The U.S. Labor Market: Still Anemic Two Years “After” the End of the Recession

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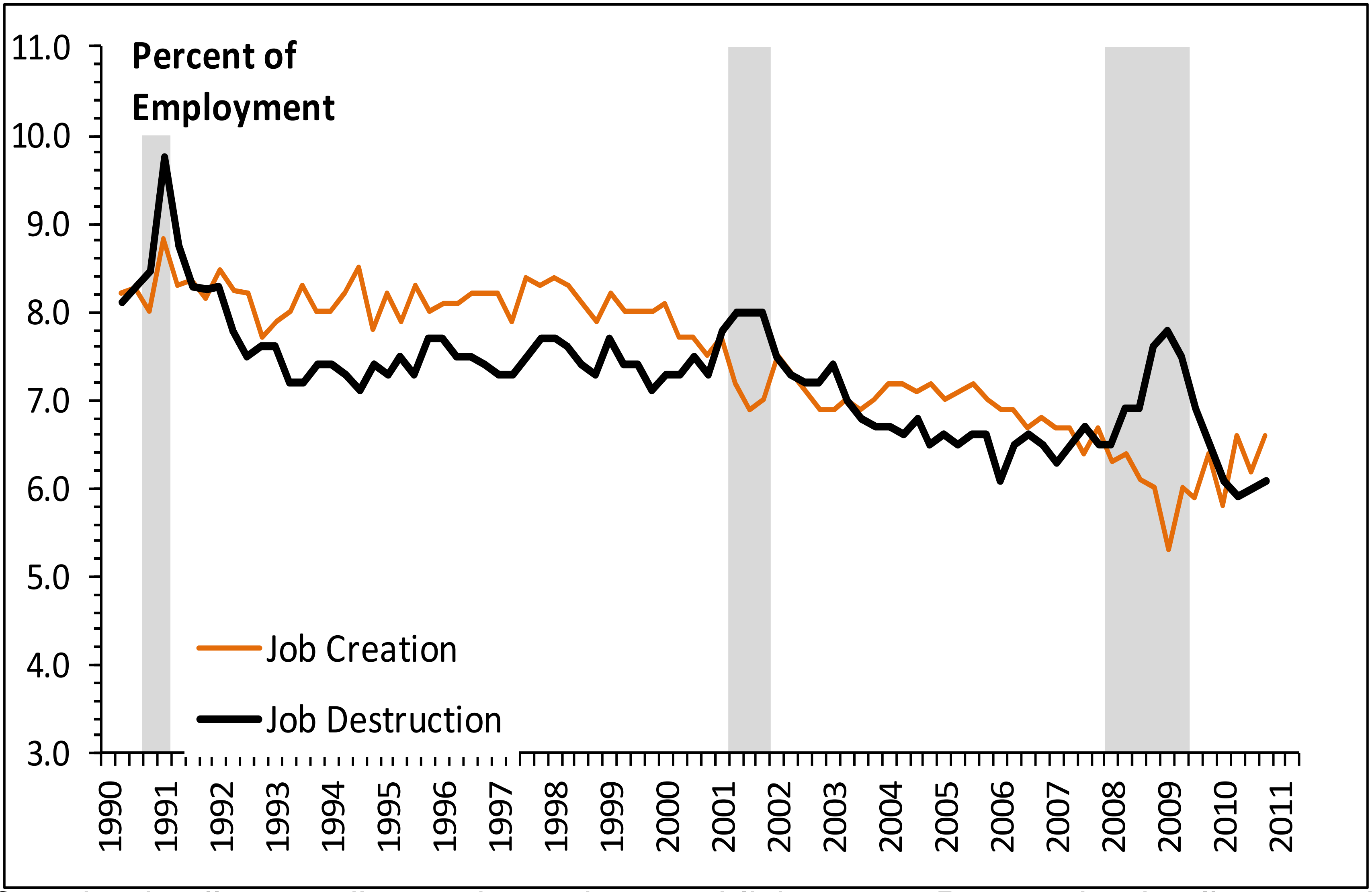
Without implication, these remarks draw heavily on joint research with
Steven J. Davis, Jason Faberman, Ron Jarmin and Javier Miranda

Overview

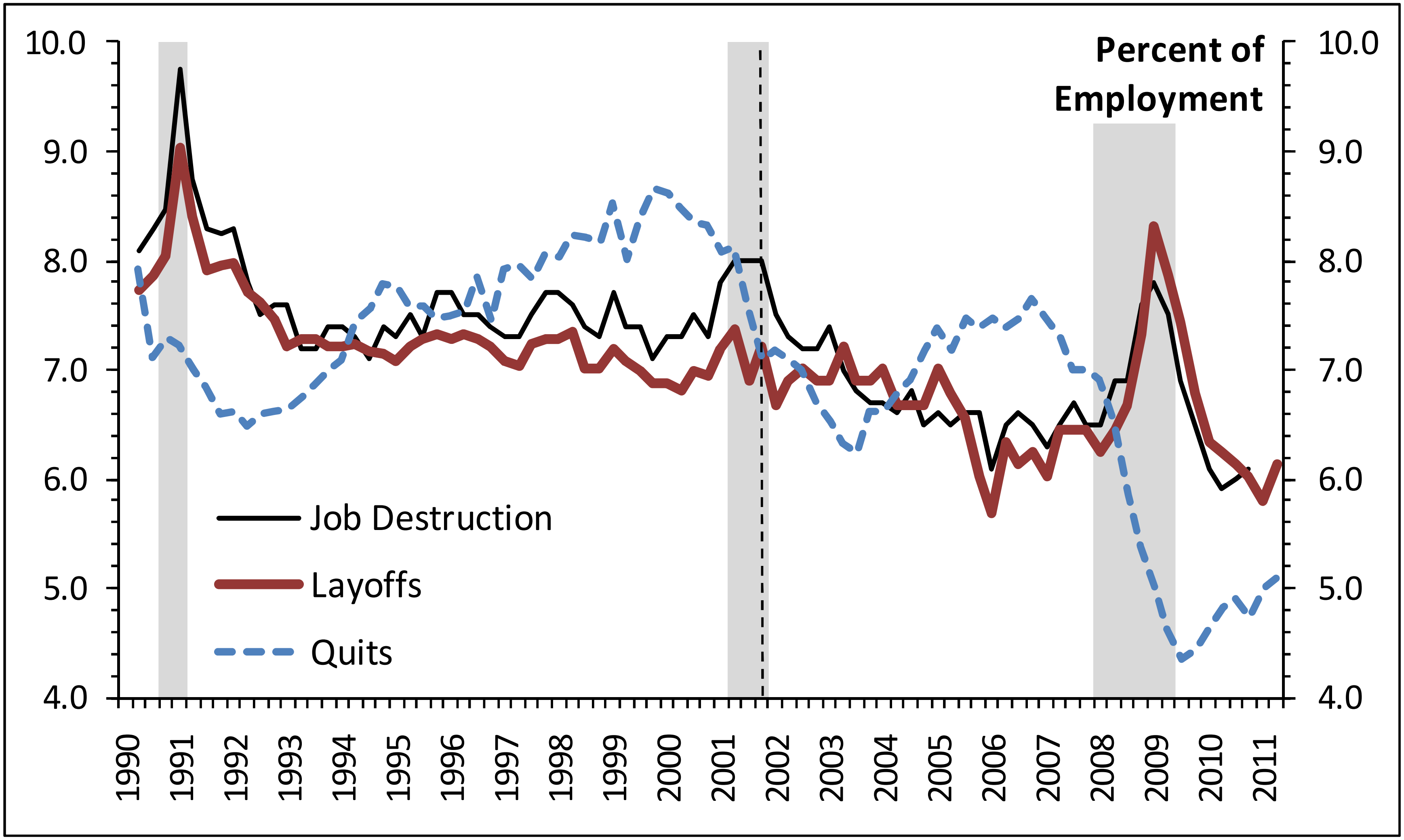
- Anemic recovery apparent in net employment growth, GDP growth and unemployment
- Looking at underlying labor market flows provides insights into:
  - Specific areas of weakness
  - Possible sources of this anemic recovery
  - Policy debate

