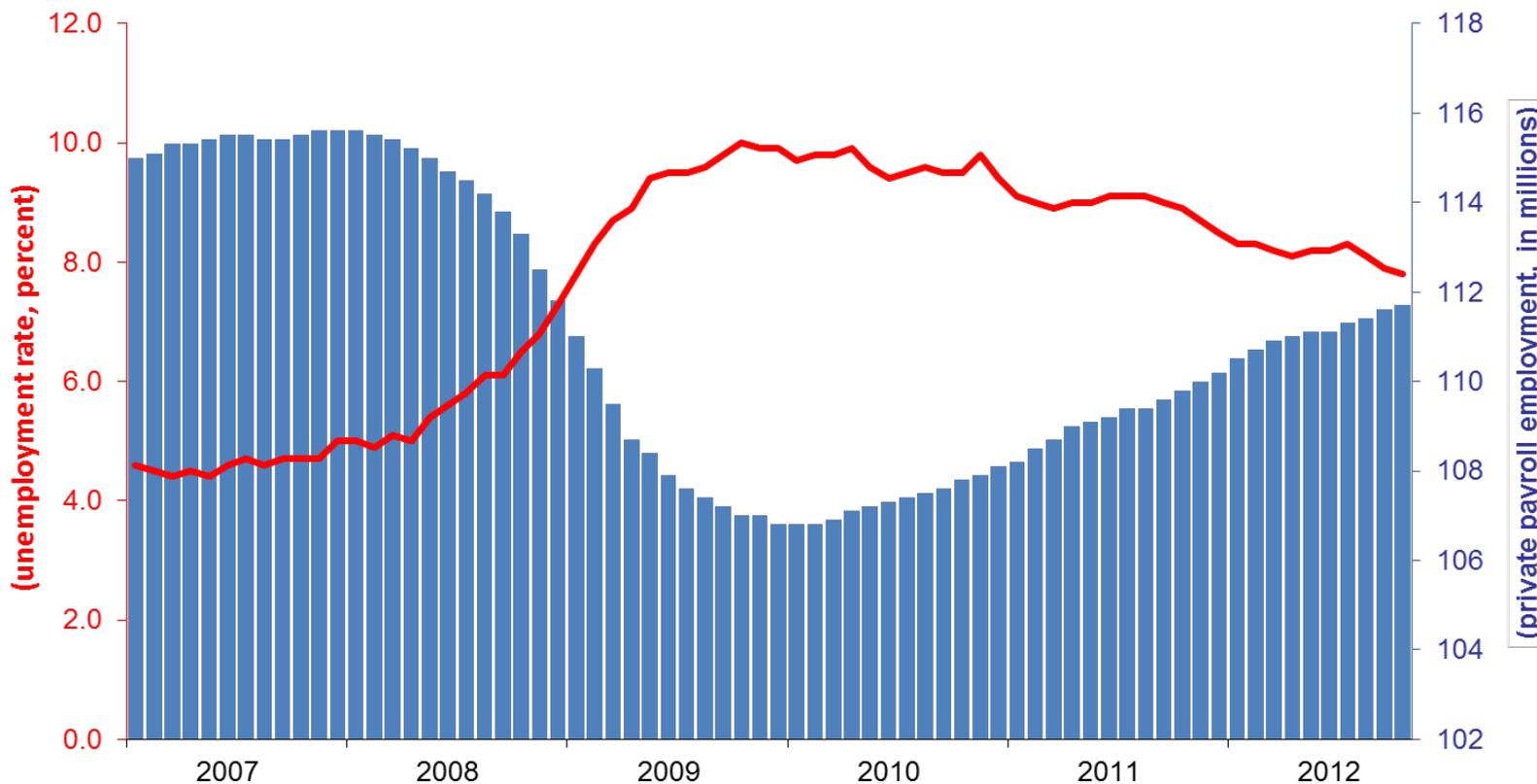
Source: Bureau of Labor Statistics, Current Employment Statistics Program



