LABOR MARKET DYNAMICS AND DEVELOPMENT

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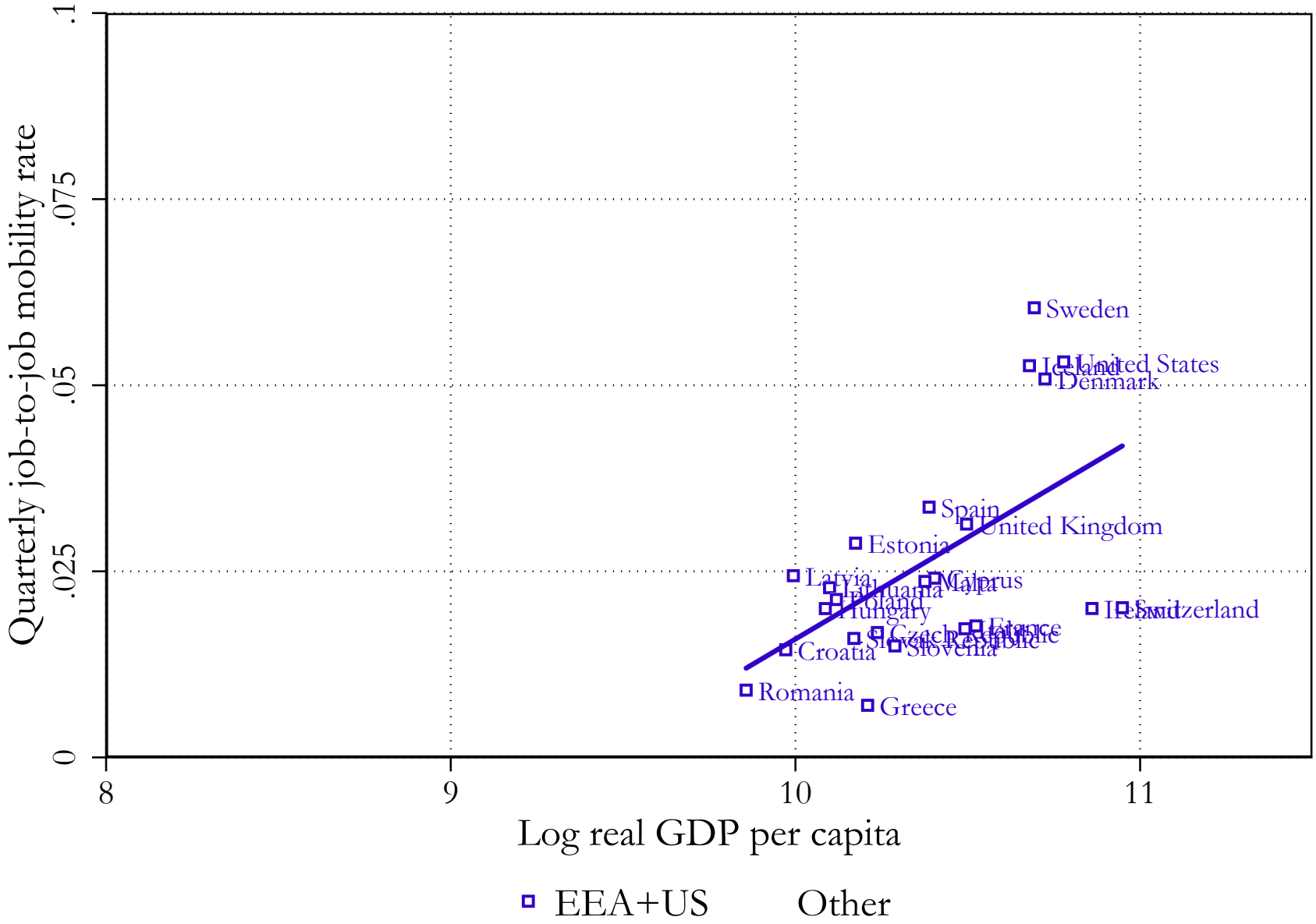
FIGURE I: QUARTERLY JOB-TO-JOB MOBILITY & REAL GDP PER CAPITA



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  - **DLS**: Not true once analysis expanded to poorer countries!