Aggregate Job Creation and Destruction
(Quarterly)



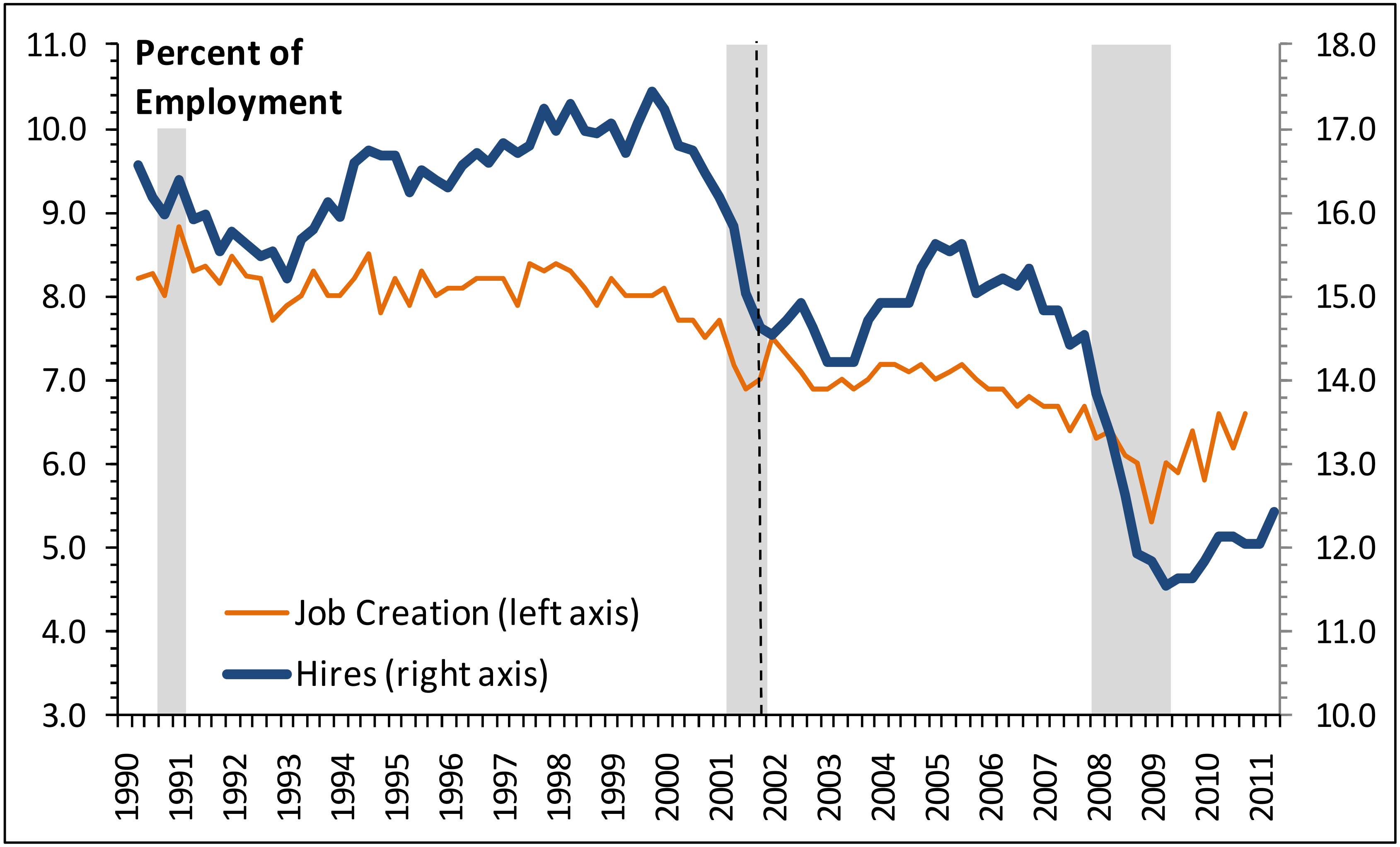
Creation is all expanding and entering establishments. Destruction is all contracting and exiting establishments.

Aggregate Worker and Job Flows (Quarterly)



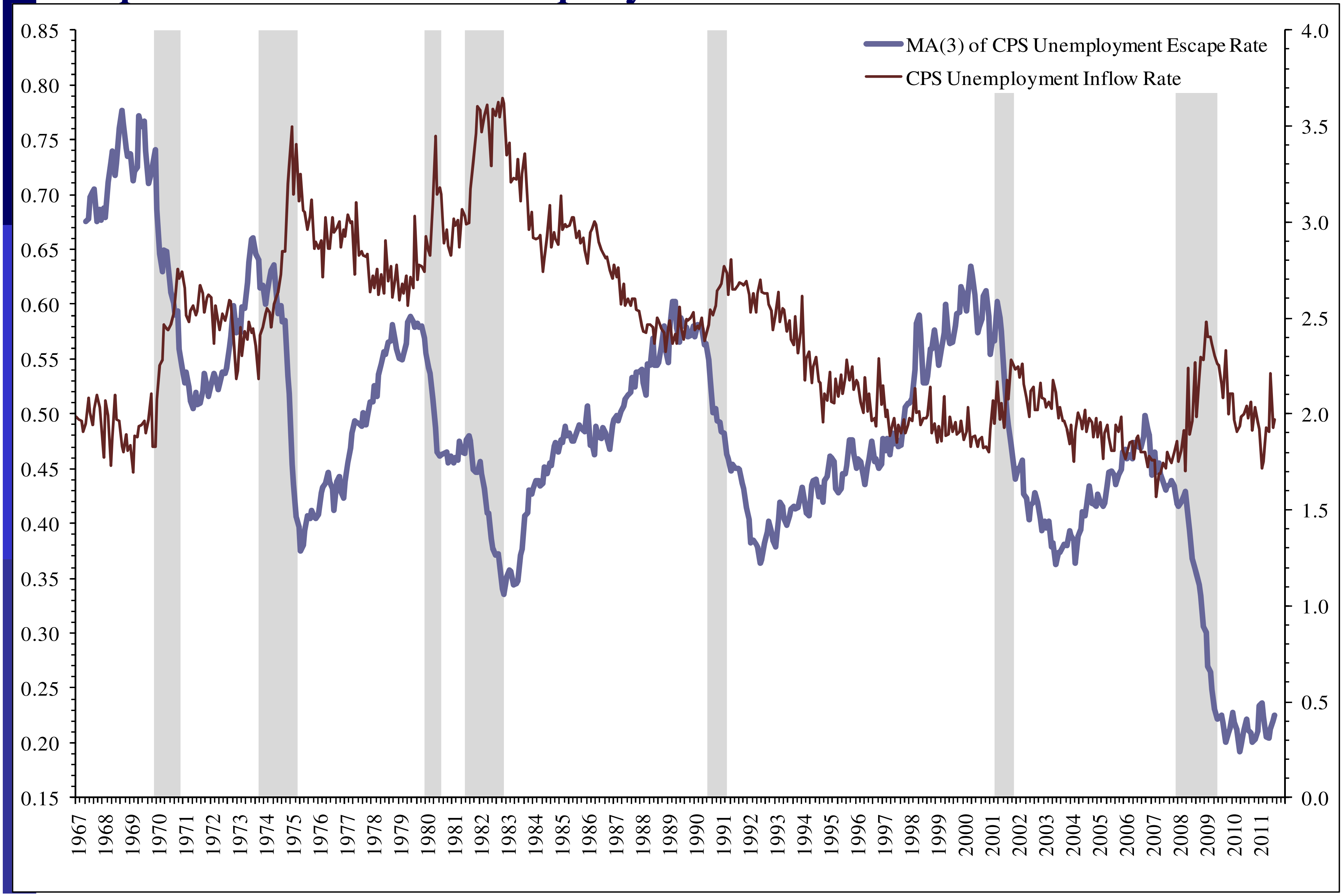
- Layoffs (JOLTS) move with job destruction (BED), and quits (JOLTS) moves opposite to both. In booms, job destruction accommodated more by quits. In recessions, destruction is closely tracked by layoffs.

