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Hoover Senior Fellow

Slides for Workshop Series on the 2008 Financial Crisis: The Recession

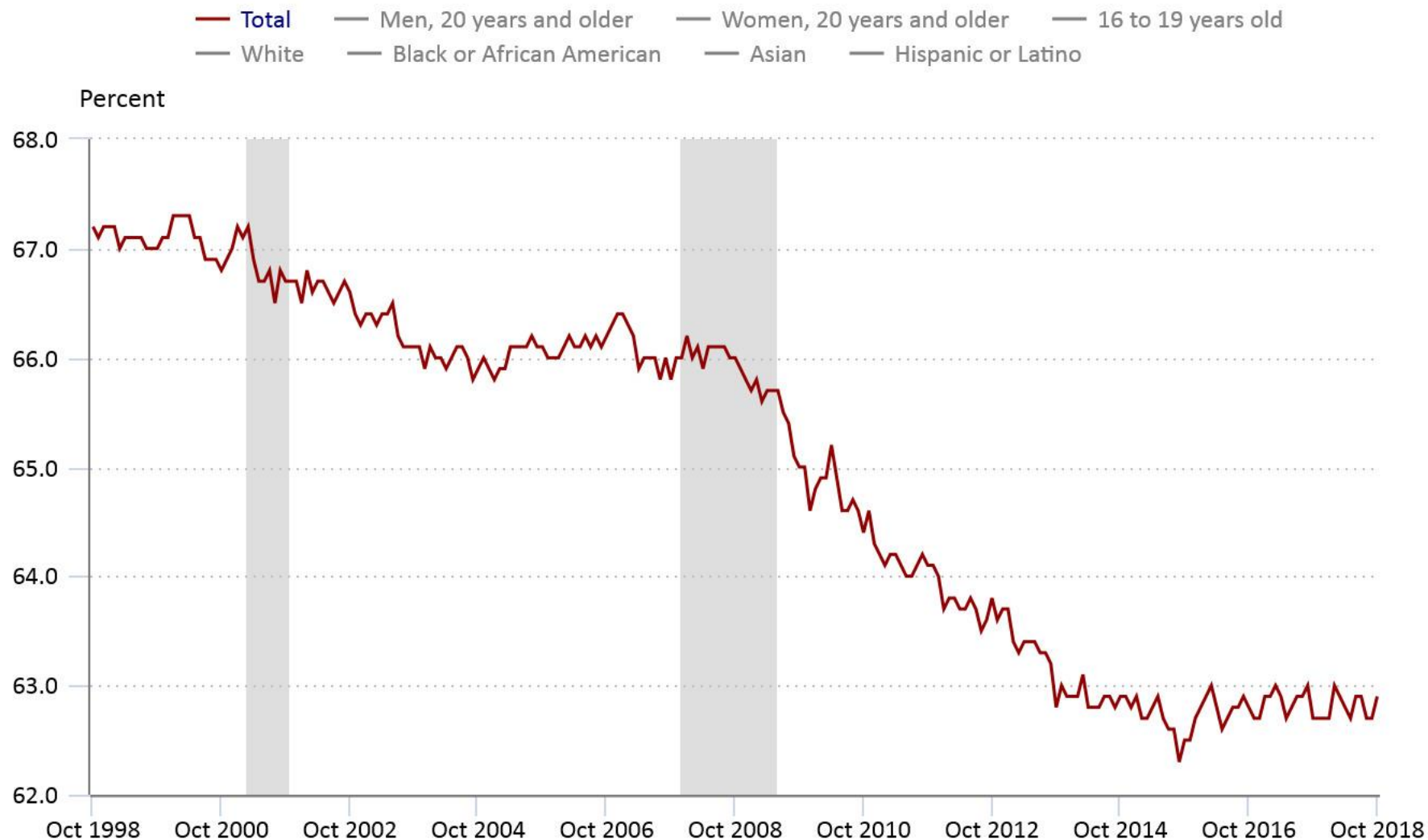
Friday, December 7, 2018

Labor Market Adjustment

- Today: suggestive evidence that policies during the recession failed to promote labor market adjustment, leading to permanently lower worker hours.
- This matters because in the long-run, the growth rate of potential GDP equals the growth rate of employment – that is, worker hours – plus the growth rate of productivity – that is, output per worker-hour – plus some other lesser factors. Thus a slower long-run growth rate of worker hours translates one-for-one into a slower growth rate of potential GDP.

Civilian labor force participation rate, seasonally adjusted

Click and drag within the chart to zoom in on time periods



Hover over chart to view data.

Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

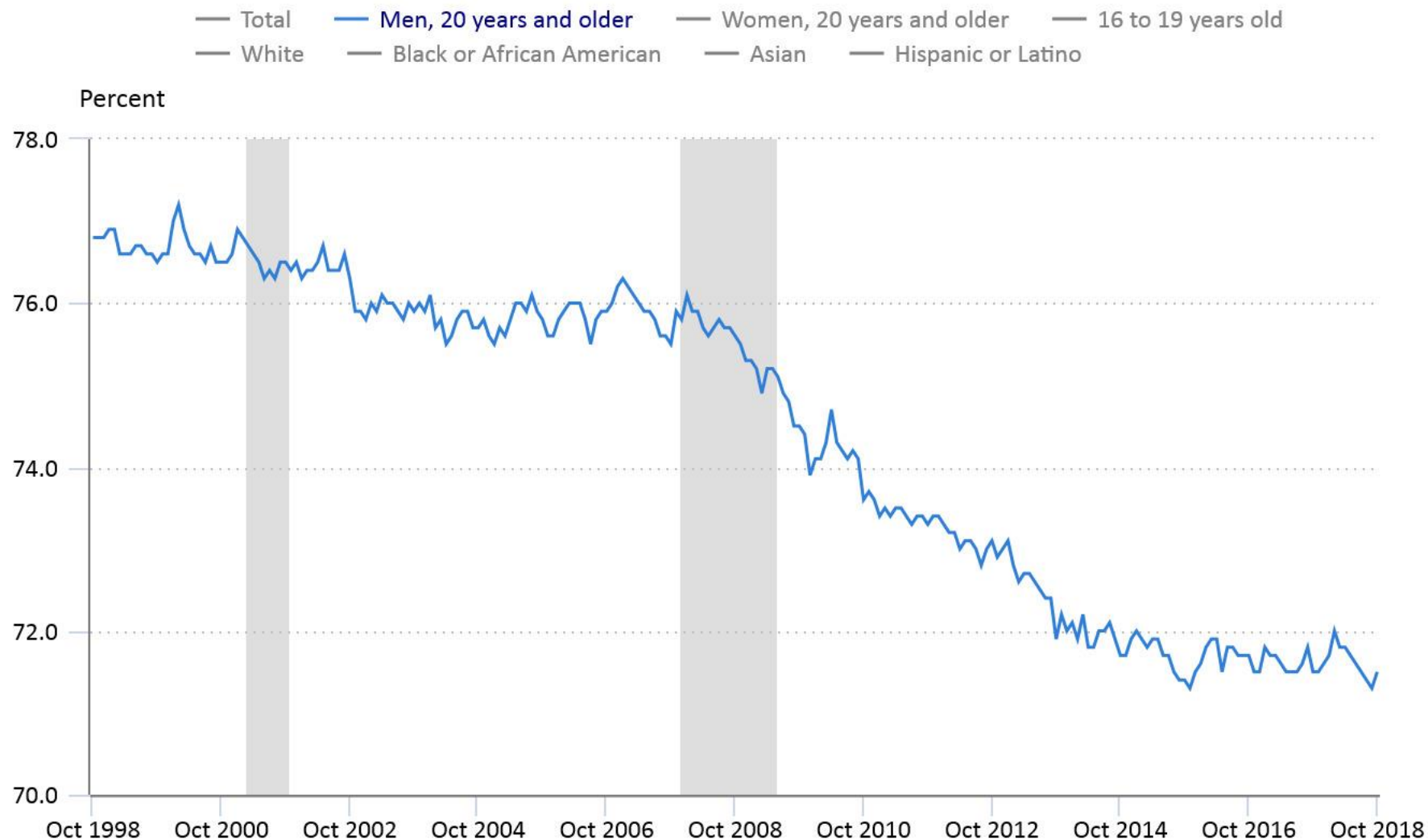
Persons whose ethnicity is identified as Hispanic or Latino may be of any race.