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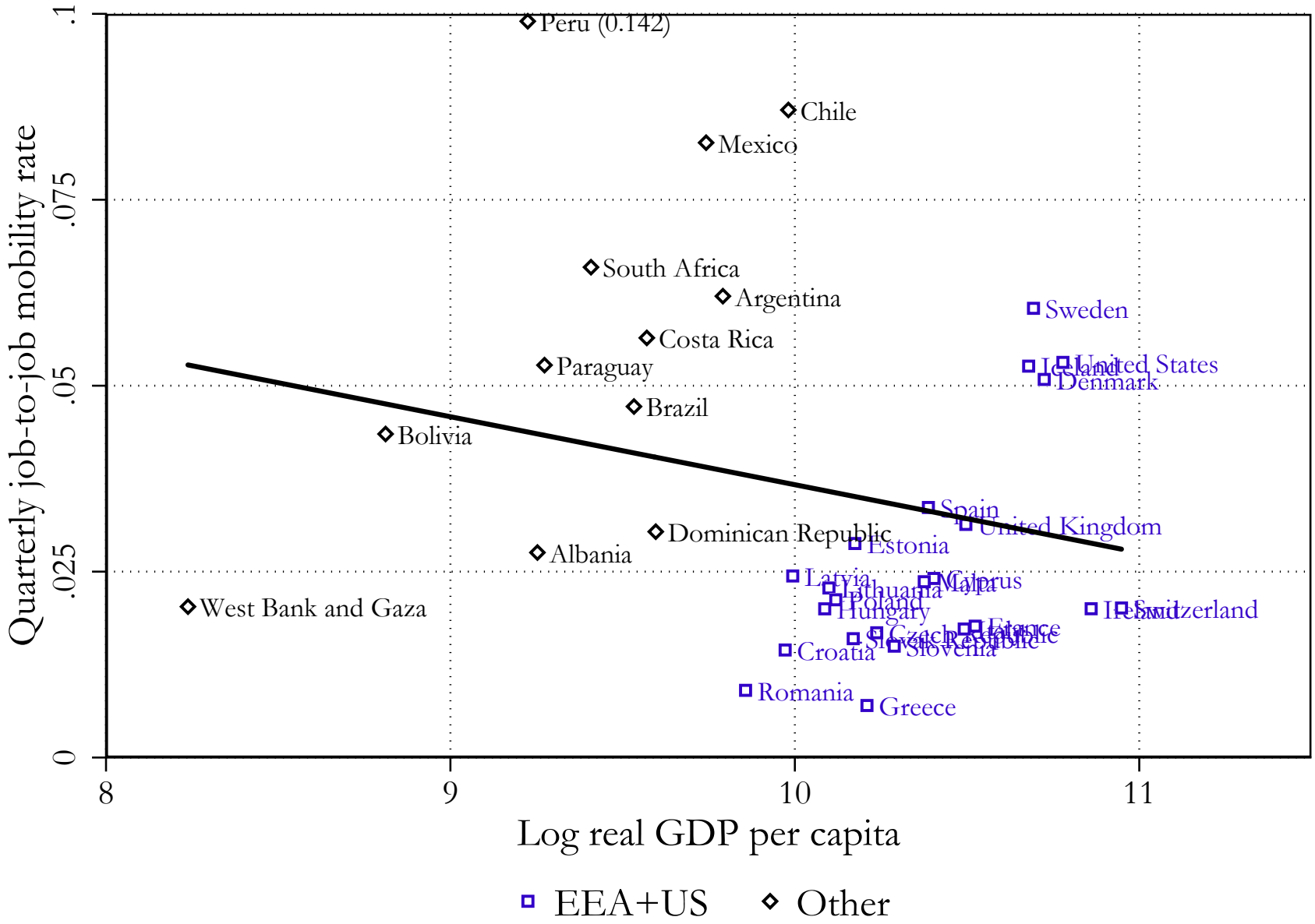

SUMMARY OF DLS

- Document 3 cross-country facts on poorer vs rich countries
  1. Labor market flows are higher in poorer countries!
  2. Mobility falls more with tenure
  3. Wages grow more with tenure

- Show that these patterns are consistent with
  1. Jobs are experience goods in poorer countries (Jovanovic, 1979)
  2. Faster climbing of job ladder (Burdett & Mortensen, 1998)

- Disaggregate results by worker & firm observables
  - Can jointly account for up to half of patterns

