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Discussion

Jonathan Parker began the discussion by inquiring whether the data used in Fatih Guvenen's presentation was panel data, as opposed to repeated cross sections. He was concerned that, if the data did not follow a particular set of individuals over time, it would be subject to changing compositional effects during recessions. Fatih Guvenen clarified that he used two data sources, both from the Social Security Administration, and that the data followed the same individuals over time. The first data set runs from 1957 to 2010, and the shorter, more recent data sample runs from 1978 to 2012 and is a 100% sample of individuals with Social Security numbers.

Bob Hall emphasized the importance of distinguishing between the employment-unemployment transition rate and the separation rate. The separation rate, because it also includes job-to-job transitions, is not nearly as cyclical as the employment-unemployment transition rate. He interpreted this as indicating that individuals who might have experienced a job-to-job transition during normal economic times instead experience an unemployment spell during recessions. He then argued that the changing mix of separations during recessions is what creates the spike in the employment-unemployment transition rate, not an increase in separations, and therefore this phenomena should not be referred to as "job destruction." He acknowledged that there is a spike in separations during recessions, but that it was much smaller than the employment-unemployment transition rate spike. He also emphasized the desirability of thinking about both employment-unemployment and employment-nonparticipation transitions.

Christopher Foote pointed out that their paper attempts to adjust for certain time aggregation issues. He and his coauthor followed Shimer

(2005) in attempting to adjust for the possibility of rapid employment-unemployment-employment transitions. More careful adjustments, such as those done by Shimer (2012), were not feasible because of the limits of the occupation data.

Narayana Kocherlakota expressed his sympathy for the argument Fatih Guvenen made in his presentation, that economists should consider wages and employment together. He pointed out that the manner in which wages and employment respond to a shock like the Great Recession will depend in part on the nature of the contract between the worker and the firm. Some kinds of jobs are going to offer a lot of insurance, in terms of wages, and other kinds of jobs are not going to offer that insurance.

Finally, Christopher Foote thanked the discussants and emphasized one of the points made by Richard Rogerson in his presentation. In the data, there is a nonmonotonic pattern of the declines in labor-force participation rate across groups with different levels of education. Christopher Foote argued that in the earliest literature on job polarization, researchers equated middle-wage jobs with middle-skill jobs. He believes there is a tension between this kind of approach and the routine/nonroutine distinction used in other parts of that literature. He offered the example of an assembly-line worker, who can be trained to use a particular machine in a single day, and is not obviously more skilled than a restaurant cook, or someone else in an occupation categorized as low skill. Foote characterized the 1990s as a time when many unskilled, but relatively high-wage workers lost their jobs. He paraphrased Paul Willen as saying that there are "bad jobs at bad wages," "bad jobs at good wages," which involve compensating differentials, and "good jobs at good wages," such as working at the Federal Reserve. Foote argued that because of compensating differentials, it is not surprising that many people who did not finish high school have middle-income wages, which is observed in the data. He noted that in their sensitivity analysis, the results become weaker when they drop people without a high school degree from the sample. His interpretation of this fact is that some high school dropouts show up in the data as middle-skill workers, emphasizing the point that one needs to distinguish between skills and wages.