

JOB FLOWS, DEMOGRAPHICS AND THE FINANCIAL CRISIS

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ABSTRACT

The recession the United States economy entered in December of 2007 is considered to be the most severe downturn the country has experienced since the Great Depression. The unemployment rate peaked at 9.5 percent in June 2009 – the highest we have seen since the 1982 recession. In this paper we decompose the changes in the unemployment rate by examining worker flows into and out of unemployment during the current recession in the United States with a special focus on the most vulnerable groups.

There are reasons to expect employment losses — unemployment inflows — to weigh more heavily on women and/or people of color. With regard to gender, job segregation, gender differences in labor market attachment and job tenure, and gender employment discrimination all could serve as mechanisms by which women and men experience different effects on employment. With regard to race and age, one motivation is theoretical work by Blanchard (2005), which argues that economic downturns have “ladder effects” adversely affecting lower-income individuals. However, the research on this issue is sparse, especially with regard to gender. We make an effort to close this gap in the literature by paying attention to the differences that can be observed across demographic groups. Our data allows us to point to the most vulnerable groups by examining differences by age, gender and race.

For our project, we use publically available data from the U.S. Current Population Survey (CPS). We use Shimer (2005) methodology to compute job finding and separation probabilities with a particular focus on low-income groups.

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