Overall impression & roadmap

Impressive major data collection endeavor

- Standardized LFS from 42 countries
- Important contribution to literature focused on developed countries
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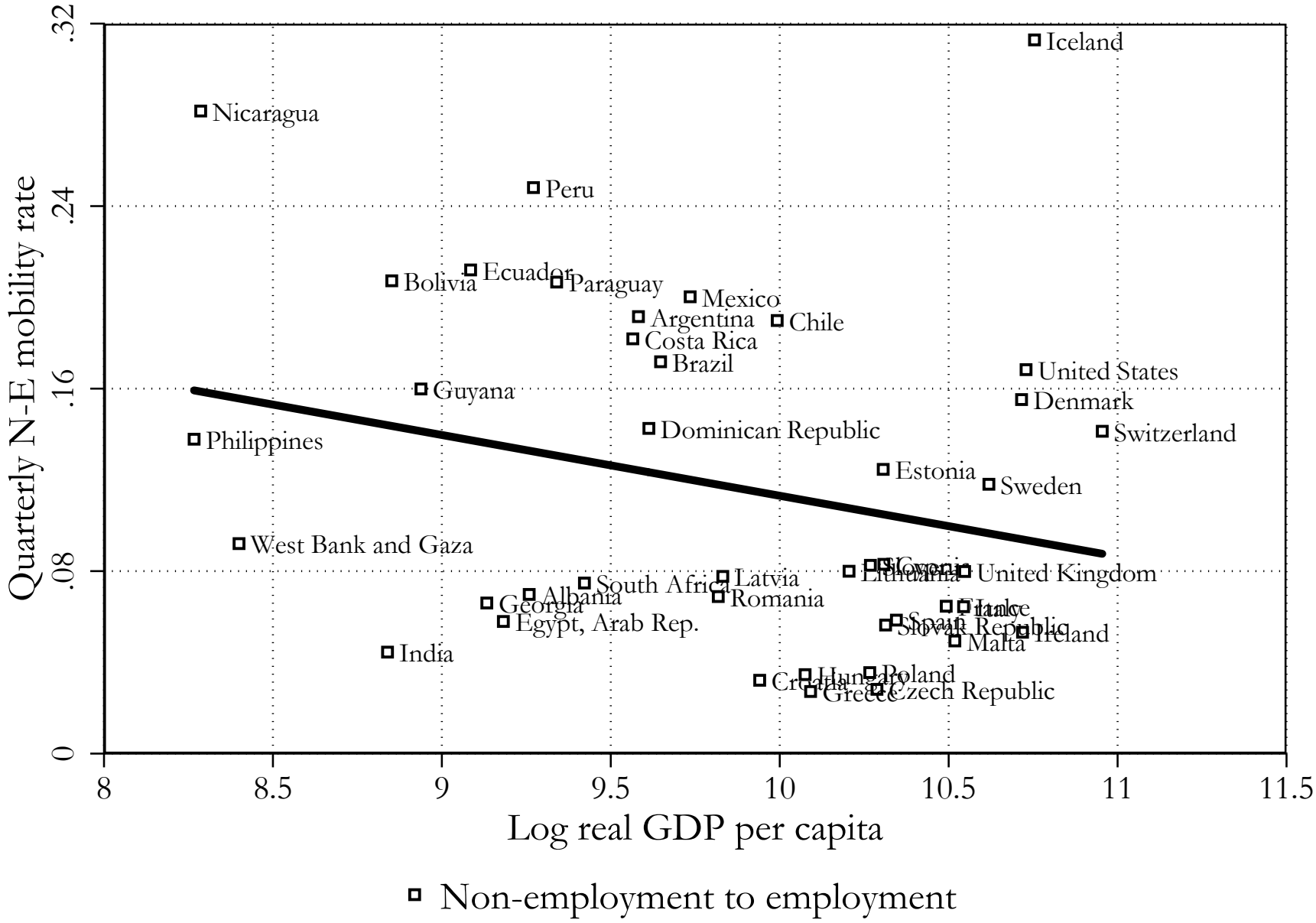
My discussion

- Brief comments on & robustness with respect to the facts
- What do we make from these facts? Causality? Should we care?

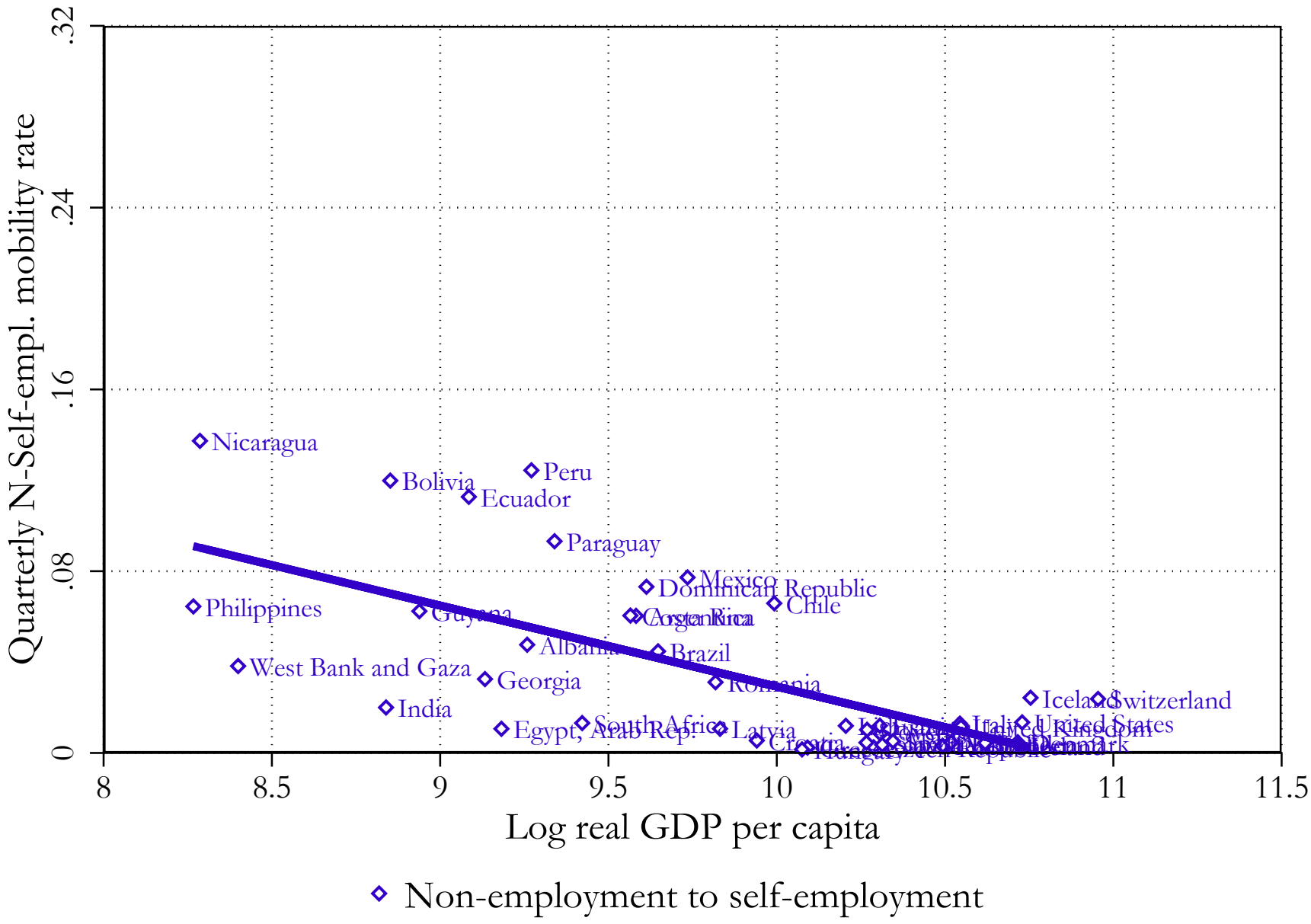
ROBUSTNESS OF FACTS: N-E RATE IS HIGHER IN POORER COUNTRIES

