OUTLINE OF THE DISCUSSION OF FIELDHOUSE, MUNRO, KOCH, AND HOWARD (2024)

1. Differences between the claims-based and the official unemployment measure

2. Regional evolutions: changes in the responses to local shocks or in the outside option

3. Unemployment recovery from the pandemic recession

A thought-provoking paper, useful new data series, rich set of results on regional evolutions and unemployment recoveries!
CLAIMS-BASED VERSUS OFFICIAL UNEMPLOYMENT AS MEASURES OF LABOR MARKET SLACK
Claims-based versus official unemployment:

- Conceptually different measures of labor market slack:
  - Official unemployment counts all the non-employed who (1) report actively searching for work, or (2) do not search but are on temporary layoff.
  - Claims-based unemployment covers those who are eligible and who claim UI.

- Eligibility requirements specify:
  - pre-separation minimum duration of employment and pay
  - voluntary versus non-voluntary nature of the separation
  - duration of unemployment

- The question is whether the two measures provide the same information about
  - the timing
  - the degree of variation of slack
  - relation to other variables over the business cycle
A large fraction of the unemployed is not eligible for UI

- Individuals who hold short-term jobs, circle btw work and non-work represent a large fraction of unemployment but are less likely to be eligible for UI
  - Hall and Kudlyak (2019) find that most of unemployment comes from a small fraction of the population who circle among unemployment, nonparticipation, short-term jobs.
  - Gregory, Menzio, and Wiczer (2024), Ahn, Hobijn, and Sahin (2023) find that such individuals constitute a larger share of unemployment during recessions.
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- Labor force new entrants or re-entrants in unemployment

- Quits

- The long-term unemployed and exhaustion of benefits
LONG-TERM UNEMPLOYED AND EXHAUSTION OF BENEFITS

**Figure:** Long-term, 6mo+, unemployed as share of unemployment

- The share of LTU in unemployment is countercyclical.
- The individuals who exhausted their UI benefits are not counted in the claims-based measure.
UI TAKE UP RATE VARIES OVER TIME ABD BY STATE

**Figure:** UI take-up rates, given eligibility (Auray, Fuller, and Lkhagvasuren (2019))

- Auray, Fuller, and Lkhagvasuren (2019) find that from 1989 to 2012, on average, 23% of those eligible for UI benefits in the US did not collect them.
- There is substantial variability of take up rate by state.
CBUR captures business cycle inflection points and amplitude dynamics well.

But the two measures indicate different degree of slack when the differences described above are especially acute—e.g., the 2007-09 recession.
Regional evolutions
In a seminal work, Blanchard and Katz (1992) ask

- When a typical U.S. state has been affected by an adverse shock to employment, how has it adjusted?
  - Did wages decline relative to the rest of the nation?
  - Were other jobs created to replace those jobs destroyed by the shock?
  - Or did workers move out of the state?
Regional evolutions: Fieldhouse et al. (2024)

Fieldhouse et al. (2024), LP Bartik shock, 1949-2019:

- The response of relative employment has diminished and become less persistent.
- The response of relative population has diminished.
- The response of unemployment has been stable.

Interpretations:

=> The role of interstate migration has diminished.
=> Participation has become a more important adjustment margin.
=> States’ increasingly similar industrial composition helps explain why interstate migration is becoming less of a margin for adjustment to local demand shocks.
**Responses: wages and house prices**

**Figure:** Local responses to Bartik demand shocks

(a) 1976-1985

(b) 1986-2019
**Responses: unemployment, LFP rate**

**Figure:** Local responses to Bartik demand shocks

(a) 1976-1985

(b) 1986-2019
**Responses: employment, population**

**Figure:** Local responses to Bartik demand shocks

(a) 1976-1985

(b) 1986-2019

Interpretation: ▶ Changes in responses to local shocks or changes in the outside option?
Responses: employment, population

Figure: Local responses to Bartik demand shocks

(a) 1976-1985

(b) 1986-2019

Interpretation:

- Changes in responses to local shocks or changes in the outside option?
Workers’ reallocation decision depends both on the shock to their current location as well as the shocks to the potential alternative locations.

By omitting the shocks to the relevant alternative locations, the conventional migration regression is mis-specified.

Attenuation of the shock effect in population regressions is particularly severe if the shocks are correlated across locations.

When labor demand shocks have an industry component, industry switching costs reduce migration beyond regional frictions, further attenuating est.-es.

Borusyak et al. show that even when population regressions yield misleading interpretations, associated wage regressions may still yield valid conclusions.

Even if workers are very responsive to local shocks, there might be little incentive to relocate when potential alternative locations face similar shocks.
UNEMPLOYMENT RECOVERIES
The inexorable recoveries of unemployment

Source: Hall and Kudlyak (2022a).
Why has the US economy recovered so consistently from every recession in the past 70 years?

- Despite high variation in monetary and fiscal policy, and in productivity and labor-force growth during the 70 years, there was little variation in the rate of decline of unemployment during recoveries.

- Our thesis in Hall and Kudlyak (2022c) is that the economy has a powerful tendency to self-recover from adverse shocks. A natural force causes job-seekers to match with available jobs and to lower unemployment. The process is slow because a typical crisis breaks worker-firm employment relationships, and creating new stable relationships is time consuming.
To understand the labor market during the pandemic and its aftermath, one should examine separately temporary-layoff unemployment and unemployment due to other reasons—*jobless unemployment* (Hall and Kudlyak (2022b)).
Recoveries of jobless unemployment


Log of jobless unemployment rate
Recoveries of jobless unemployment, national

Annual log points


Recovery Cycle
Recoveries of jobless unemployment, national and by state

Annual log points

Recovery Cycle

By State

U.S. National Level

1994 2003 2009 2020

1994 2003 2009 2020
Conclusions
Fieldhouse et al. (2024) have done a great service to the profession by creating the unemployment rate state series for the entire postwar period.

The response of relative claims-based unemployment and wages to local Bartik shocks have not changed over time. The lower estimates of the response of relative population or employment might not mean a smaller response to local shocks, but rather a greater correlation between local shocks and the shocks to the outside options.

The pace of the unemployment recoveries has remained fairly consistent through the postwar period.

Studying unemployment recovery from the pandemic recession requires a separate examination of jobless unemployment.


———. 2022c. “Why Has the US Economy Recovered So Consistently from Every Recession in the Past 70 Years?” *NBER Macro Annual* 36.
Extras
Entrants, re-entrants, and quits in unemployment

Figure: The unemployed potentially not eligible for UI, share of unemployment

(a) New entrants, re-entrants

- The new entrants, re-entrants, and quits are typically non-eligible for UI.
- They represent a procyclical share of total unemployment.
**Responses: Unemployment**

**Figure:** Local responses to Bartik demand shocks

(a) 1976-1985

(b) 1986-2019