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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.
Civilian labor force participation rate, seasonally adjusted

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

Percent

78.0
76.0
74.0
72.0
70.0


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Civilian labor force participation rate, seasonally adjusted

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

- Total
- Men, 20 years and older
- Women, 20 years and older
- 16 to 19 years old
- White
- Black or African American
- Asian
- Hispanic or Latino

Percent

62.0

61.0

60.0

59.0

58.0

57.0

Oct 1998
Oct 2000
Oct 2002
Oct 2004
Oct 2006
Oct 2008
Oct 2010
Oct 2012
Oct 2014
Oct 2016
Oct 2018

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

Age 25  Age 30  Age 35  Age 40  Age 45
Earnings and costs associated with 3-year enrollment episodes at For-Profit Mainly-Online Schools

- Tuition paid by student
- Earnings relative to the year before enrollment episode

Year relative to the beginning of the enrollment episode (-1 = one year before)
Earnings and costs associated with 3-year enrollment episodes at For-Profit Exclusively-Online Schools

- **Tuition paid by student**
- **Earnings relative to the year before enrollment episode**

![Graph showing earnings and costs over time relative to the beginning of the enrollment episode.](image)
Percent Migrated to a Non-Contiguous State in Last Year, Males 25 to 55

- Age 25
- Age 35
- Age 40
- Age 45
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.