Aggregate Worker and Job Flows (Quarterly)



- **Hires and vacancies (JOLTS) tend to move with job creation (BED).**
- **Greater volatility of hires reflects volatility of quits. Worker churning is reduced in recessions.**

Implications for Unemployment Inflows and Outflows



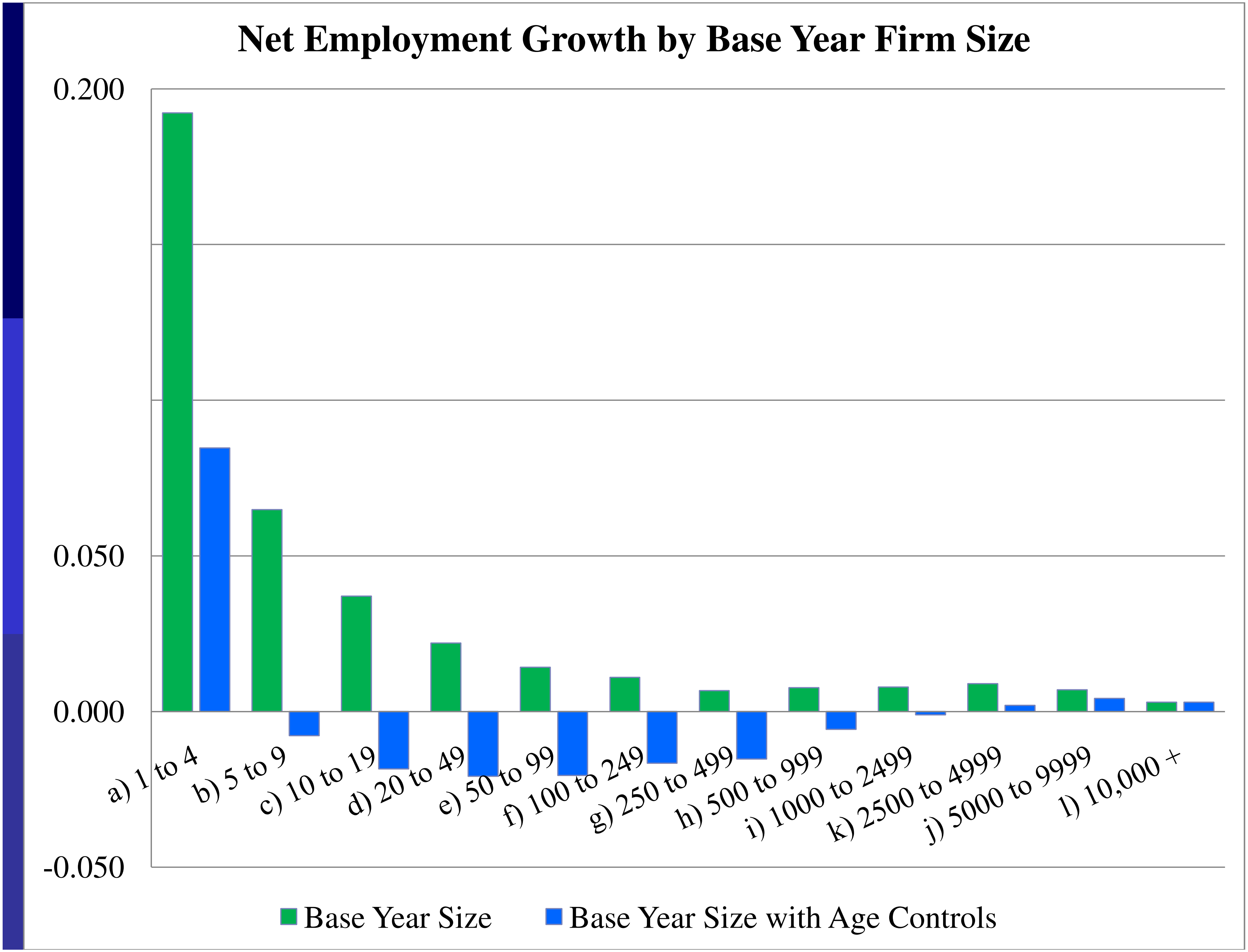