Source: U.S. Bureau of Labor Statistics.



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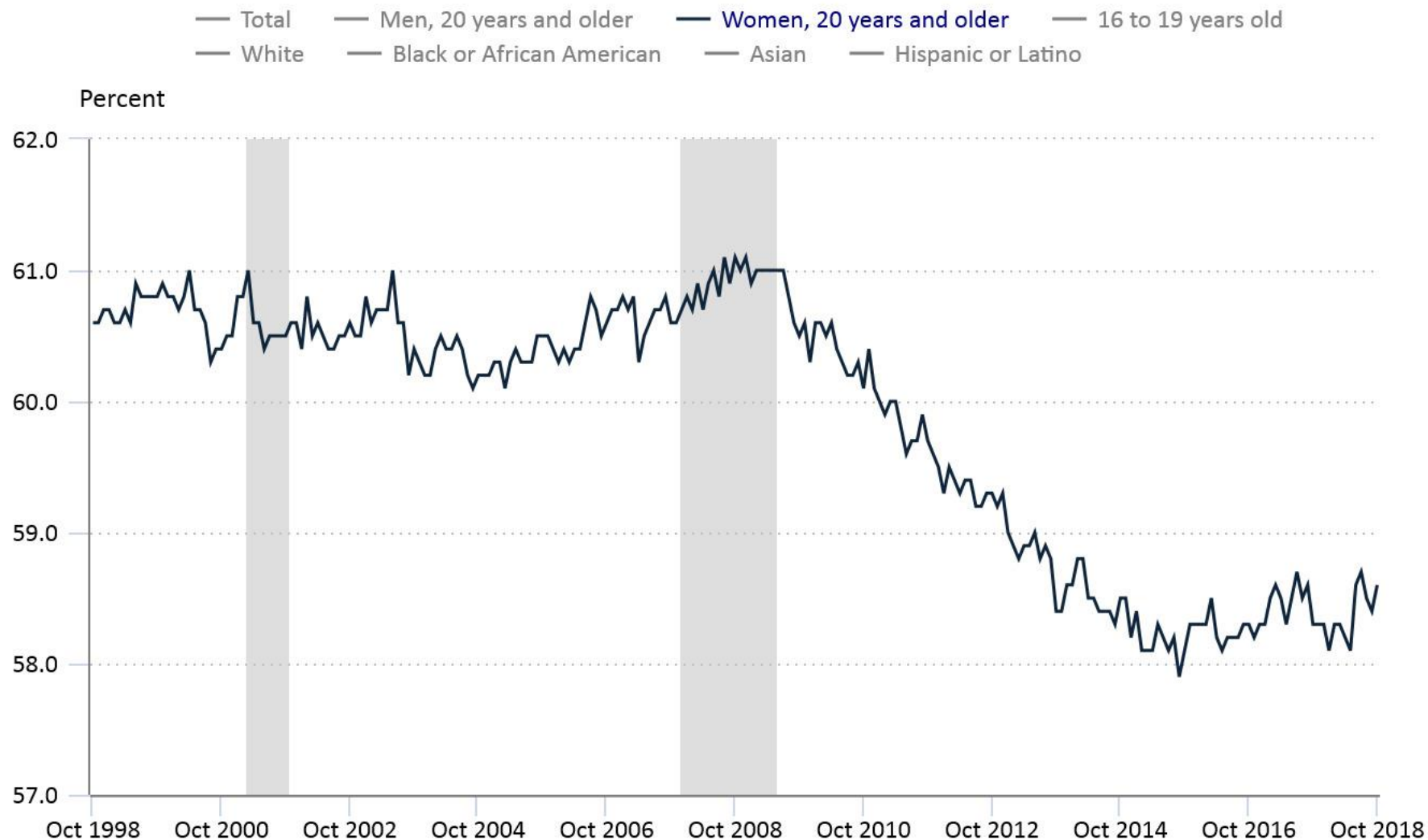
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