Recall and Unemployment

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"Recall and Unemployment"
(Shigeru Fujita and Giuseppe Moscarini)

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*The views expressed are solely the commenter's and are in no way attributable to the Federal Reserve Bank of San Francisco or the Federal Reserve System.

Overview

- Documents importance of recall/return to prior employer for individuals experiencing unemployment
  - Uses SIPP data for 1990 to late 2011 – heroic!
  - High frequency of recall (~30% for all separations), recalls tend to be short (vs. new job), declining hazard
  - Broadly consistent with past research (Lilien 1980, Katz 1986, Katz and Meyer 1990)

- I'll focus my brief comments on:
  - SIPP vs. CPS unemployment data
  - Measurement of recalls after 1993 (imputation)
  - Implications for The Great Recession: decline in recall?

Unemployment duration in the CPS

Measures of unemployment duration
Seasonally adjusted

Percent

Weeks

% LT Unemployed
(left axis)

Jul-12

Average Duration

Median
Duration
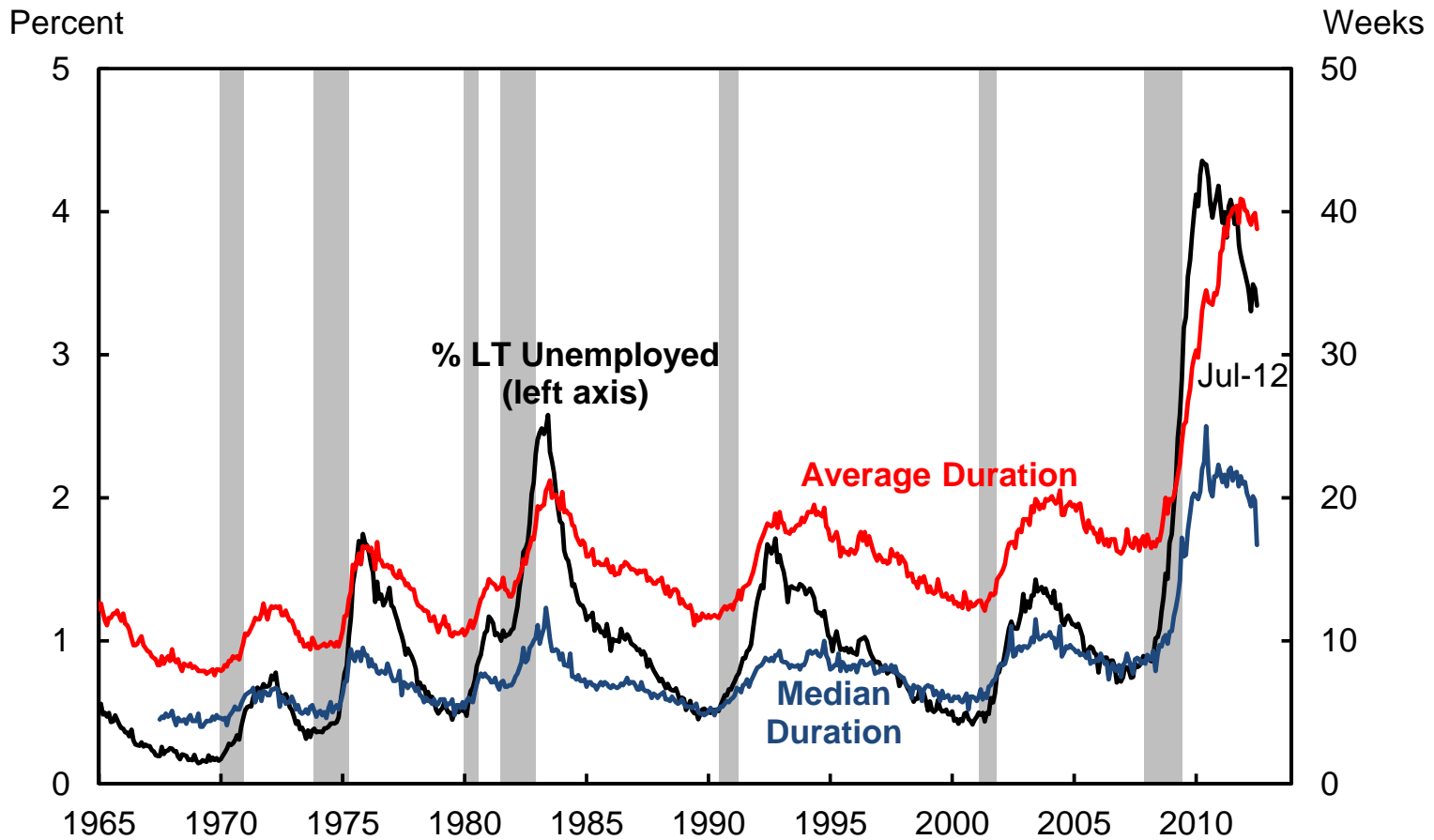
Source: Bureau of Labor Statistics/ Haver Analytics and FRBSF calculations. Percent of long-term unemployed is the number unemployed for >6 months as a share of the labor force.
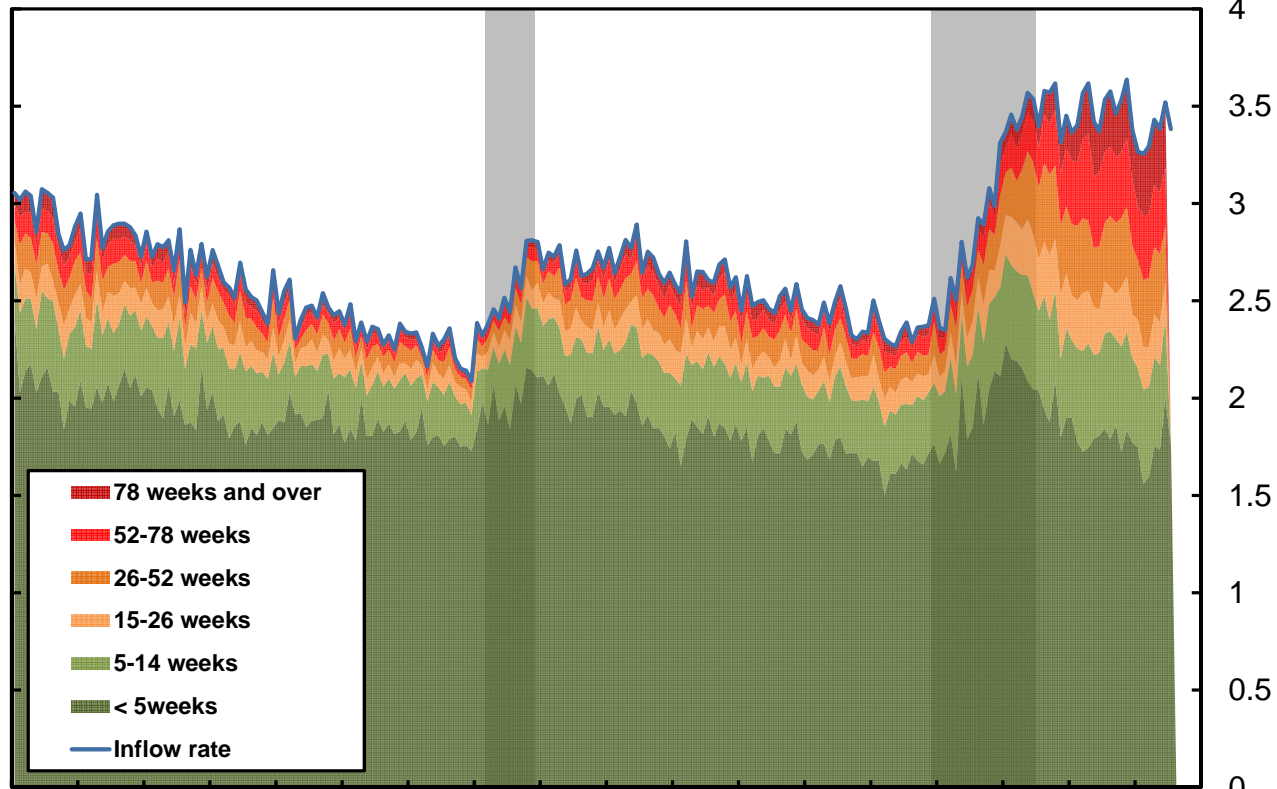
Unemployment in the SIPP and CPS