Unemployment has fallen by 2.1 percentage points

Unemployment and private sector employment

January 2007 to October 2012, seasonally adjusted

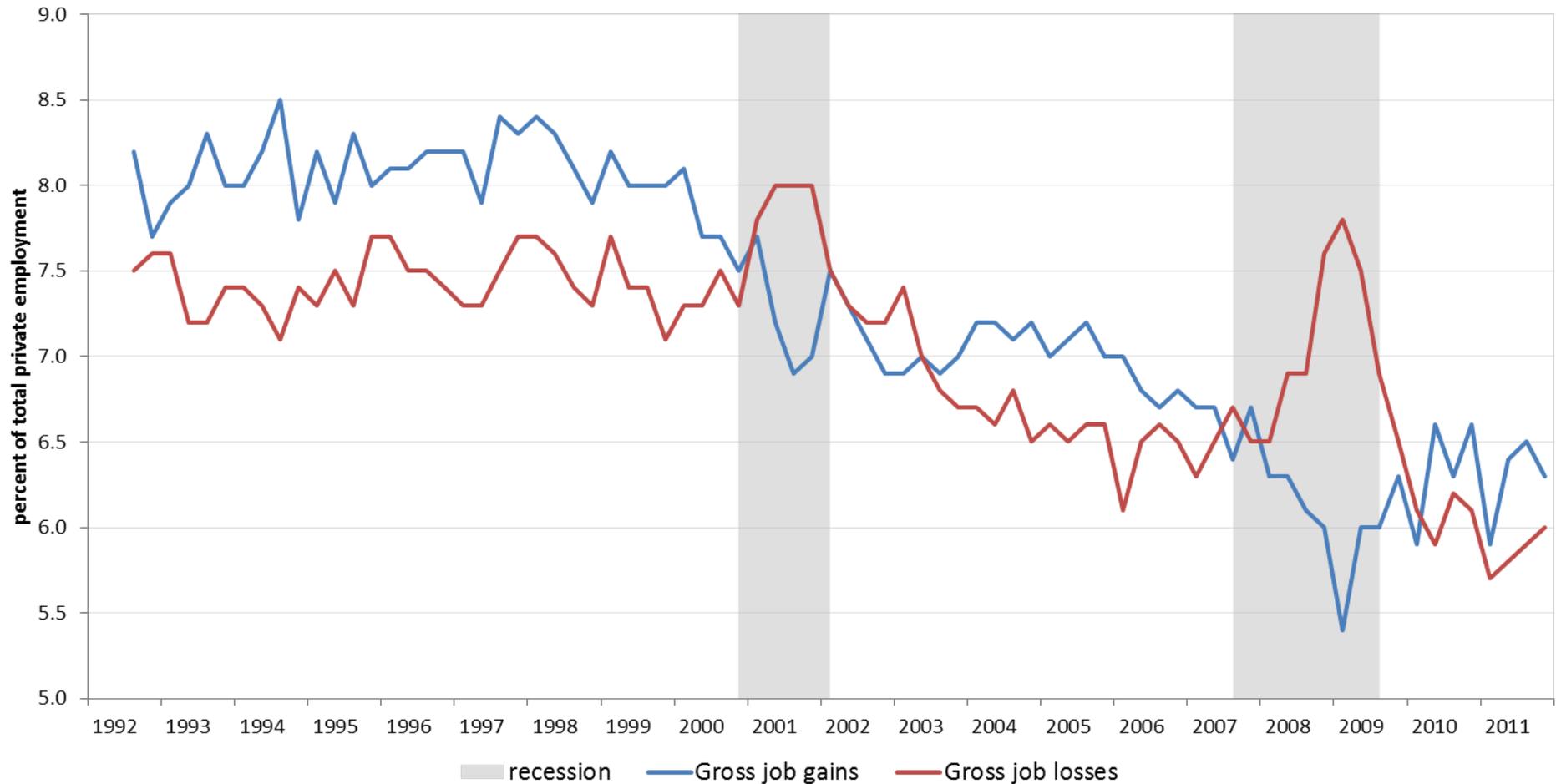


Source: Bureau of Labor Statistics, Current Population Survey and Current Employment Statistics