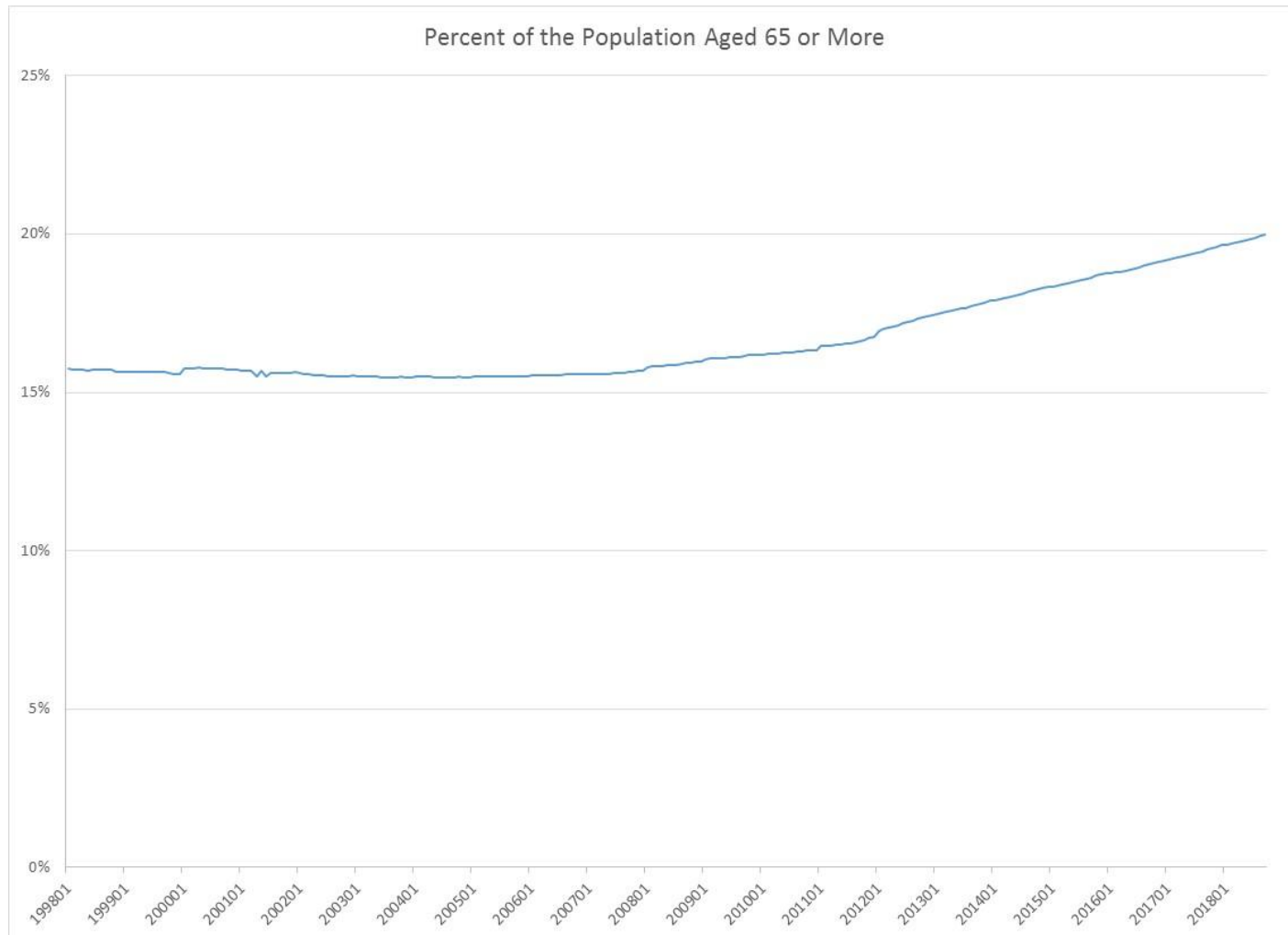
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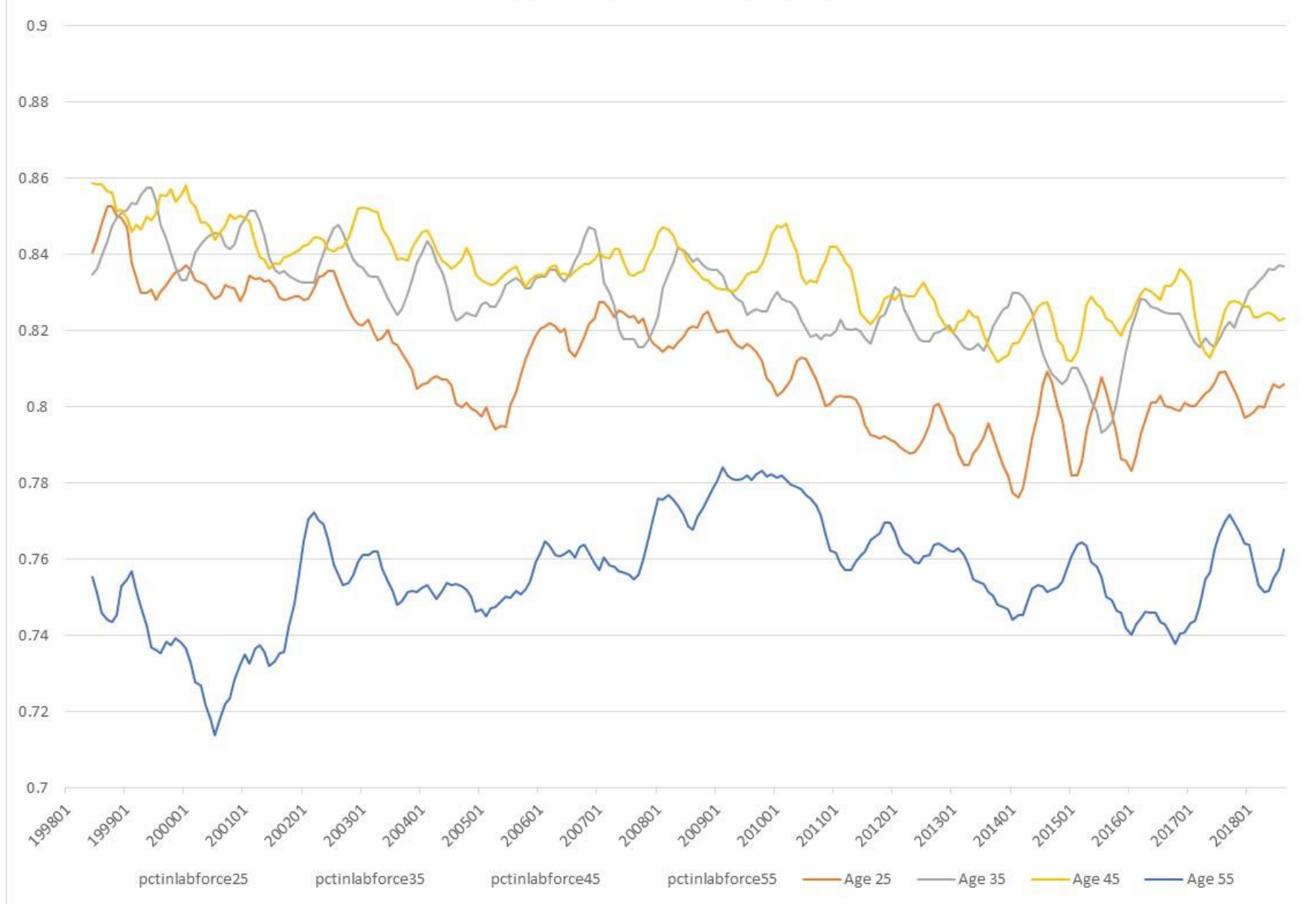
Are the Lower Labor Force Participation Rates Just Baby Boomer Aging?