FIGURE II: QUARTERLY NON-EMPLOYMENT TO EMPLOYMENT RATE



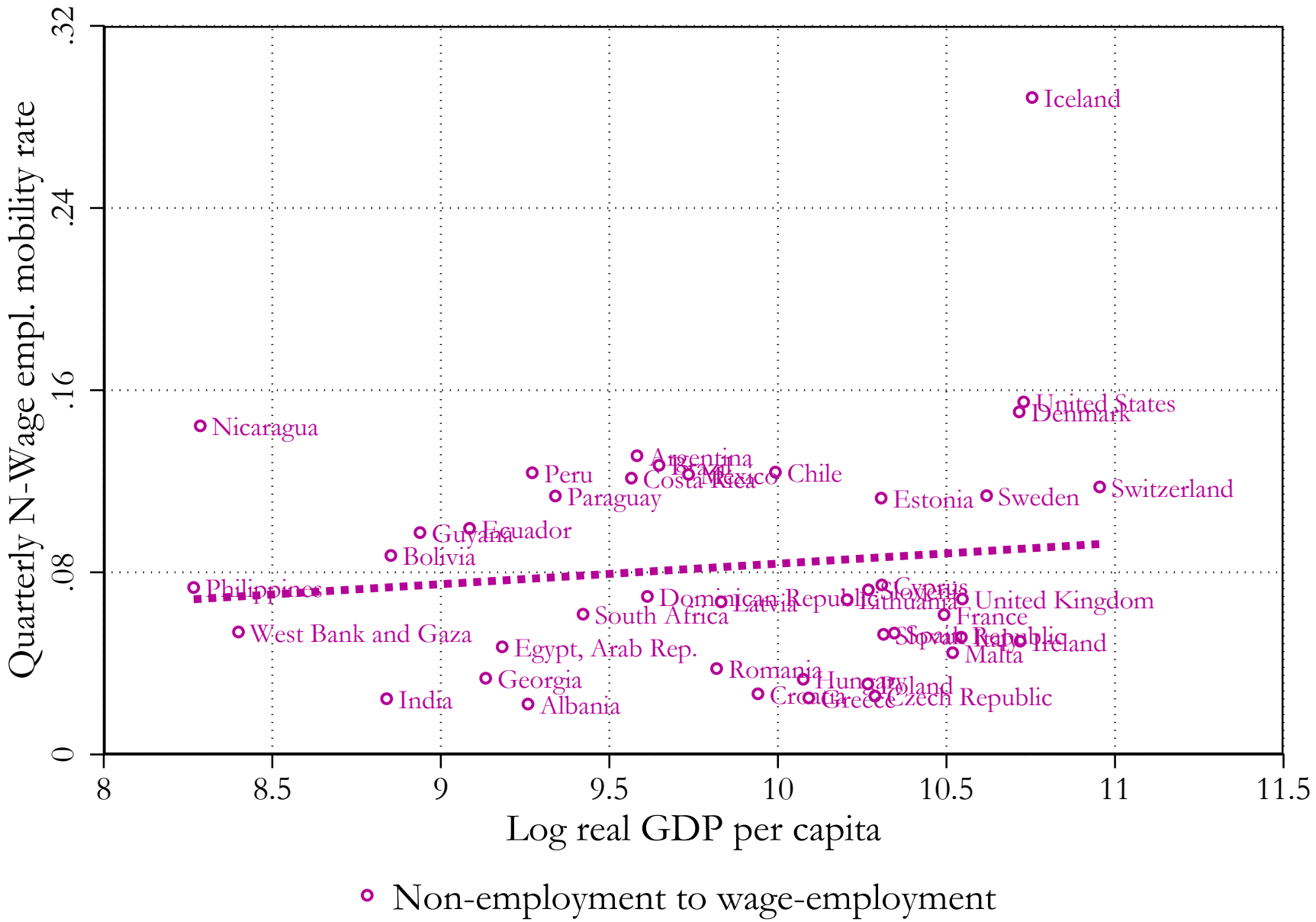
N-E RATE IS HIGHER IN POORER COUNTRIES DUE TO SELF-EMPLOYMENT