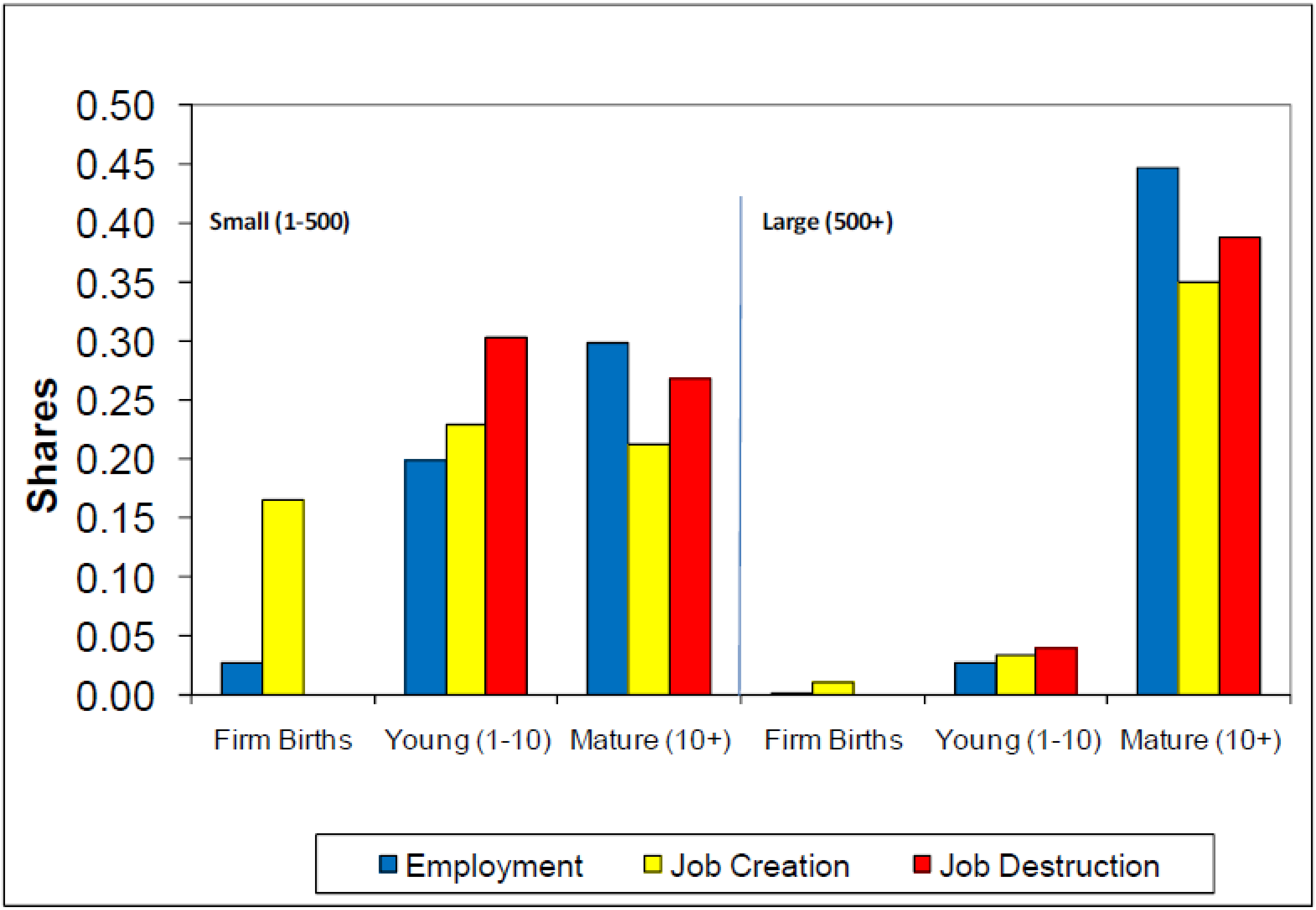
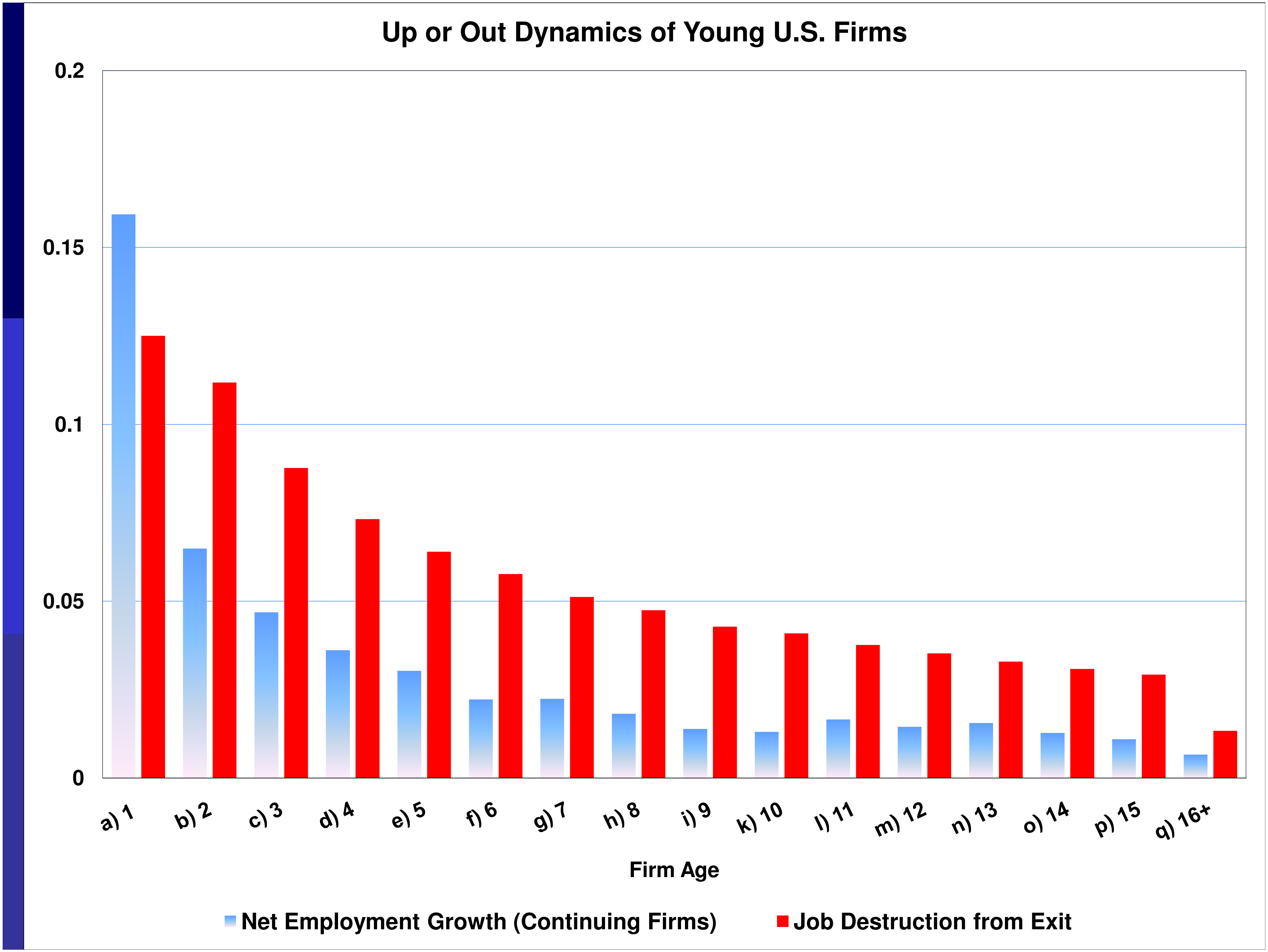

Net Employment Growth by Base Year Firm Size
0.200
0.050
0.000
-0.050
a) 1 to 4
b) 5 to 9
c) 10 to 19
d) 20 to 49
e) 50 to 99
f) 100 to 249
g) 250 to 499
h) 500 to 999
i) 1000 to 2499
k) 2500 to 4999
j) 5000 to 9999
l) 10,000 +
Base Year Size
Base Year Size with Age Controls