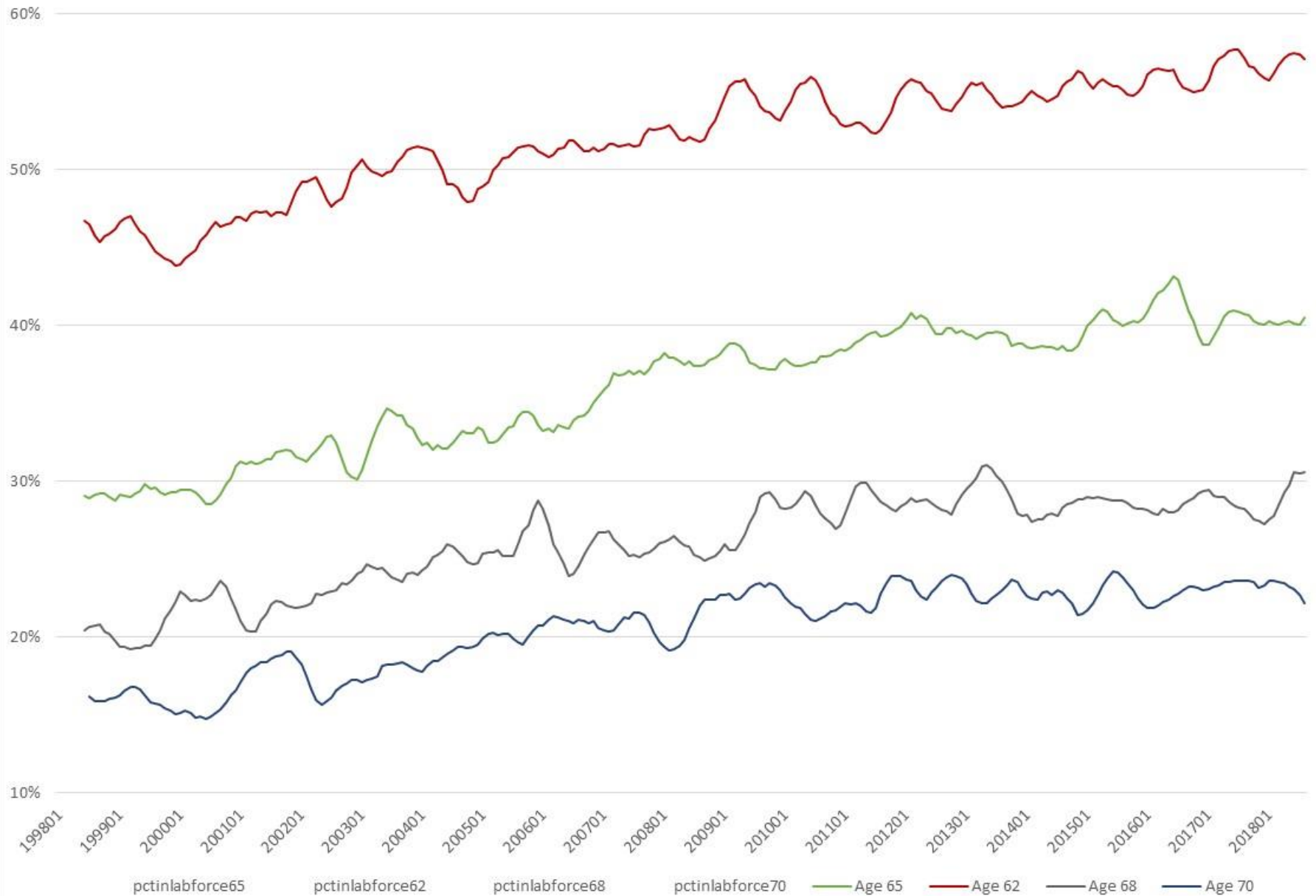
No, Baby Boomer Aging is not the Whole Story.

- Decreasing participation rates conditional on age
- Decreasing hours conditional on age
 - even if we look just at those who worked
- Increasing disability rates conditional on age
- Increases in school attendance among mature students
 - worrisomely: especially at for-profits and among likely defaulters
- Very little evidence of migration picking up during the recession