FIGURE III: QUARTERLY NON-EMPLOYMENT TO SELF-EMPLOYMENT RATE



N-WAGE EMPLOYMENT RATE IS NOT HIGHER IN POORER COUNTRIES

FIGURE IV: QUARTERLY NON-EMPLOYMENT TO WAGE EMPLOYMENT RATE



N-E RATE IS HIGHER IN POORER COUNTRIES

- Yes, N-E rate is higher in poorer countries
  - Naïve interpretation may be lower LM frictions in poorer countries
  - But accounted for by higher flow to self-employment

- Is matching function approach best way to understand this pattern?
  - I would dissect flows in this dimension to guide theory
  - Consider incorporating SE (Albrecht et al, 2009, Poschke, 2019, etc)

ROBUSTNESS OF FACTS: J-J RATE & CLUSTERING

- An observation in DLS is a country-year
  - Are year t and $t+1$ for given c really independent observations?
  - ρ of residual: 0.96 (plus evidence of higher-order terms)

- Why not cluster standard errors by country?

TABLE 1: J-J RATE ON GDP WITH S.E. CLUSTERED AT COUNTRY-LEVEL

	(1)	(2)
Log GDP per capita	-0.012***	-0.012
	(0.002)	(0.012)
p-value	0.000	**0.348**
Clustering	None	Country

Note: Regression of J-J rate on log GDP per capita at country-year level. Standard errors either not clustered or clustered at country level. *** statistically significant at 1%.