Gross job gains and losses trending down

Gross job gains and gross job losses, 1992 to 2011

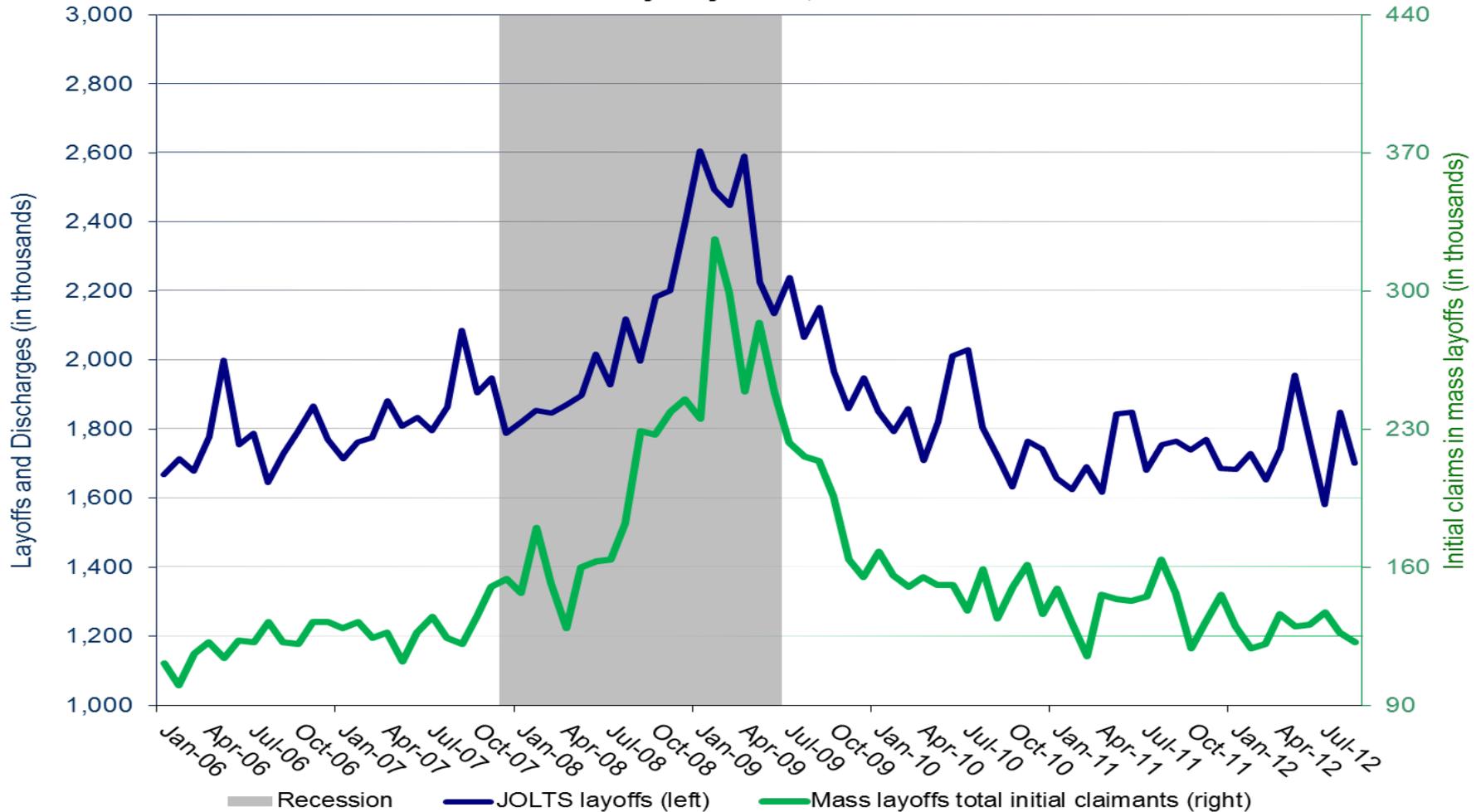


Source: Bureau of Labor Statistics, Business Employment Dynamics program



Layoffs are back to 2007 levels

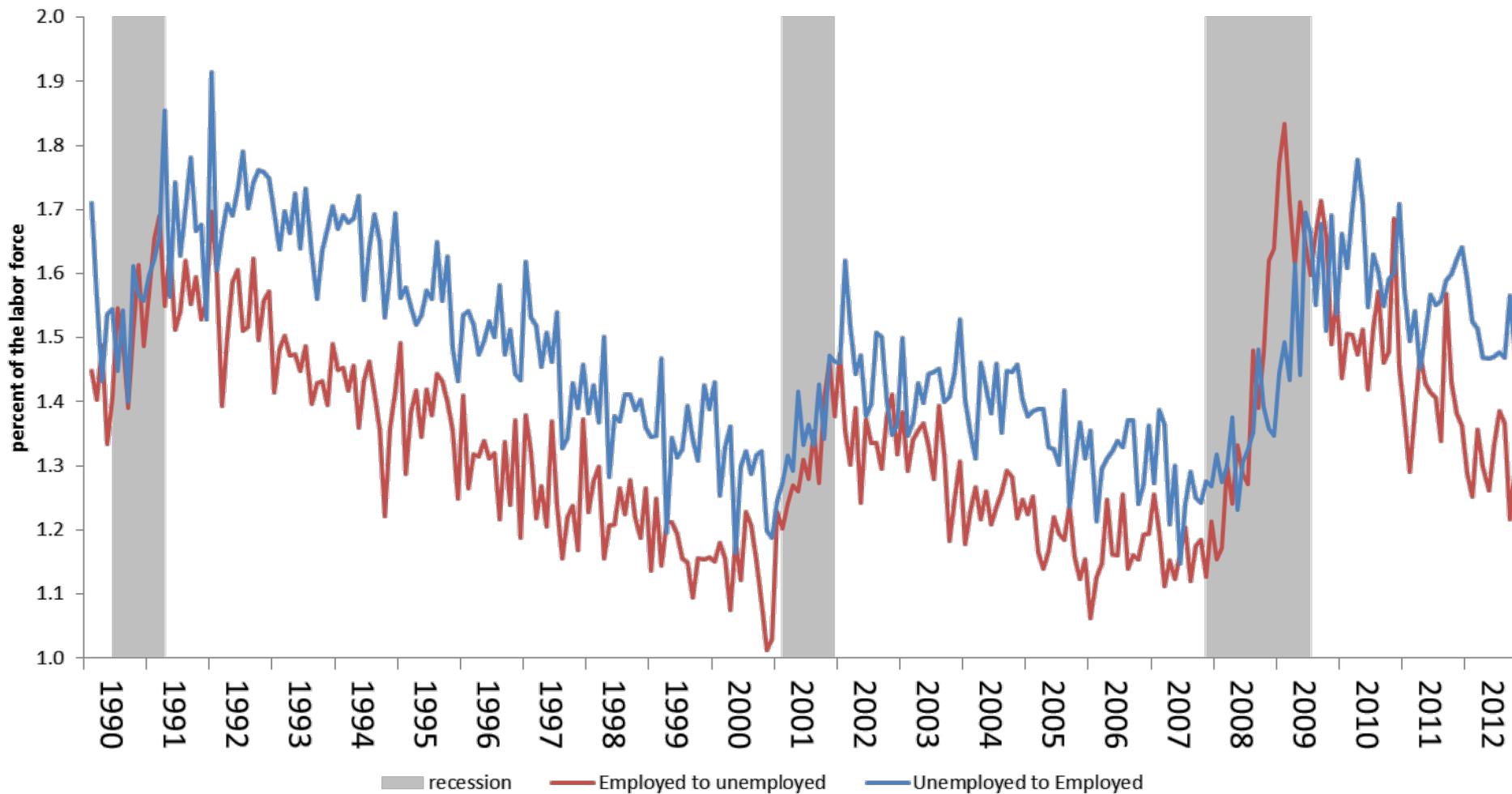
JOLTS Layoffs and Discharges, and MLS UI Claims, Seasonally Adjusted, 2006-2012