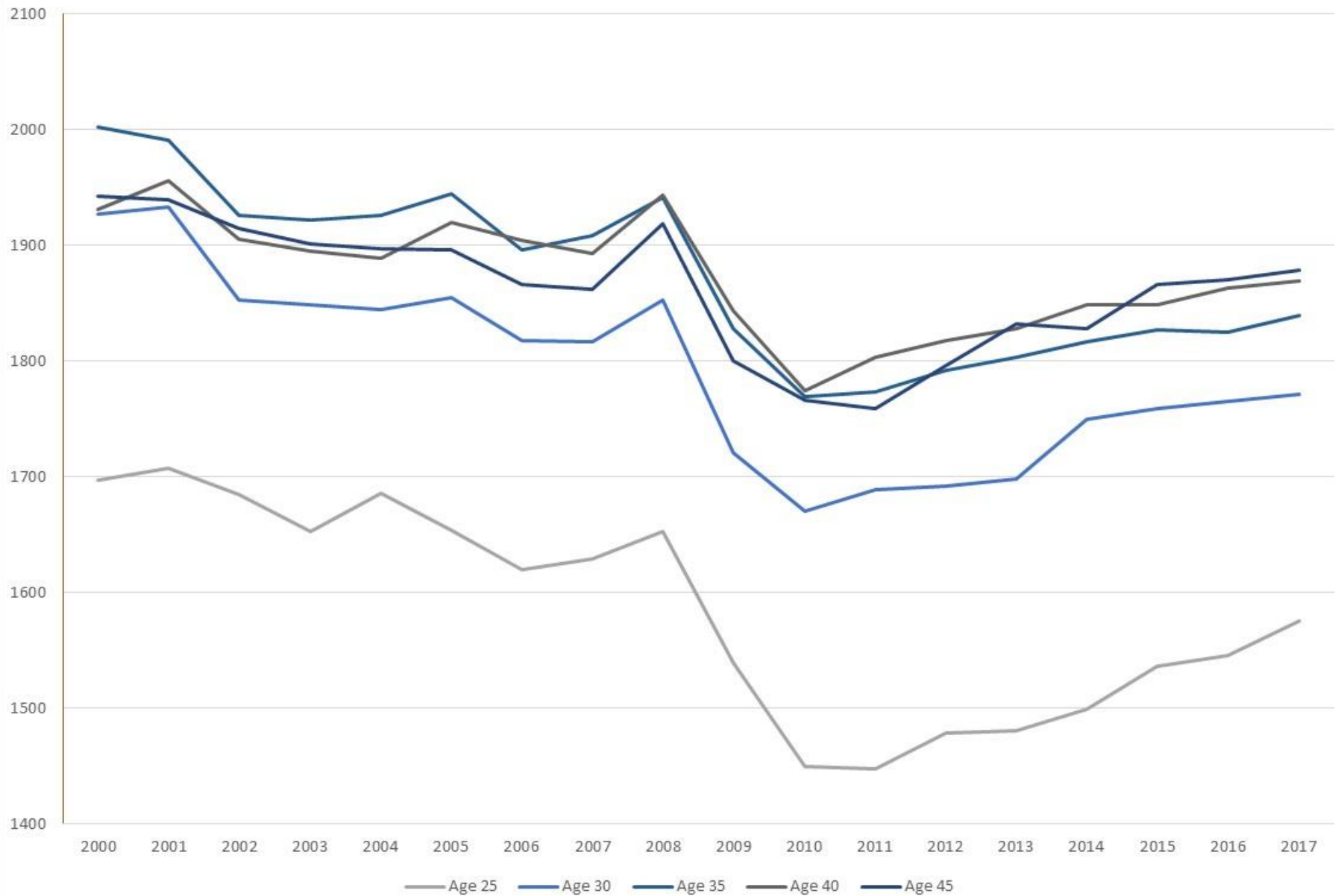
Percent in the Labor Force by Age



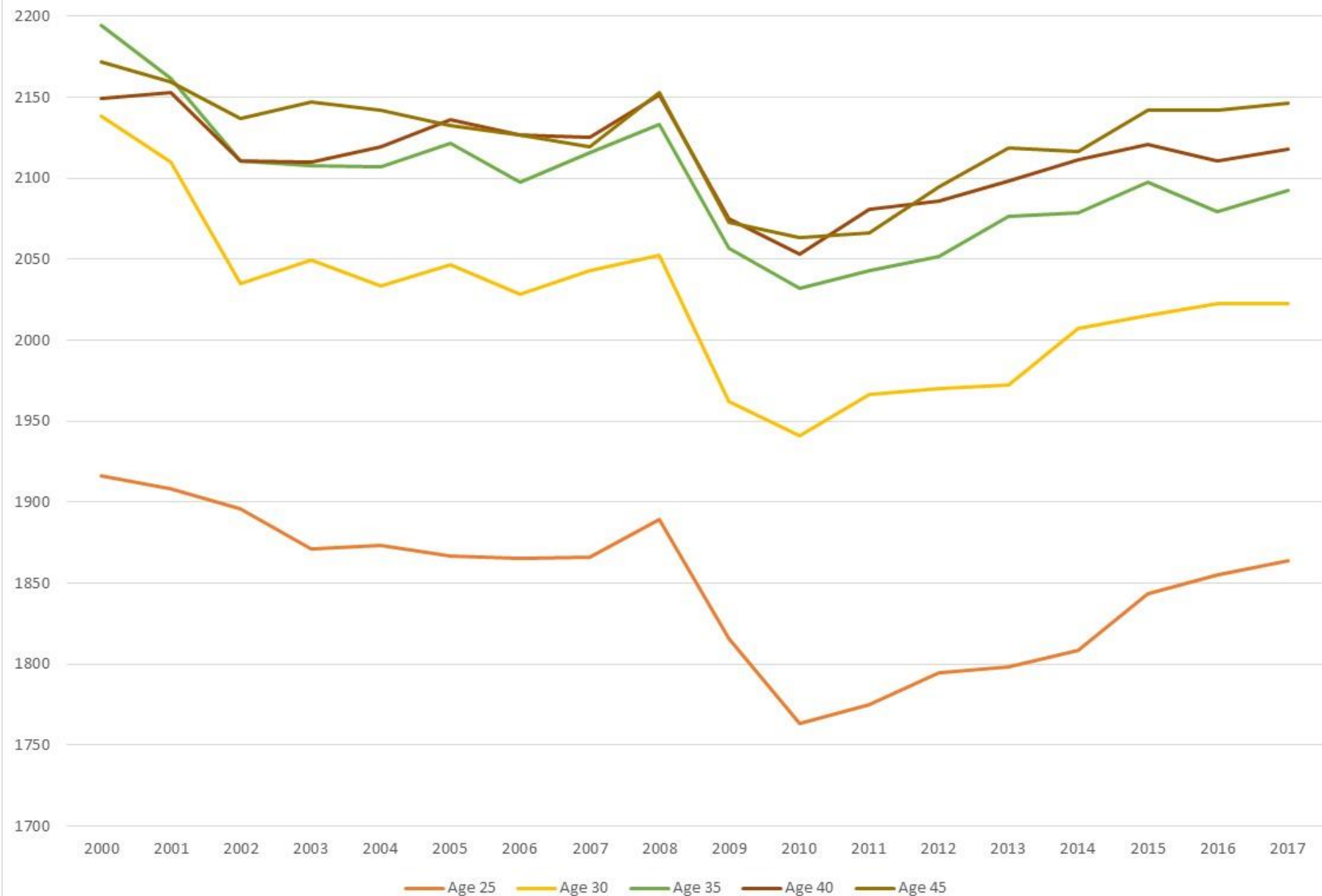
Percent in the Labor Force by Age, Ages 62 to 70



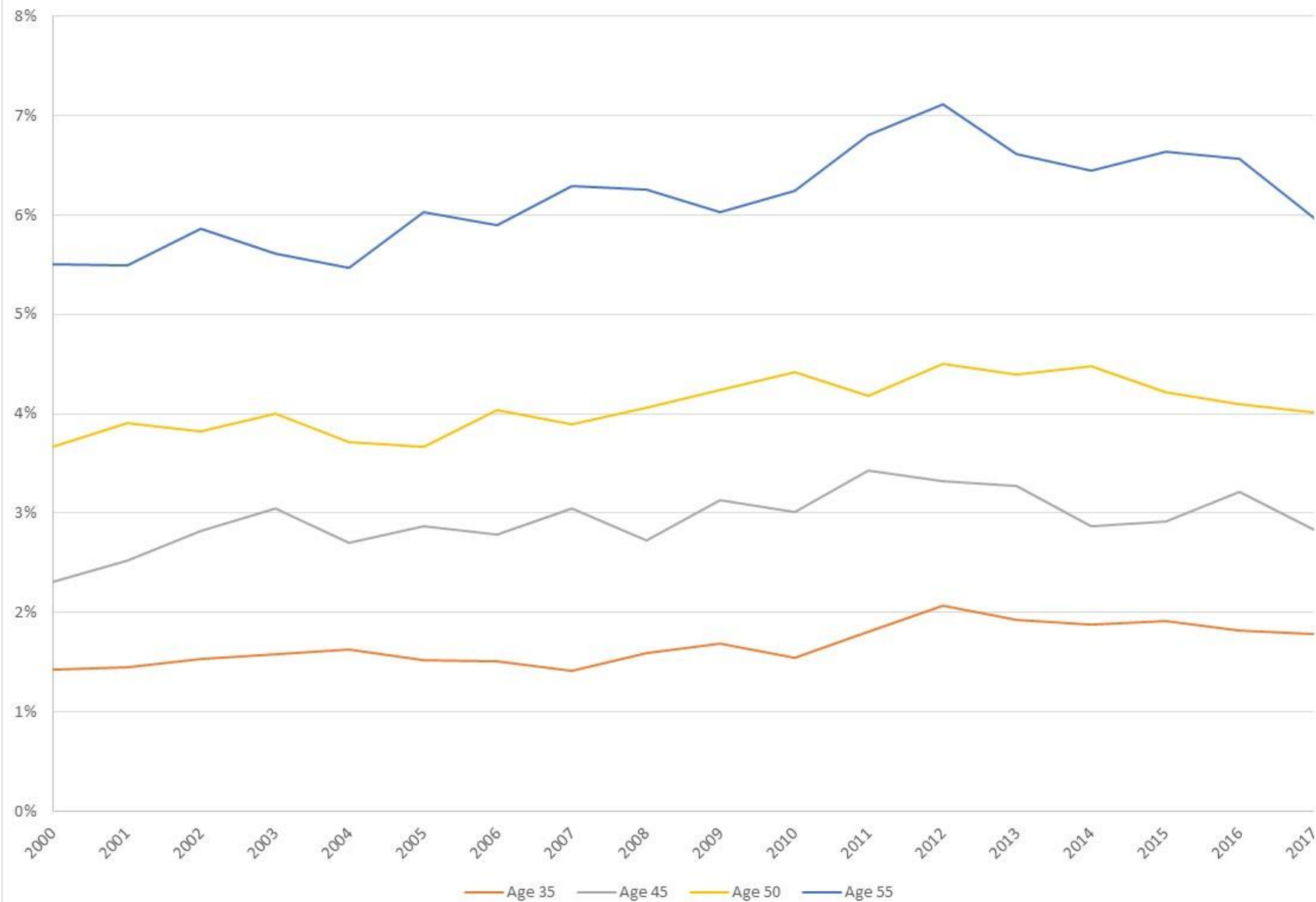
Total Hours Worked Last Year including Zeros, Males Ages 25 to 45