FIGURE V: QUARTERLY E-N RATE BY TENURE — ABSOLUTE

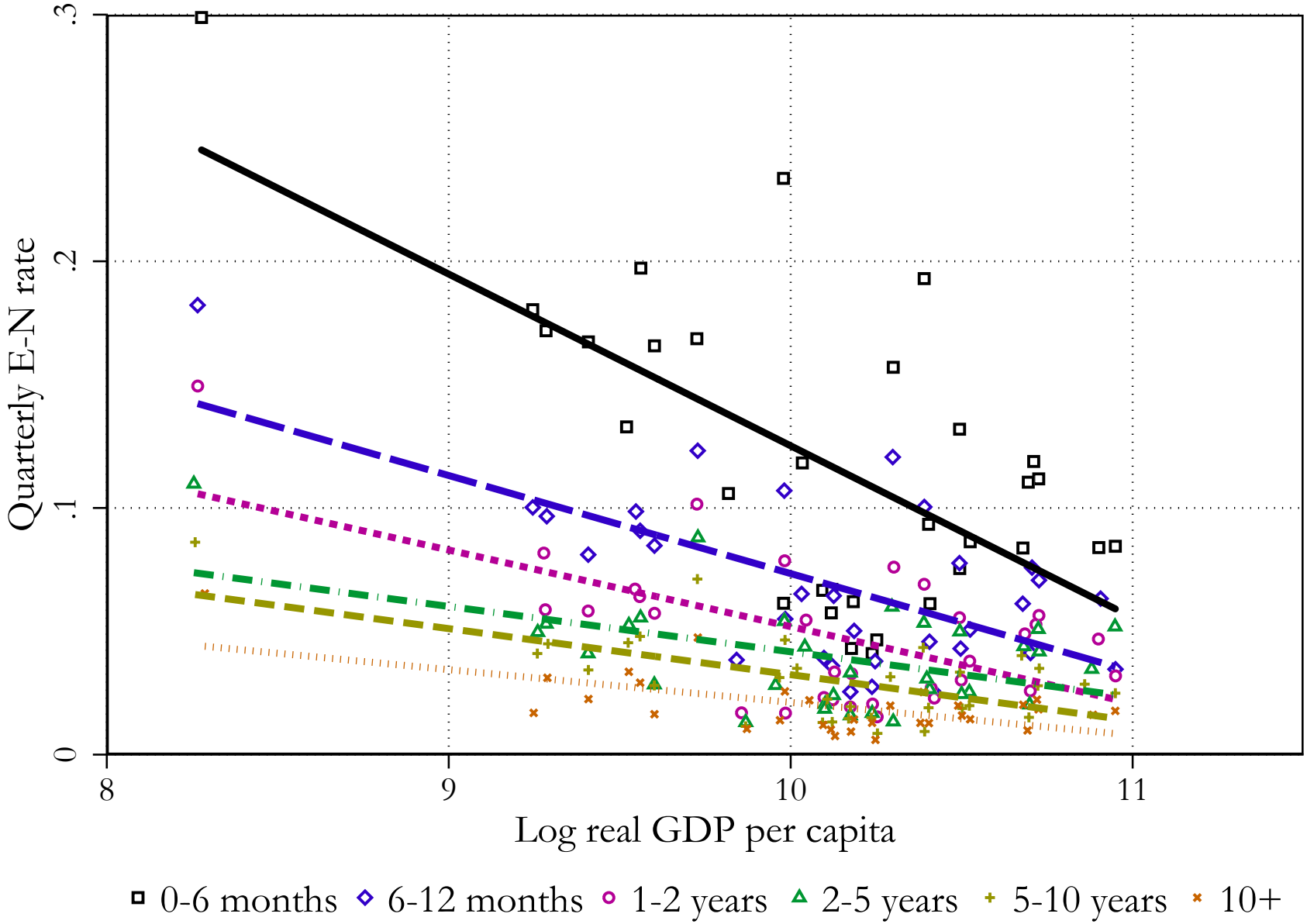
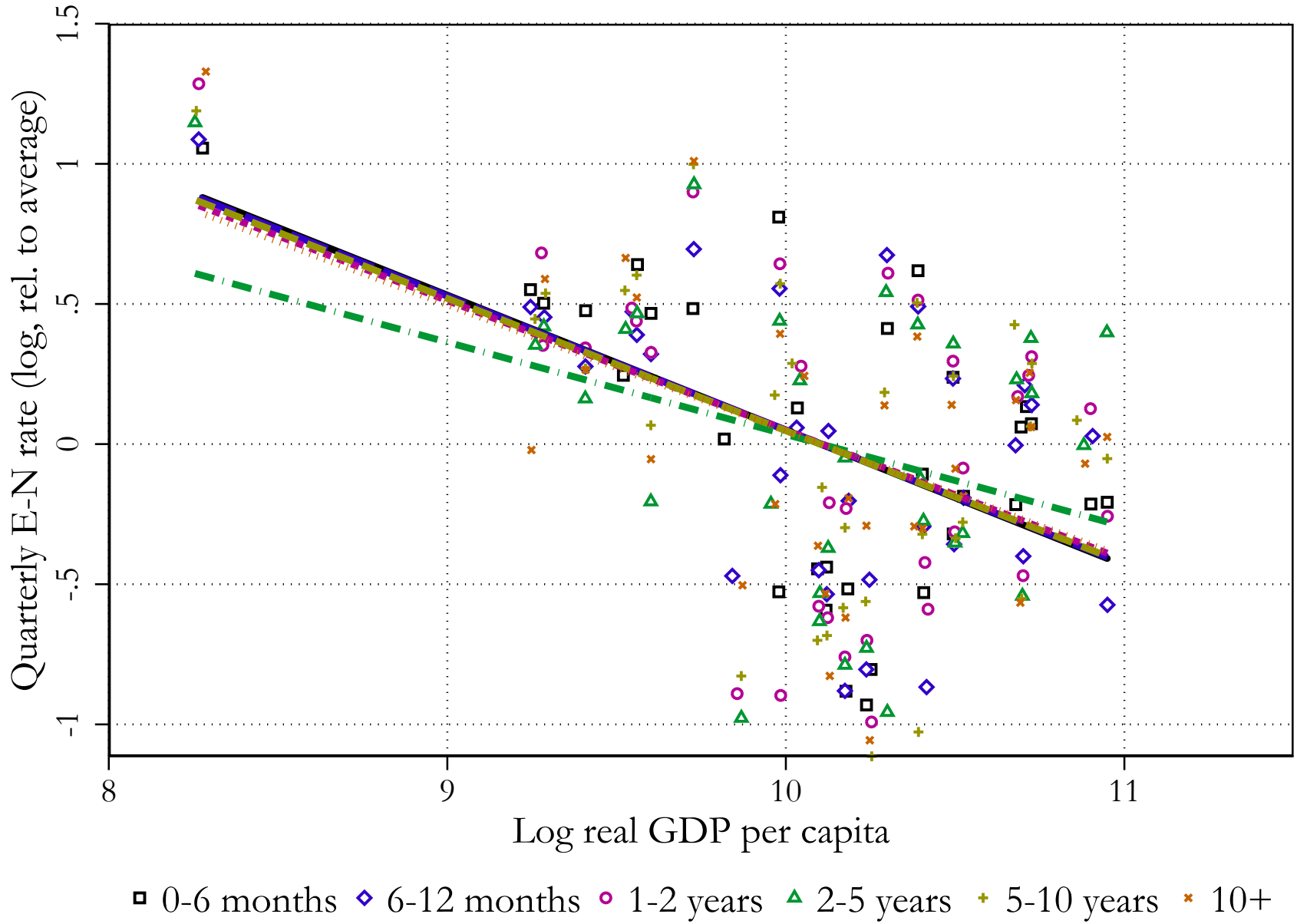


FIGURE VI: QUARTERLY E-N RATE BY TENURE — RELATIVE



MY TAKE ON FACTS & IMPLICATIONS FOR THEORY

Robust pattern: higher aggregate E-N rate in poorer countries

- Want theory of endogenous separations
- Benchmark job ladder model cannot generate higher E-N hazard
- And I think proportional shift is at odds with learning story (?)

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Large literature: $\downarrow$ frictions $\Rightarrow \uparrow$ flows $\Rightarrow \downarrow$ misallocation $\Rightarrow \uparrow$ GDP

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  - Across countries at very different stages of development?
- Technological catch-up in poorer countries
  - If technology is embodied $\Rightarrow \uparrow$ flows

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  - Or financial constraints impacting firms' ability to smooth shocks?