Inflows and outflows from unemployment

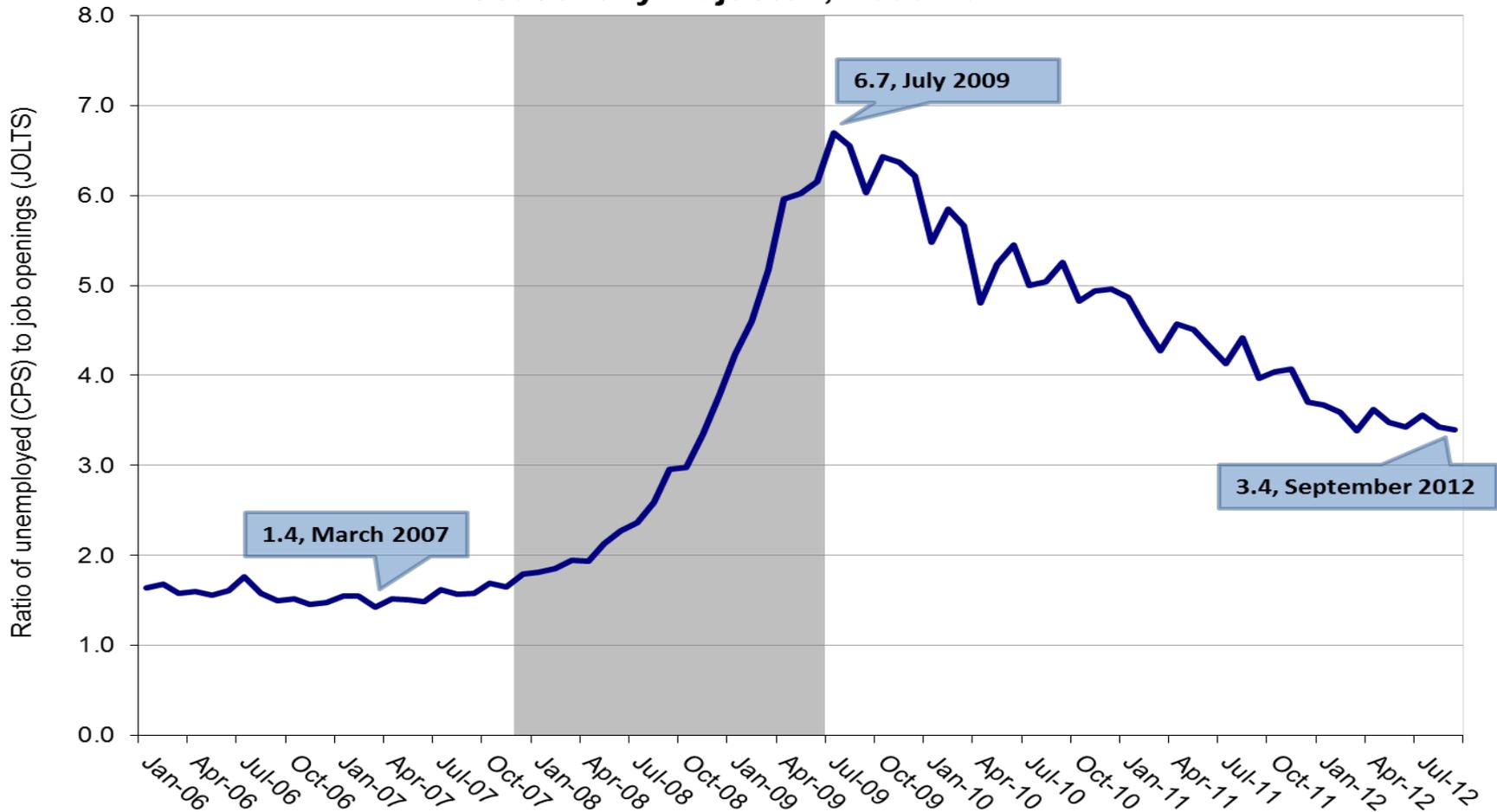
Flows into and out of unemployment, 1990 to 2012