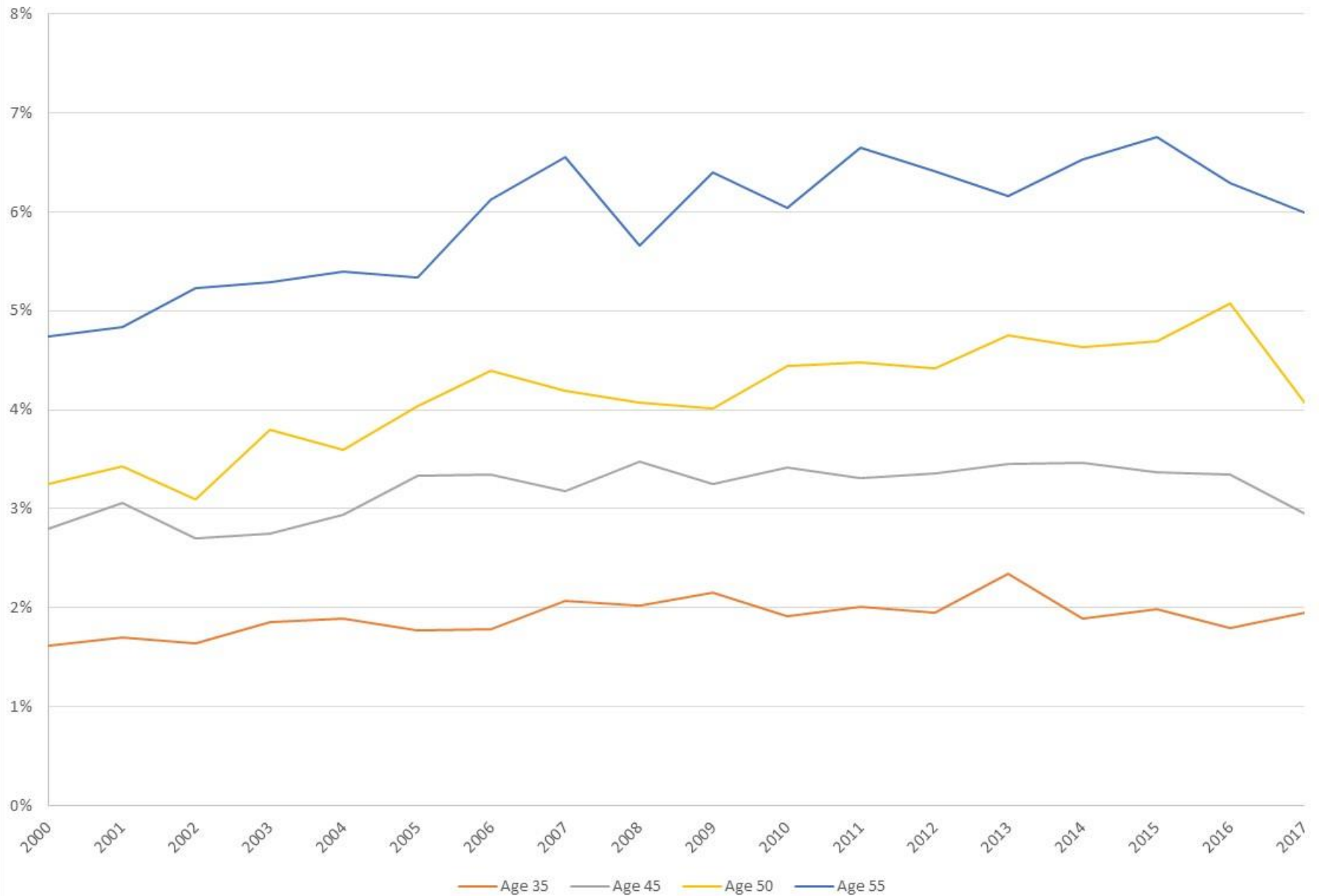
Total Hours Worked Last Year Among Those Who Worked, Males Ages 25 to 45



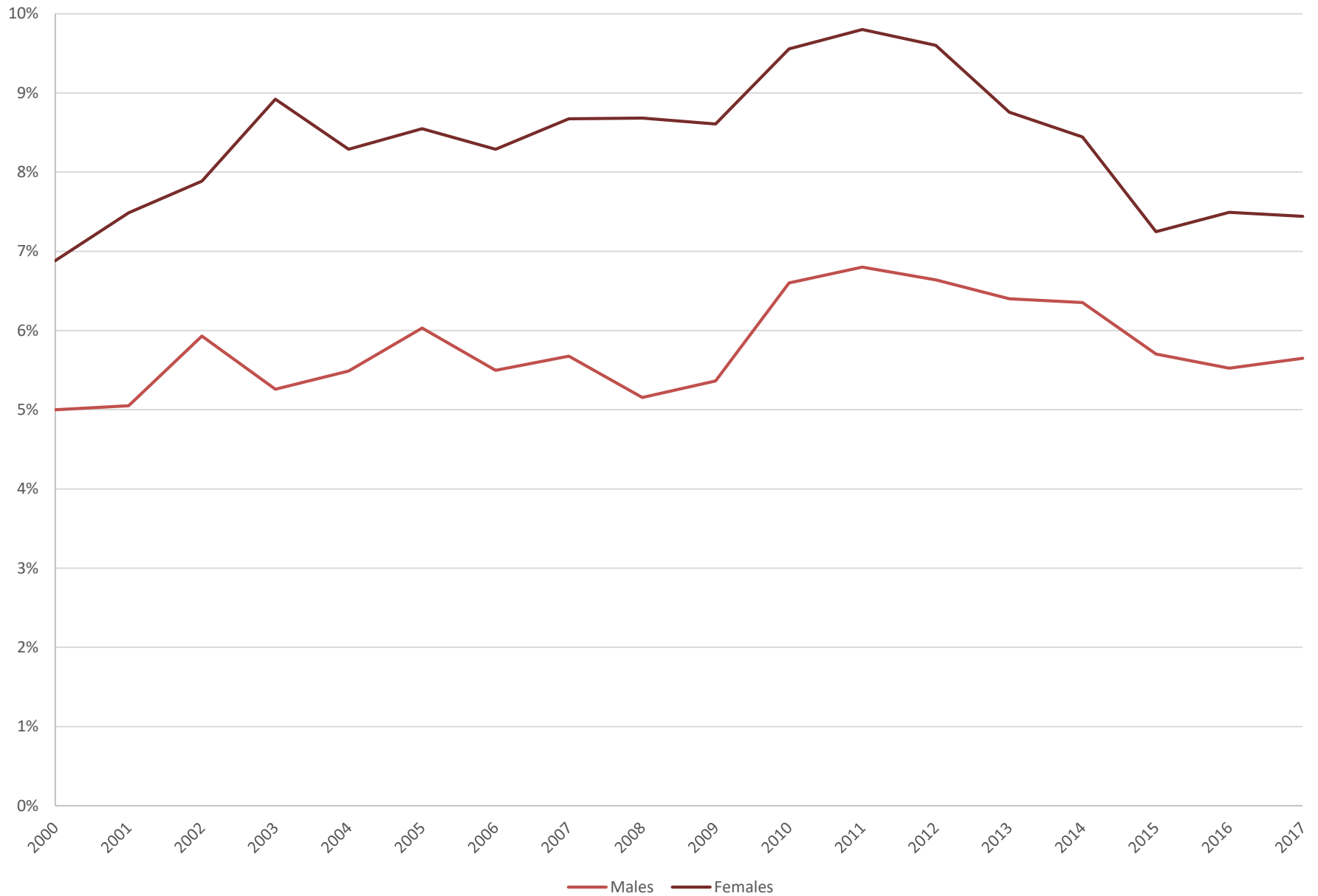
Percentage of Males on Disability (SSI) by Age, Ages 35 to 55



