

Discussion: Churn and Stability: The Remarkable Heterogeneity of Flows among Employment, Job Search, and Non-Market Activities in the US Population

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Overview

Contribution: parsimonious model to infer different worker types w/ richer transitions

Findings:

1. 5 types fit the data well (EE, NN, 3 movers: E, U, N)
2. Men and women look similar conditional on type, type shares vary by gender
3. 5% of men account for 60% of all male unemployment (similar for women)

Comments:

1. Policy implications?
2. Characteristics of worker types

Model of Worker Choices Estimated on CPS Data, 2014-2017

- ▶ 4 states: 1 (non-activated), 2 (activated), 3 (ST job), 4 (LT job)
- ▶ 3 activities: N, U, E
- ▶ Bellman equation for non-activated, NILF worker:

$$N_1 = z + \frac{1}{1+r} (\tau_{N,1,1} \max(N_1, U_1) + \tau_{N,1,2} \max(N_1, U_1, N_2, U_2) + \tau_{N,1,3} \max(N_1, U_1, N_2, U_2, E_3) + \tau_{N,1,4} \max(N_1, U_1, N_2, U_2, E_3, E_4))$$

Estimation:

- ▶ Diff. ways to rank the Bellman eqns \Rightarrow diff. observed actions and parameters consistent with the ranking
- ▶ Recover τ_i for each of the 5 types based on moves (or not) in CPS data
- ▶ Flow values $z_i, b_i, w_{3,i}, w_{4,i}$ are set-identified for each type

Comment 1: Policy Implications for Unemployment Insurance?

Movers' consumption highly volatile. Unemployment insurance? Two concerns:

1. Risk neutrality
2. Estimation strategy requires being at the ergodic distribution

Recession (rise in unemployment) in this model:

- ▶ Changes in τ_i for everyone
 - Can look like a change in type shares
- ▶ Changes in τ_i for movers only

Comment 2: Delving Into the Data

How do the types differ in terms of:

- ▶ **Life cycle:** Age, marital status, presence of kids
- ▶ **Other:** Education levels, industry/occupation, geographic location

If **Life cycle:** most people benefit at some point

If **Other:** targeted policies could be used

Or is it **unobserved heterogeneity**? Gregory et al. (2021), Ahn et al (2023)

Estimation assigns workers to types probabilistically? Subsamples?

Final Thoughts

- ▶ Very nice paper, rethink job transitions and representative agent modelling
- ▶ Subsequent papers have similar findings
- ▶ Benefits of UI appear to be highly concentrated [in normal times]
- ▶ Interpretation of churn: segment of population where values of N , U , E very close