U-to-V ratio is substantially down

Number of unemployed per job opening, Seasonally Adjusted, 2006-2012

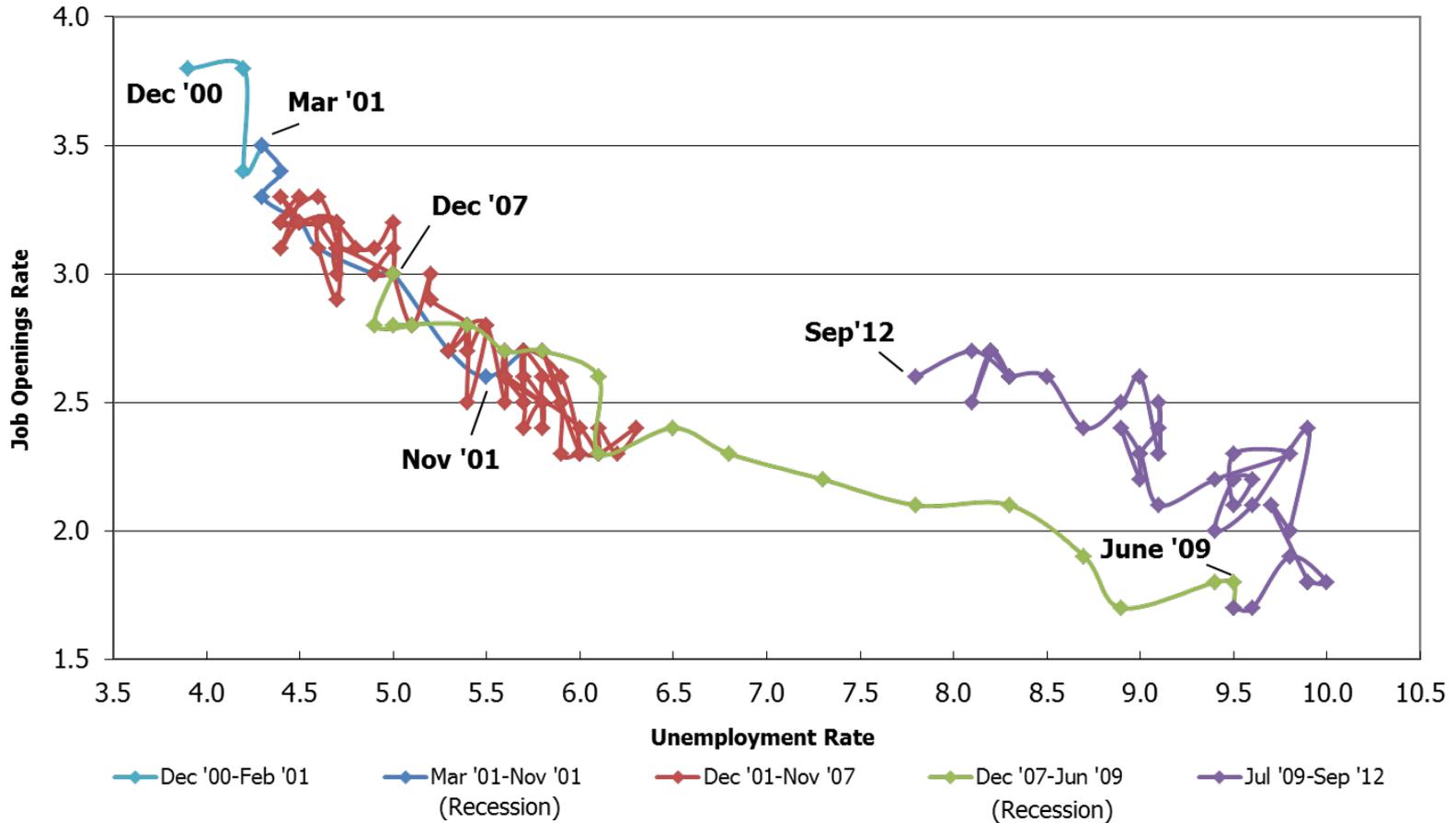


Source: Bureau of Labor Statistics, Job Openings Layoffs and Turnover Survey & Current Population Statistics