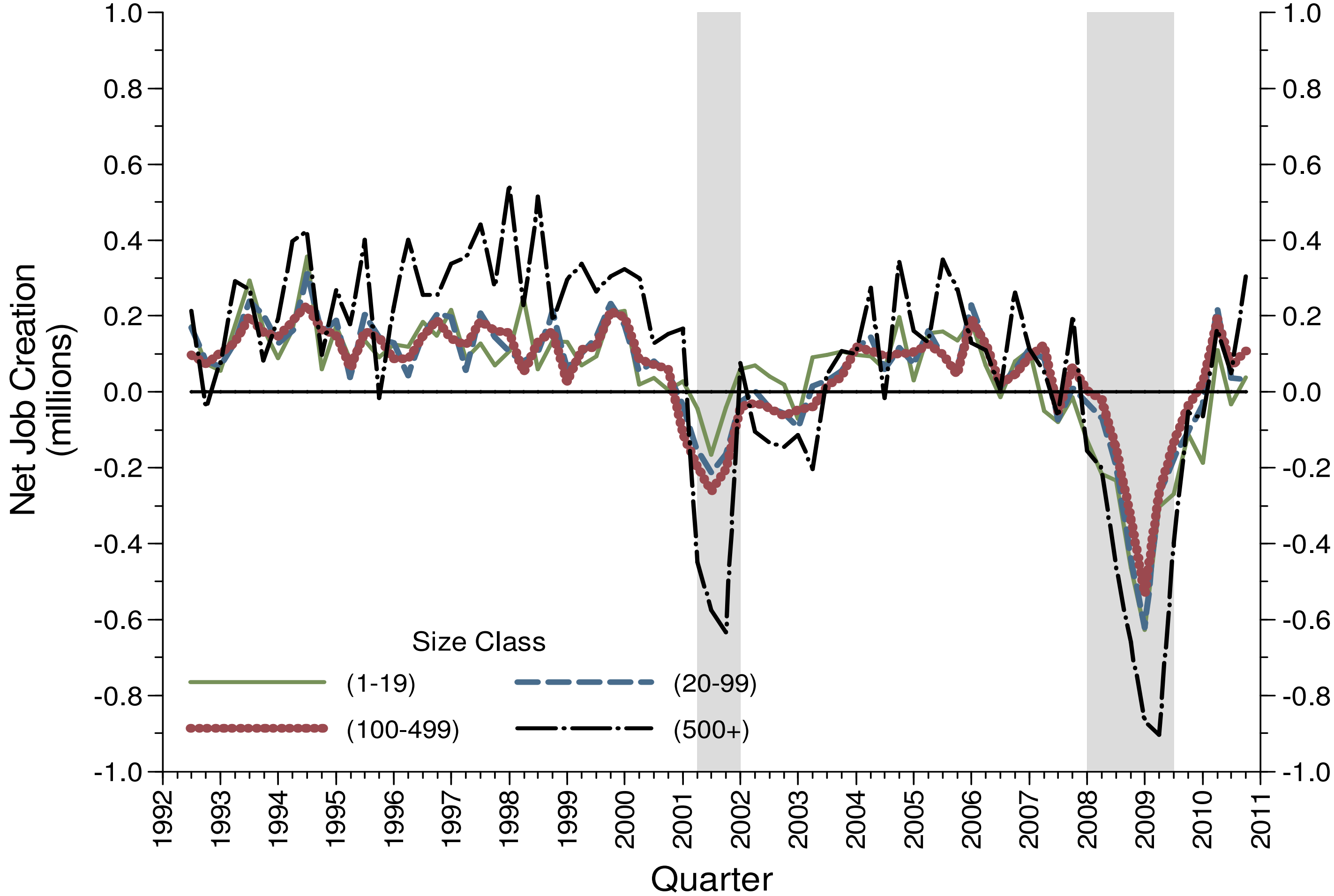
Figure 1: Shares of Employment, Job Creation and Destruction by Broad Firm (Current) Size and Age Classes – Annual Average Rates 1992-2005



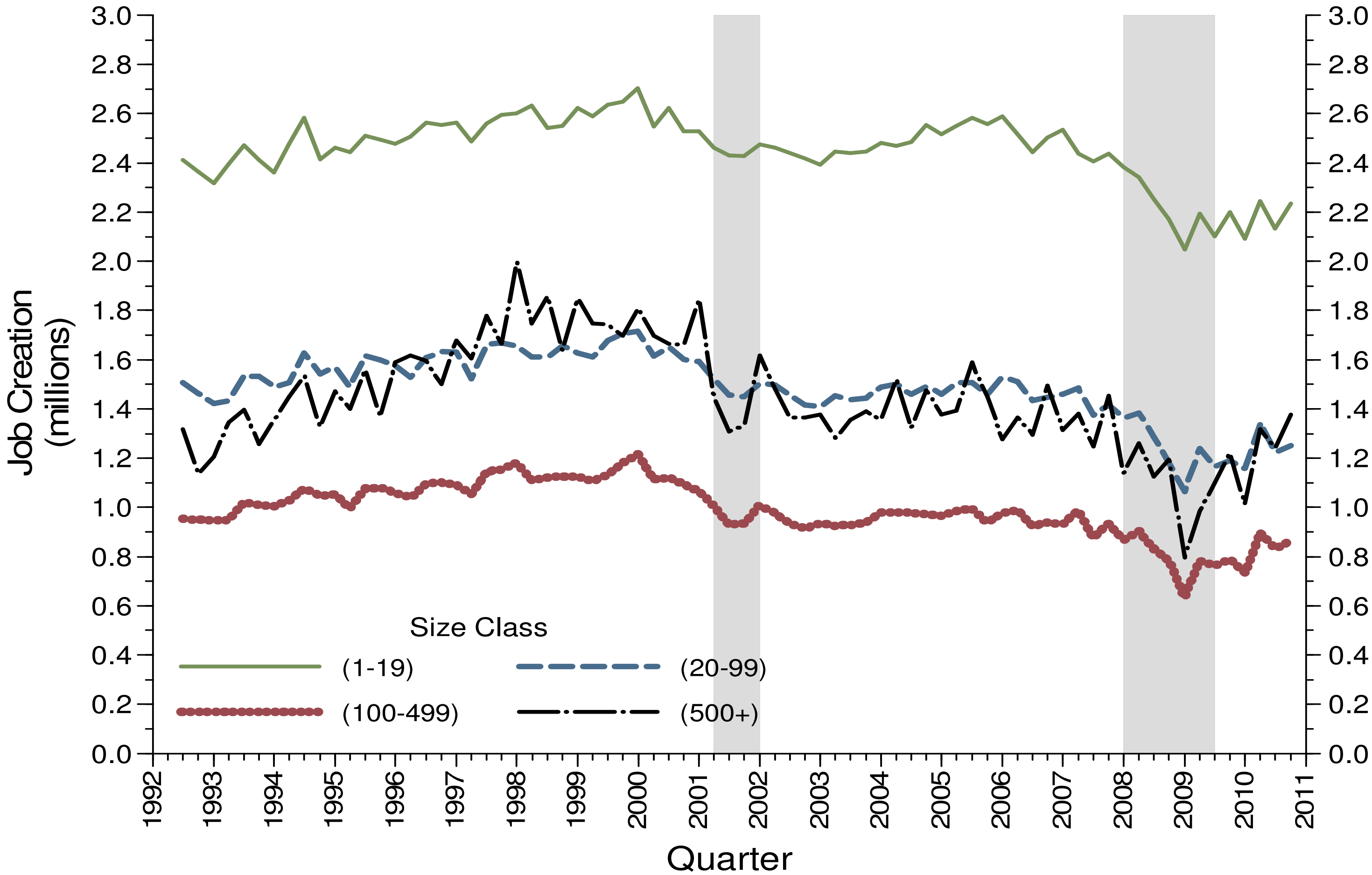


Up or Out Dynamics of Young U.S. Firms
0.2
0.15
0.1
0.05
0
a) 1
b) 2
c) 3
d) 4
e) 5
f) 6
g) 7
h) 8
i) 9
k) 10
l) 11
m) 12
n) 13
o) 14
p) 15
q) 16+
Firm Age
Net Employment Growth (Continuing Firms)
Job Destruction from Exit