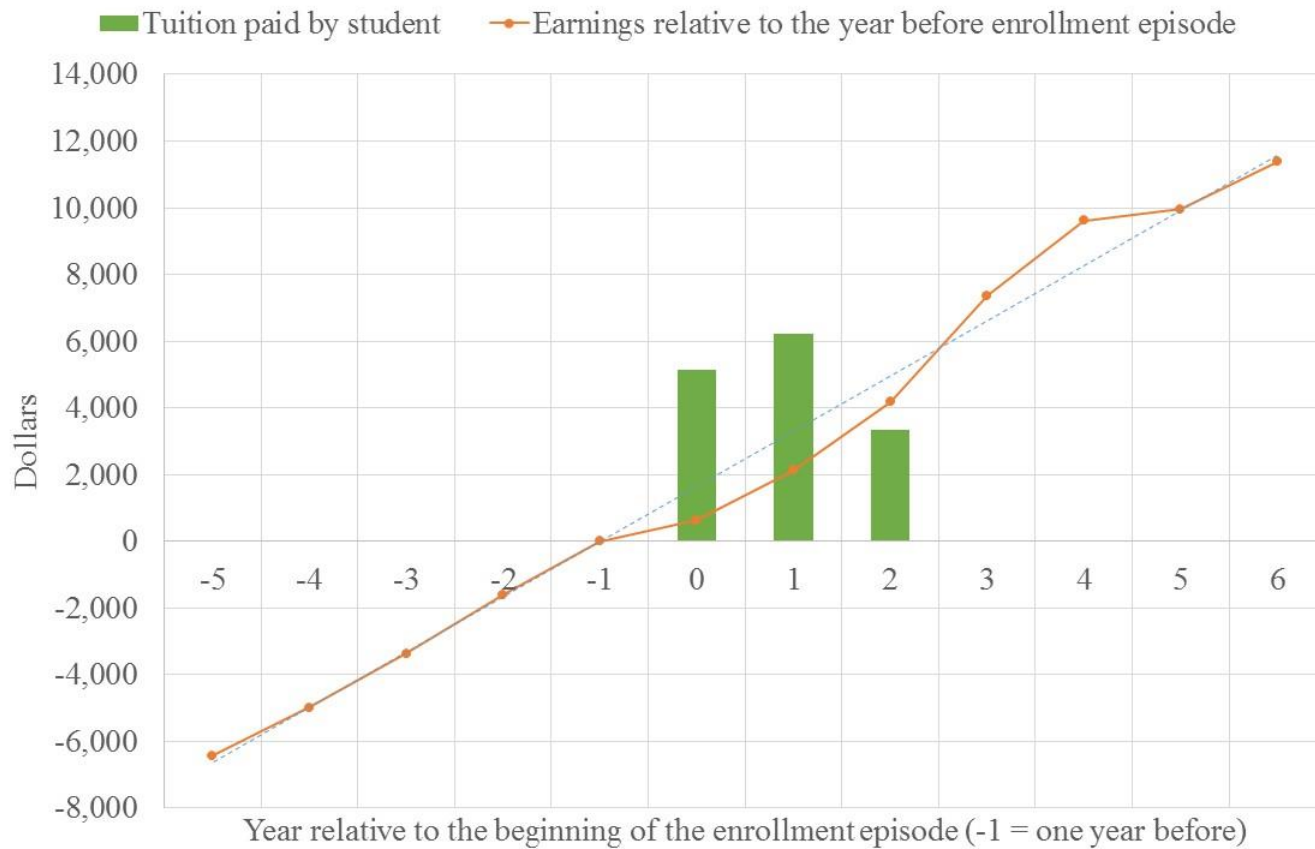
Percentage of Females on Disability (SSI) by Age, Ages 35 to 55