The Beveridge Curve

The Beveridge Curve (job openings rate vs. unemployment rate) Seasonally adjusted





How much of the unemployment is cyclical and how much structural?

- Substantial drop in U-to-V, but remains above pre-recession levels.
- 1. Okun's law estimates show that 63% of the rise in unemployment during the recession could be explained by the drop in GDP and 57% of the drop in unemployment during the recovery could be explained by a rise in GDP and the rest by other factors.
- 2. Estevao and Tsounta (2011) show that much of the change in state unemployment rates can be explained by changes in GSP and only about 0.5 percentage point of the increase in NAIRU due to skills gaps.



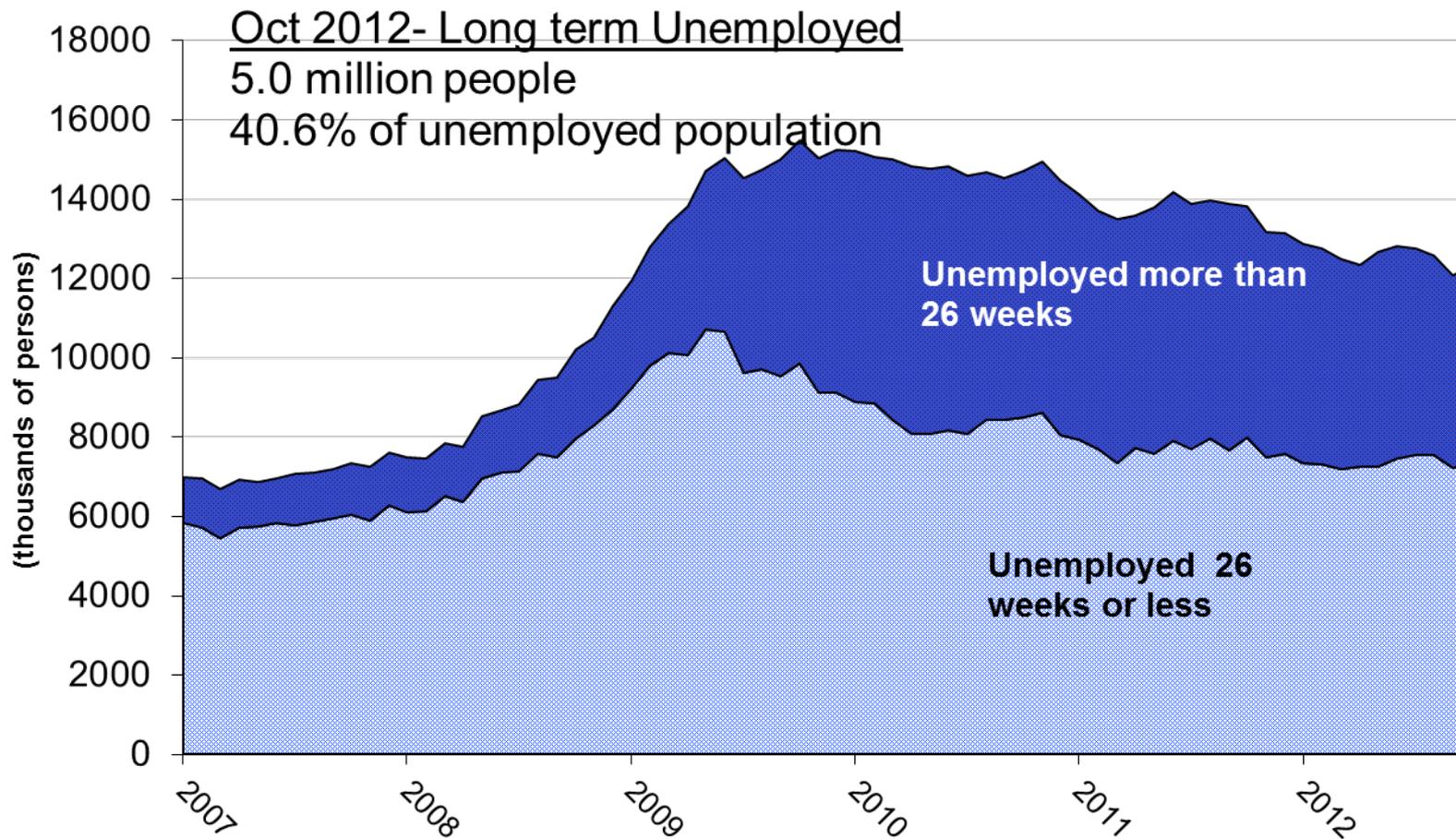
How much of the unemployment is cyclical and how much structural?