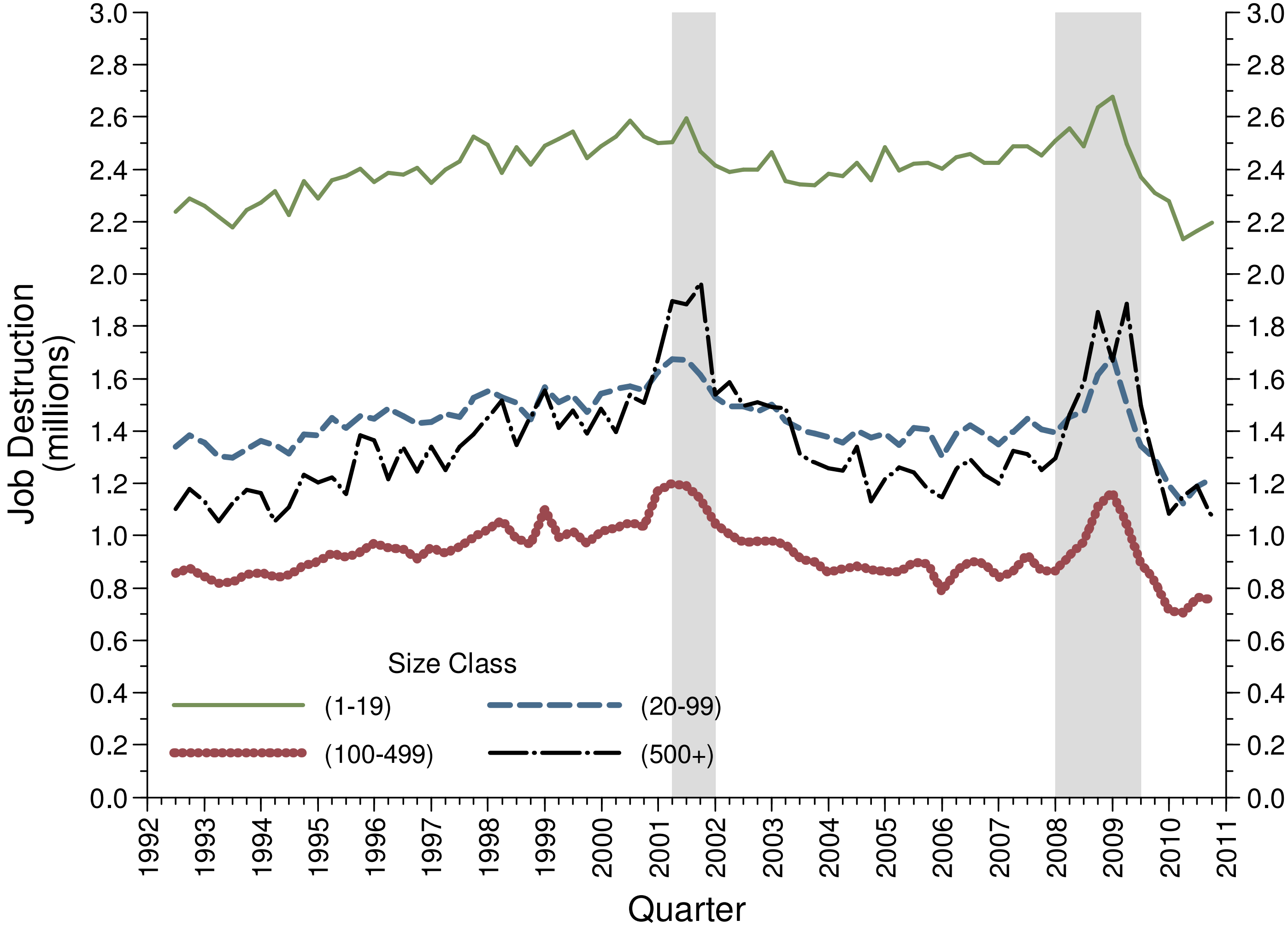
Net Job Creation Levels by Employer Size