- Would be helpful to see more direct comparisons of unemployment by type and duration for SIPP vs. CPS

- **Duration in the SIPP** (Table 6):

  Average completed duration for EUE spells initiated in 2008 is **4 months**

- **Duration in the CPS** (preceding chart):

  Average duration of ongoing spells appears to be **5-6 months** in 2008-2009

Problem may be CPS: U entries at long durations
(from Elsby et al., BPEA Fall 2011)
(suggests respondents report time since PS?)

Unemployment inflow rates by duration

Seasonally adjusted monthly observations; share of labor force   Percent

Legend:
- 78 weeks and over
- 52-78 weeks
- 26-52 weeks
- 15-26 weeks
- 5-14 weeks
- < 5weeks
- Inflow rate

Source: Bureau of Labor Statistics, Current Population Survey and authors' calculations

Measuring recalls over time (imputation)

- Based on regression model using validated data in from 1990-93 surveys (confidential employer info, SS match)

  – Conditional on fixed characteristics (age, educ, etc.) and job change variables (Δocc, ind, wage, etc.)

- Essentially generates composition-adjusted recall probability: $Pr(R|X)$

  – But structure of $Pr(R|X)$ may have changed, over time (trend) and in recessions (cycle), even conditional on job change variables

  – Jobless recoveries, structural change, churn$\downarrow$

- May be OK, or misleading relative to limited recall variation over time displayed in tables

Implications for The Great Recession

- Past work and very long durations since 2009 suggest that recall durations (short) aren't critical

  - Lilien (1980): "the majority of cyclical unemployment [in 1975] is due to the longer unemployment spells of job changing job losers."

- But FM "conclude that a worker who entered unemployment in the Great Recession faced a lower probability of recall" (p. 28)

  - **Could explain long durations**, since not recalled experience long durations searching for new jobs

  - **Hard to see** recent decline in recall in Tables 8-11 (overall, composition adjusted, PS), except for separations in 2010; "no clear cyclical pattern" (p. 22)

Table 9: Composition-Adjusted Recall Rates by Year of Separation: 1996-2008 Panels

Panel	Separation Year	*EU* Recall Rates	*EU · · · UE* Recall Rates
1996	1996	0.433	0.466
1996	1997	0.439	0.473
1996	1998	0.412	0.462
2001	2001	0.413	0.461
2001	2002	0.377	0.443
2004	2004	0.464	0.536
2004	2005	0.392	0.445
2004	2006	0.358	0.415
2008	2008	0.426	0.520
2008	2009	0.402	0.519
2008	2010	0.364	0.490

Notes: Source, SIPP. Based on a logit regression. The first reference month for 2008 panel is April 2008 and thus separations occurred in 2008 cover May through December. Separations in 2010 include those that occur between January and July. For other years, separations occur throughout the year.

Implications for The Great Recession (con.)

- Theory section puts recalls in context of search-and-matching model: recalls are free, matching is costly (for firms and workers)

    – Simulations suggest that match/hiring costs must be high, given frequency of recalls

- Key questions for The Great Recession:

    – Structural unemployment: what happens if matching costs rise or matching efficiency declines?

    – Can the model generate the observed increase in search times (or time since last job) observed since 2008?