3. Sahin et al. (2011) estimate matching functions and find that mismatches account for between 0.8 and 1.4 p.p. of the recent rise in unemployment.
4. In 2012, 17% of businesses reported they were unable to fill up a job opening compared to 26% in 2007 and 41% report not finding qualified applicants in 2012 compared to 43% in 2007.
5. If there were substantial mismatches in certain sectors, then we should find that sectors with increases in their u-to-v ratios should face upward pressures on wages. However, I find little evidence that a relationship between changes in u-to-v and wage growth.



Long-term unemployment

Incidence of Long Term Unemployed



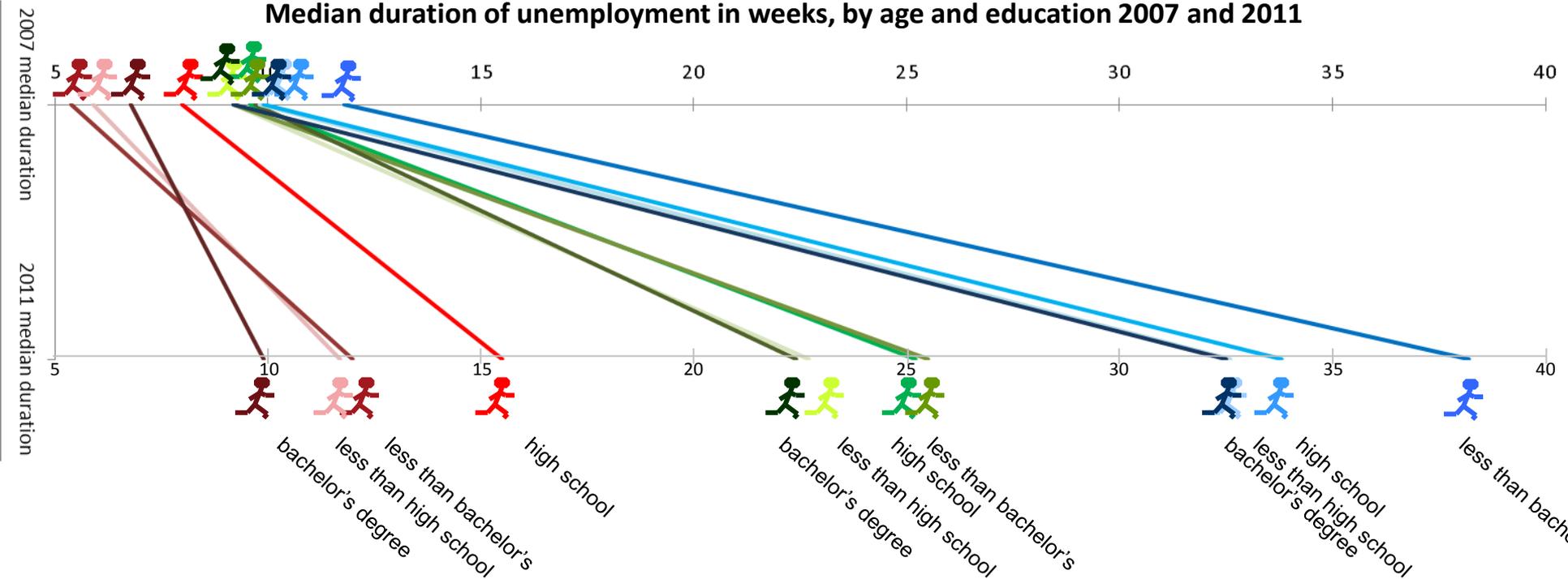
Source: Bureau of Labor Statistics, Current Population Survey



In this recession, older workers are out of work longer

The duration of unemployment has increased the most for older workers with middle levels of education and has changed the least among younger workers with more education.

Median duration of unemployment in weeks, by age and education 2007 and 2011



Red 16-24 years old; Green workers 25-54 years old; Blue workers ages 55 and over.