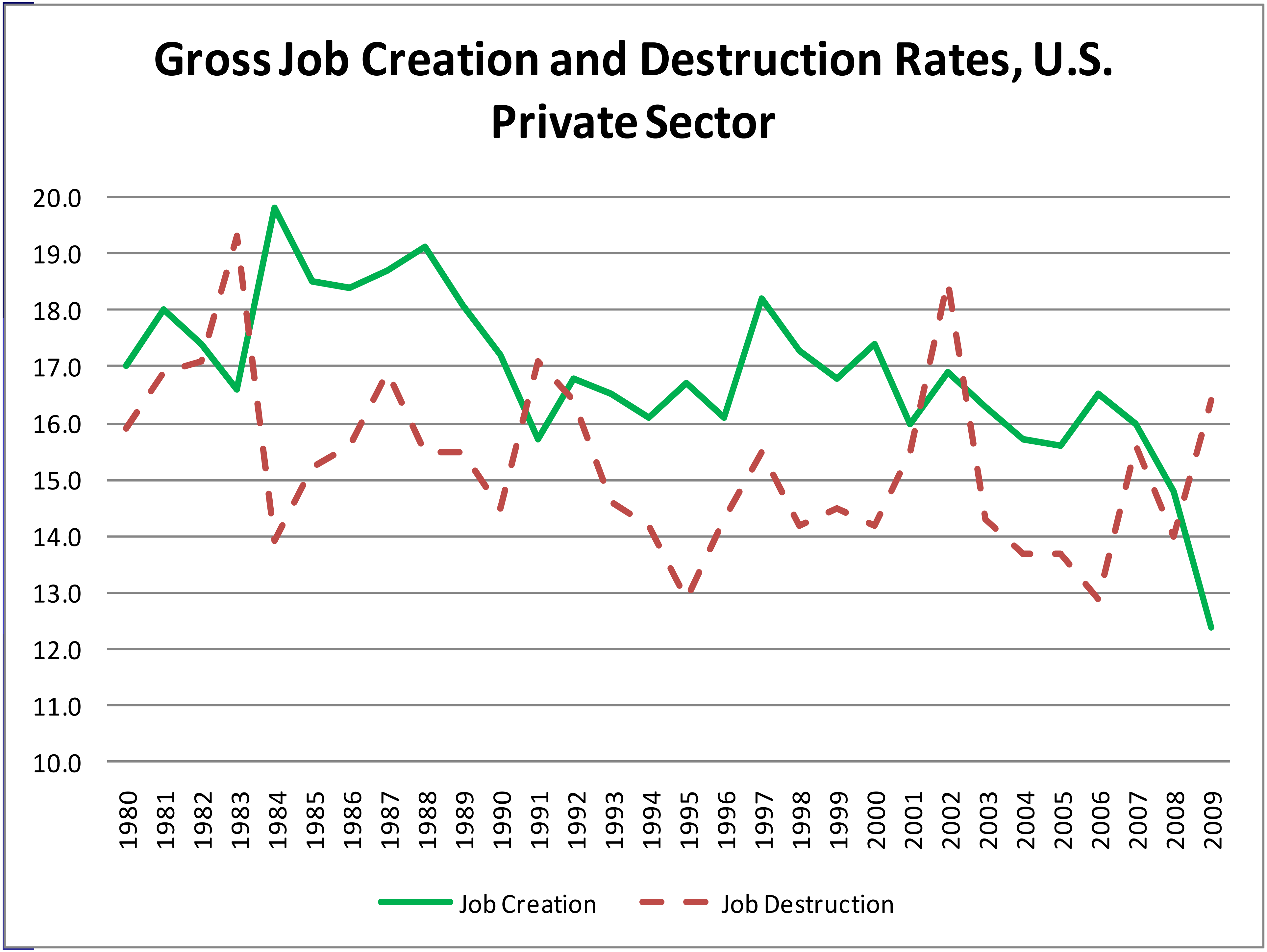


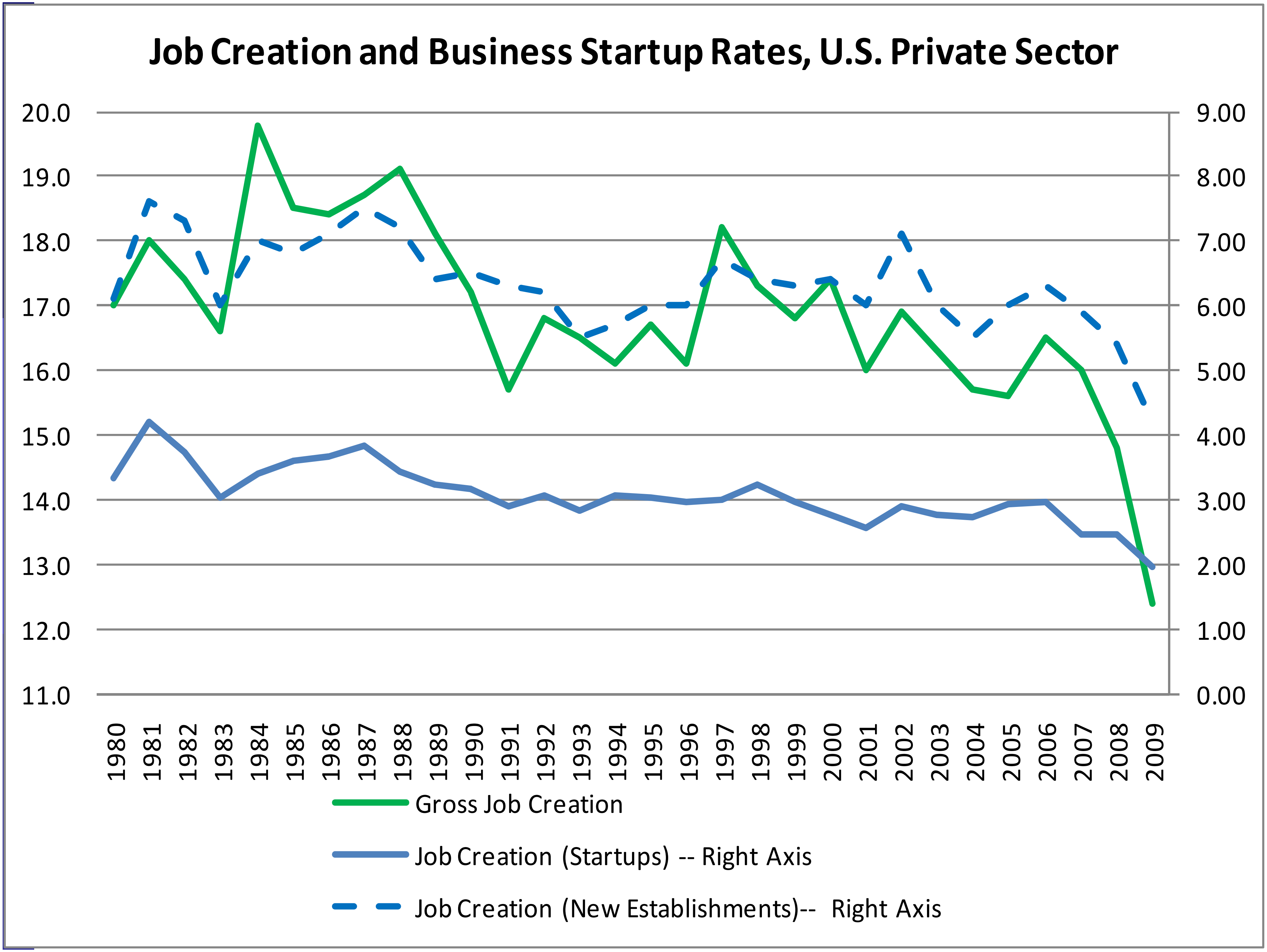
Gross Job Creation Levels by Employer Size