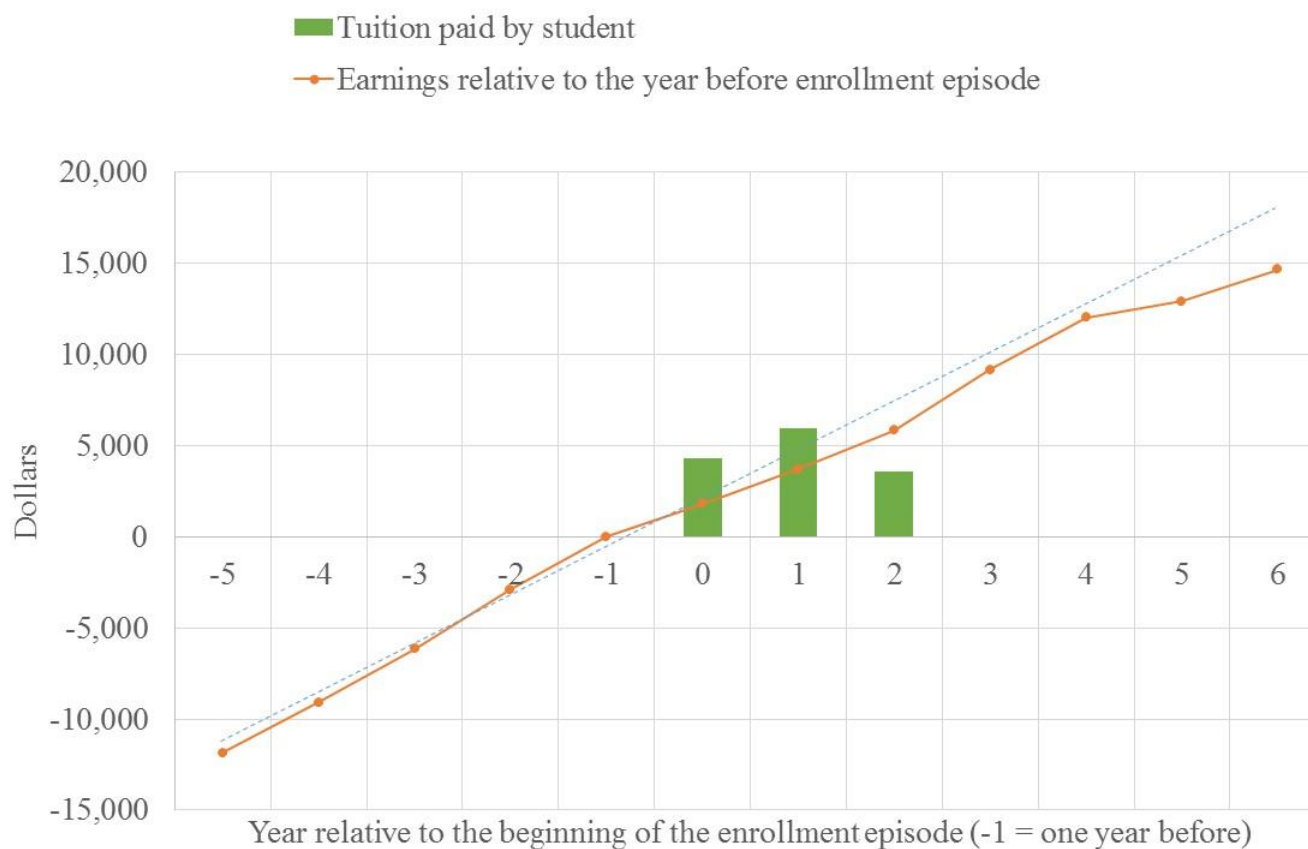
Percentage of Males & Females Attending School at Age 35



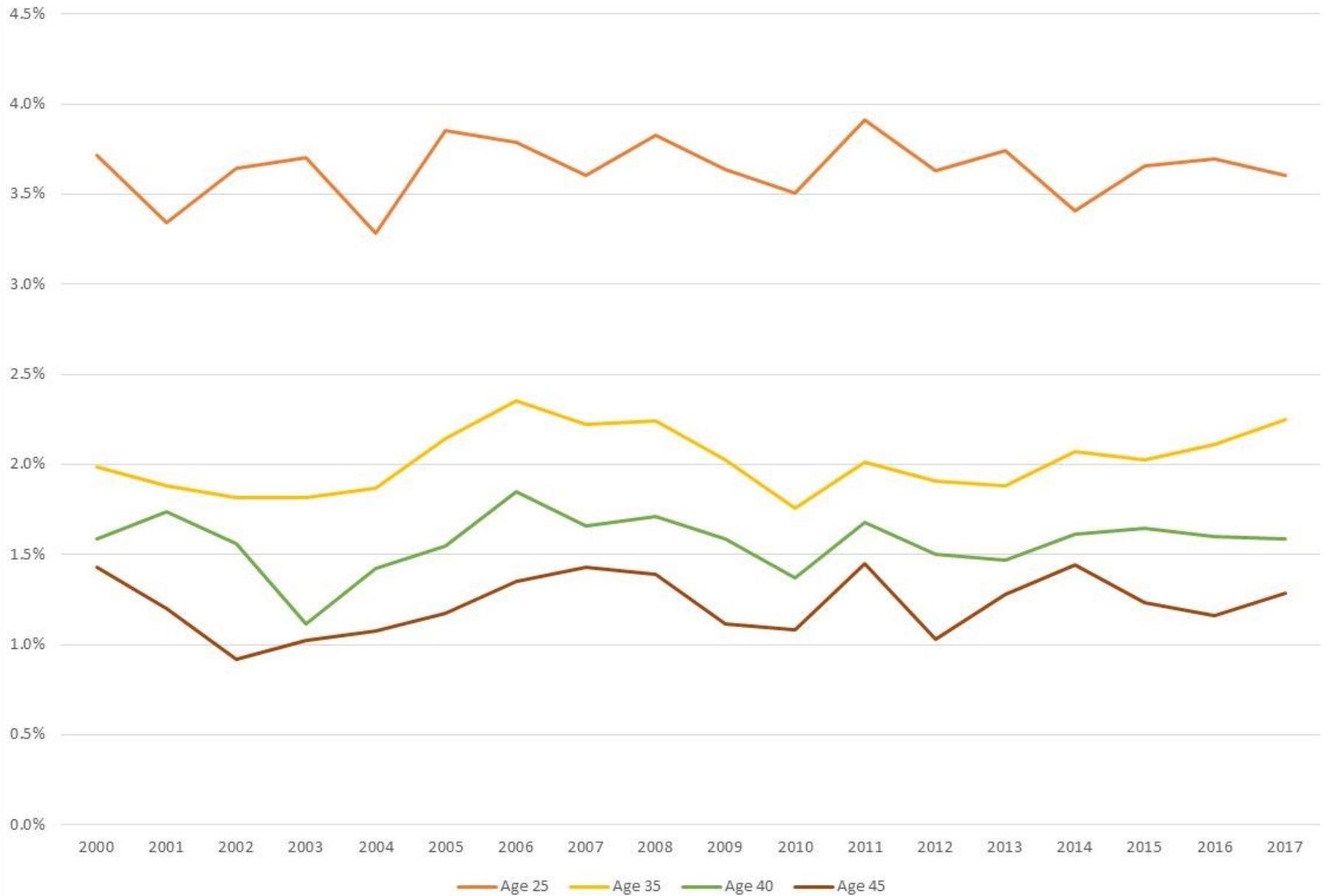
Earnings and costs associated with 3-year enrollment episodes at For-Profit Mainly-Online Schools



Earnings and costs associated with 3-year enrollment episodes at For-Profit Exclusively-Online Schools



Percent Migrated to a Non-Contiguous State in Last Year, Males 25 to 55



Can we point to policies?

- Extensions of unemployment insurance that can be a precursor for disability qualification.
- Extensions of unemployment insurance that may cause skills to deteriorate.
- More welcoming attitudes for social insurance: disability, SNAP etc.
- States' use of stimulus money to prop up wages of state and local workers when state coffers were low.
- Substantial increases in the amount of the Pell Grant plus making it available to the unemployed (even if they had previously exhausted their eligibility).
- Very substantial increases in the stipendary benefits of enrolling for veterans.
- Housing programs that did not encourage migration.