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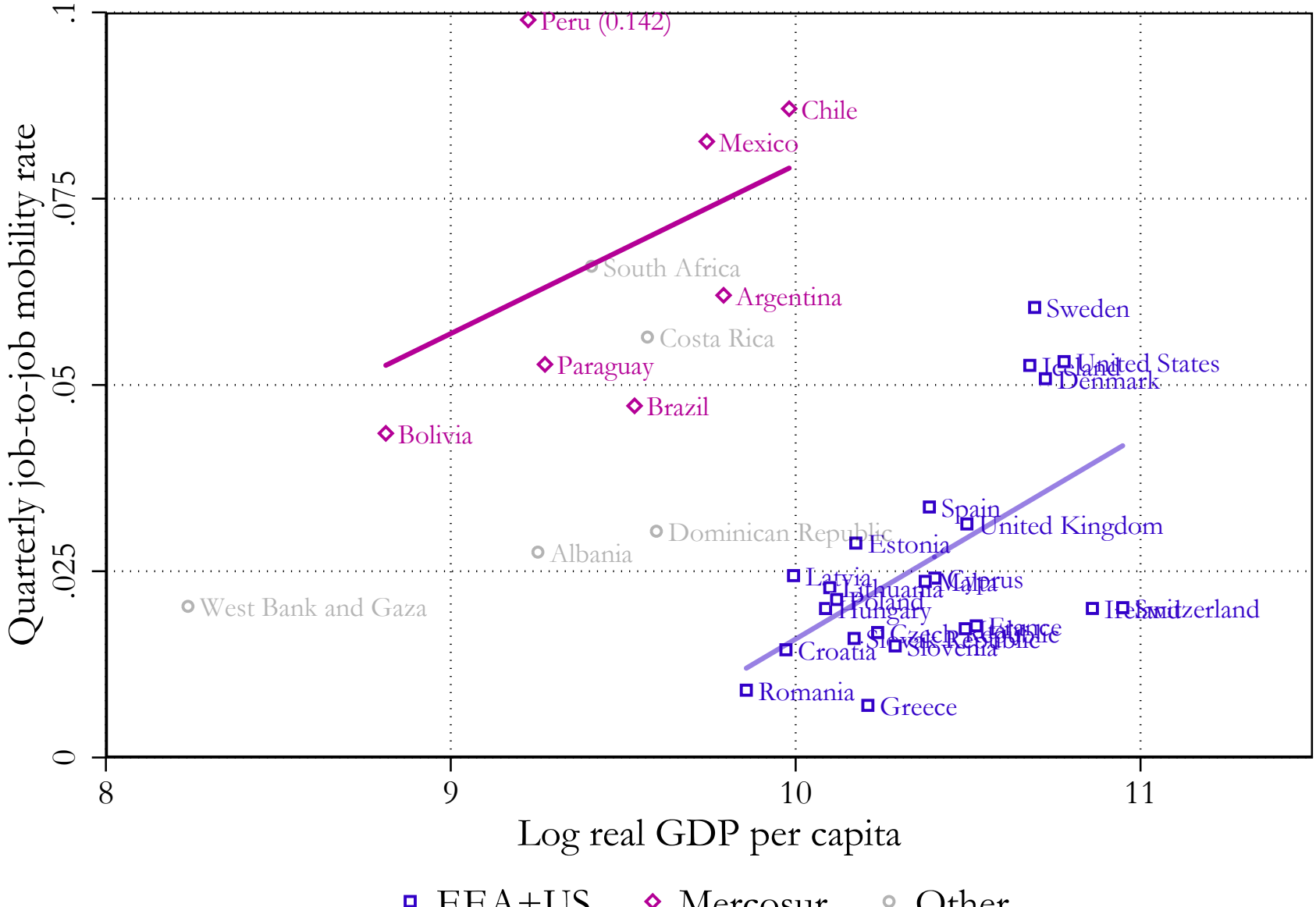
- Technological catch-up in poorer countries
  - If technology is embodied $\Rightarrow \uparrow$ flows
  - Or more disperse shocks in poorer countries (Asker et al, 2014)
  - Or financial constraints impacting firms' ability to smooth shocks?
- How much can we learn from a correlation btw flows and GDP?
  - LM frictions not important driver of productivity differences?