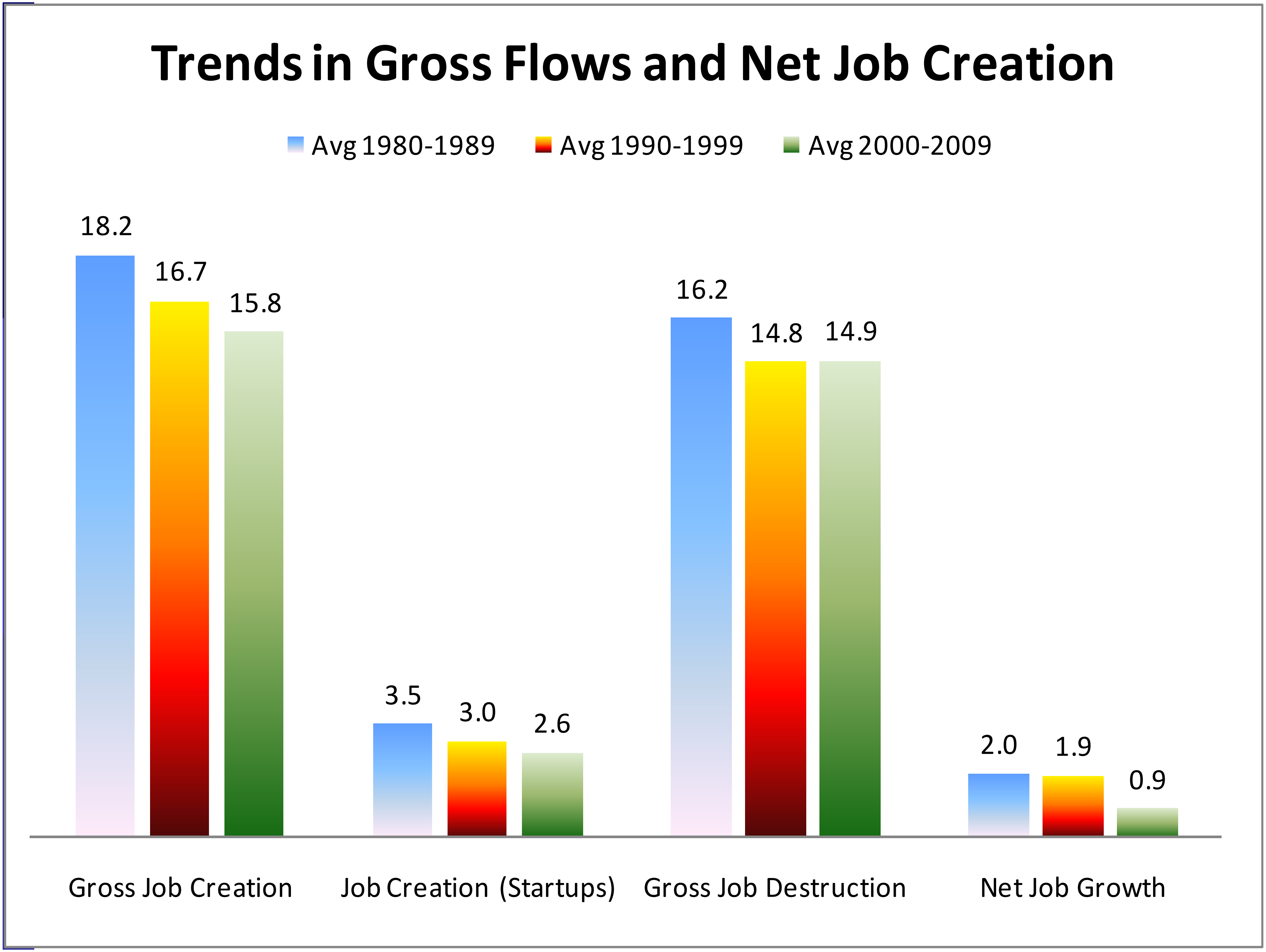


Job Destruction Levels by Employer Size



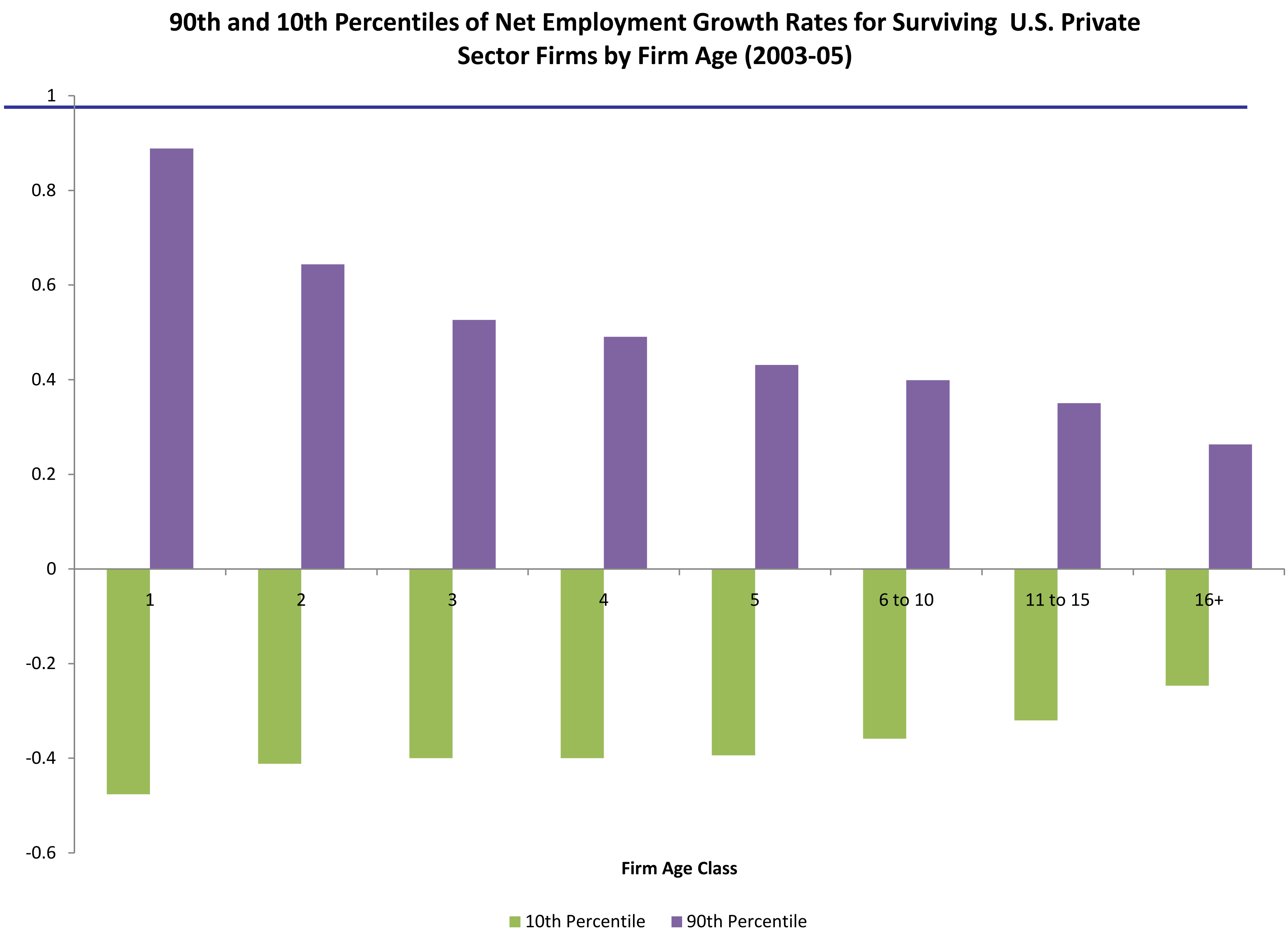

Gross Job Creation and Destruction Rates, U.S. Private Sector
20.0
19.0
18.0
17.0
16.0
15.0
14.0
13.0
12.0
11.0
10.0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Job Creation
Job Destruction


Job Creation and Business Startup Rates, U.S. Private Sector
20.0
19.0
18.0
17.0
16.0
15.0
14.0
13.0
12.0
11.0
9.00
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Gross Job Creation
Job Creation (Startups) -- Right Axis
Job Creation (New Establishments)-- Right Axis


Trends in Gross Flows and Net Job Creation
Avg 1980-1989
Avg 1990-1999
Avg 2000-2009
18.2
16.7
15.8
3.5
3.0
2.6
16.2
14.8
14.9
2.0
1.9
0.9
Gross Job Creation
Job Creation (Startups)
Gross Job Destruction
Net Job Growth

Challenges of Targeting Policy to Businesses?

- Much attention still to targeting Small Businesses
  - But results show job creating prowess misleading
  - It is largely driven by startups and young (small) businesses
  - Should we target startups and young businesses?
  - Part of ongoing creative destruction process
  - Enormous heterogeneity
  - Idiosyncratic factors dominate


90th and 10th Percentiles of Net Employment Growth Rates for Surviving U.S. Private Sector Firms by Firm Age (2003-05)
1
0.8
0.6
0.4
0.2
0
-0.2
-0.4
-0.6
1
2
3
4
5
6 to 10
11 to 15
16+
Firm Age Class
10th Percentile
90th Percentile

Industry as Predictor of Size and Growth of Firms?

	R-squared from 6-digit NAICS effects
Probability Firm has less than 20 employees	0.12
Net Firm Growth Rate (All Firms)	0.06
Net Firm Growth Rate (Small Firms)	0.06
Probability firm is a high growth firm (defined as Net_Rate>.2)	0.04
Probability firm is a high growth firm (defined as: Net_Rate > .2 and Net_Level > 10)	0.03

Sample: All U.S. Private Sector Firms, 2003-05

What's Different?

- Why has the U.S. exhibited such a slow recovery relative to the last severe downturn in 1982?
  - Financial crisis?
    - Households vs. Firms (what type of firms)?
  - Uncertainty?
    - Economic vs. Policy
  - Evidence from flows shows that startups and small businesses are an important part of the anemic recovery.
    - Where does this evidence fit in with what is different?
    - Decline in startups and volatility pre-dates recent recession.
    - Interaction of shocks and institutions?
    - Why the secular decline in startups and business dynamism?