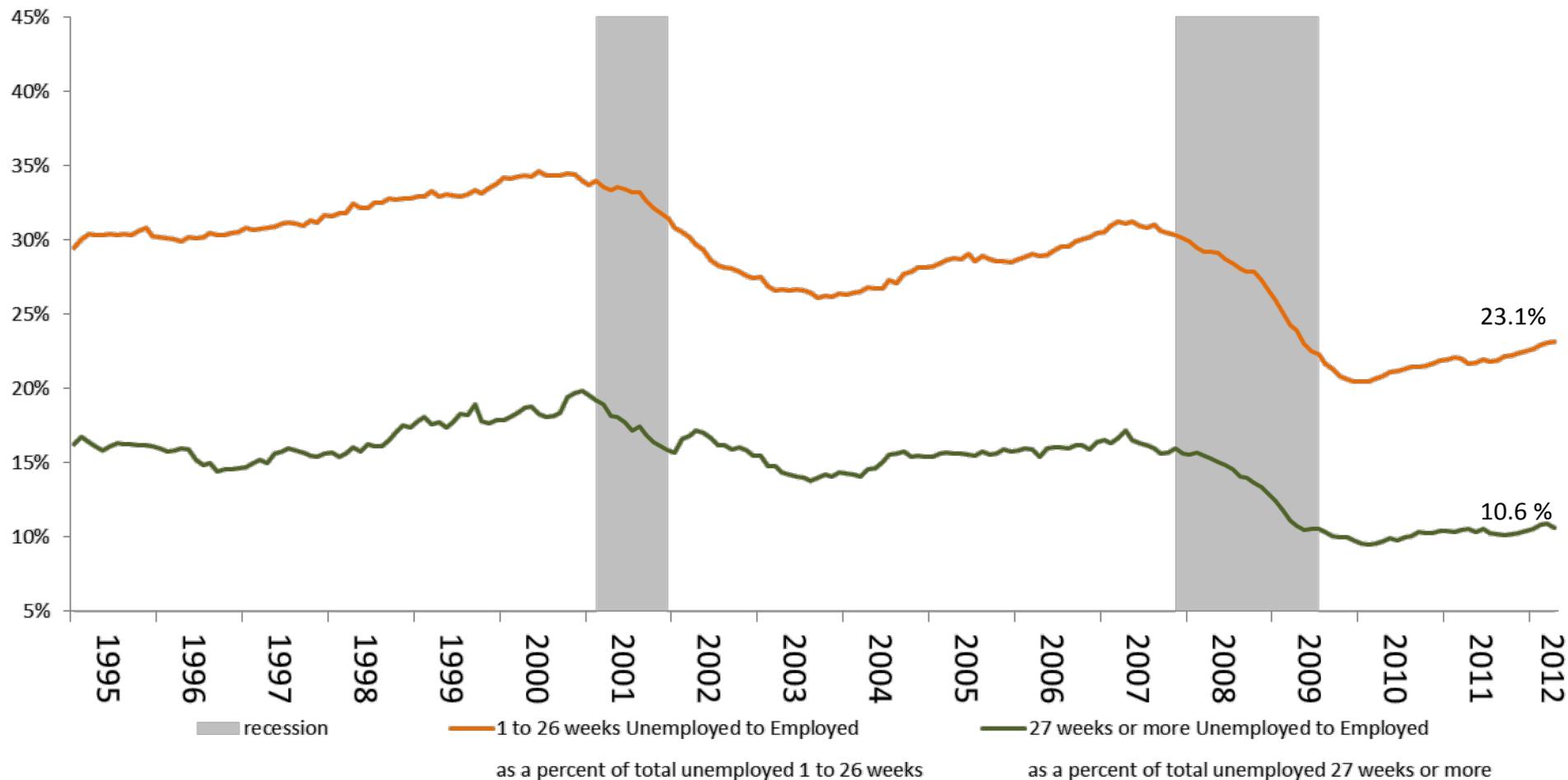
Darker shades represent higher education.

Source: Office of the Chief Economist, based on data from Bureau of Labor Statistics, Current Population Survey



Long-term unemployed return to employment

**Flows from unemployment to employment,
12-month moving averages, 1995 to 2012**





Extensions of UI for long-term unemployed

- Extensions of emergency unemployment compensation and emergency benefits for the long-term unemployed have benefitted over 17 million unemployed. Why important:
 1. Income support important to keep these families afloat (loss of up to 2 and half years of income for displaced over 20 year period), but also multipliers of UI are large (\$2 ripple through economy for every \$1).
 2. Keeps unemployed attached to the labor force and out of disability insurance.



Reforms to the unemployment insurance system to speed up return to work

- 1. Eligibility Assessments and Reemployment Assistance**: provides in-person check ins in UI office and provides skills assessments and job search plan – RCT shows reduction in UI spell by 4 weeks.
- 2. Self-employment Assistance**: allows unemployed to continue using UI benefits to set up their own business while providing entrepreneurship training.
- 3. Short-time Compensation**: employers can reduce hours in lieu of layoffs while allowing workers to claim UI.
- 4. UI Demonstrations**: allows the unemployed to claim UI while returning to short-term employment.