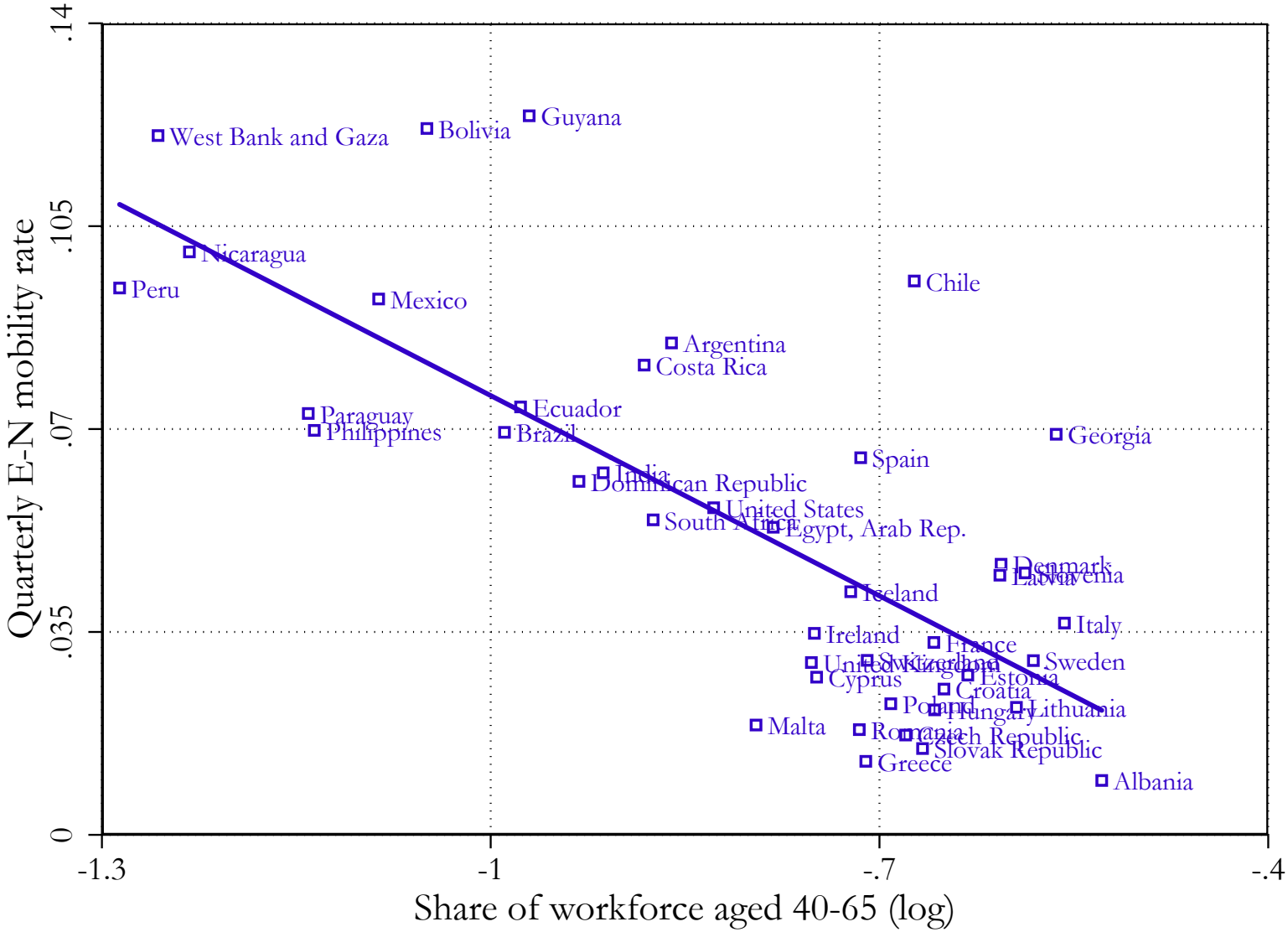
FIGURE VII: QUARTERLY J-J MOBILITY & REAL GDP PER CAPITA



DEVELOPMENT $\overset{\text{CORR}}{\leftrightarrow}$ DEMOGRAPHICS $\Rightarrow$ FLOWS

Poorer countries have younger workforce $\Rightarrow$ higher flows

FIGURE VIII: QUARTERLY E-N RATE & SHARE OF MATURE WORKERS



WORKERS ARE LESS MOBILE IN OLDER ECONOMIES COND. ON OWN AGE

$$\log y_{cta} = gdp_{ct} + A_a + \varepsilon_{cta}$$

TABLE 2: FLOWS ON GDP & SHARE OF WORKFORCE AGED 40–65

	(1) E-N	(2)	(3) J-J	(4)
GDP	-0.434***		-0.104	
	(0.098)		(0.241)	

Note: Regression of E-N/J-J rate on log GDP per capita and log share of workforce aged 40–65 at country-year-age level with age controls. Standard errors clustered at country level. *** statistically significant at 1%.

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TABLE 2: FLOWS ON GDP & SHARE OF WORKFORCE AGED 40–65

	(1) E-N	(2) E-N	(3) J-J	(4) J-J
GDP	-0.434***	-0.197	-0.104	0.437
	(0.098)	(0.131)	(0.241)	(0.281)
Share 40–65		**-1.214*** **		**-2.258*** **
		(0.414)		(0.735)

Note: Regression of E-N/J-J rate on log GDP per capita and log share of workforce aged 40–65 at country-year-age level with age controls. Standard errors clustered at country level. *** statistically significant at 1%.

SUMMARY

- **Important contribution**: Labor market flows in poorer countries
- **My reading of facts**: Robust pattern is higher aggregate E-N rate
  - Want theory that can speak to that
- **Outstanding questions**
  1. How much can we learn from a correlation between flows and GDP across countries at very different stages of development?
     - Flows $\Rightarrow$ Development? Development $\Rightarrow$ flows? Or some 3rd factor?
  2. Do these differences matter?
     - They do not directly enter utility function (like e.g. hours worked)
     - Need some way to map them to welfare

1. Is productivity more volatile in poorer countries?
2. Driven by churn or job flows?
3. Is mobility lower in poor countries or are poor people less mobile?
4. Do patterns match up with within-country time trends?

1. With EN differences, rank in JJ $\neq$ rank in λ_e
2. Include year effects in region regressions