
Comments on Fujita-Moscarini “Recall and Unemployment”

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July 13, 2013

Fujita-Moscarini “Recall and Unemployment”

- (1) Great Paper!!!!
 - (2) First sentence of paper inaccurate and the rest of the paper is about why it is incorrect: “Unemployment is a state of job search, and is measured accordingly.”
 - (3) BLS unemployment measure: out of work and actively looking for work in last 4 weeks; or those **on layoff waiting for recall** (definite recall date or expect recall in next 6 months)
 - (4) FM remind us of the importance of the layoff-recall process for understanding U.S. labor market flows and unemployment
 - (5) They do a great job of documenting importance of recalls in SIPP – 40% of separations into unemployment in 1990s-2000s
 - (6) FM rediscover same facts documented in Katz (1985, 1986) and Katz-Meyer (QJE 1990) for 1970s-80s with much weaker data
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Facts about U.S. Layoff-Recall Process from SIPP

- 25-30% of all separations and 40-42% of separation into unemployment end in recall to previous employer
- Substantial share of workers classified as Permanent Separations end up getting recalled (15 to 20%)
- Recalls have shorter unemployment spells and better wage outcomes than new job finders (what about those expecting recall who are not recalled – worst wage outcomes in KM 1990)
- Negative duration dependence in overall unemployment hazard (U to E escape rate) driven by recalls
- New Job Hazard has no duration dependence (**probably no**)
- Pattern consistent with Katz (1985, 1986) job search model with waiting for recall and Bayesian learning about recall probability
- Recalls 41% of EU transitions but maybe 25% of unemp weeks

FM SIPP Data from Tables 4 and 6

Importance of Recalls for Spells (E->U Flows) Vs. Stocks (Weeks of Unemployment)

Recalls are 41% of spells and 25% of stocks

| | Recall Share of Spells | Recall Share of Weeks of Unemployment (Censored Spells at 6 Months) | Recall Share of Weeks of Unemp (Censored Spells at 12 Months) |
|------|------------------------------|--|--|
| 1996 | 0.408 | 0.327 | 0.274 |
| 2001 | 0.402 | 0.285 | 0.231 |
| 2004 | 0.422 | 0.294 | 0.226 |
| 2008 | 0.414 | 0.263 | 0.204 |

Katz-Meyer (QJE 1990): Ex Ante Recall Expectations and Unemployment For Missouri and Pennsylvania UI Recipients, 1979-81

TABLE II
RECALL EXPECTATIONS AND UNEMPLOYMENT SPELL OUTCOMES FOR FIRST SPELLS
OF UNEMPLOYMENT USING THE IUSR UNEMPLOYMENT MEASURE
(ENTIRE SAMPLE—MISSOURI AND PENNSYLVANIA—1,499 OBSERVATIONS)

| Group | Percentage of spells | Percentage of total weeks of unemployment | Mean duration in weeks |
|---|----------------------|---|------------------------|
| <u>Spell outcome:</u> | | | |
| Recall | 57.2 | 32.4 | 8.4 |
| New job | 34.4 | 39.1 | 17.0 |
| Censored | 8.4 | 28.5 | 50.6 |
| <u>Recall expectations:</u> | | | |
| Expect recall | 75.2 | 63.8 | 12.7 |
| Don't expect recall | 24.8 | 36.2 | 21.8 |
| <u>Definite recall:</u> | | | |
| Definite recall date | 18.1 | 9.7 | 8.0 |
| No definite recall date | 81.9 | 90.3 | 16.5 |
| <u>Recall expectations and spell outcome:</u> | | | |
| <u>Expect recall (<i>n</i> = 1,127):</u> | | | |
| Recall | 71.7 | 46.4 | 8.2 |
| New job | 22.2 | 29.0 | 6.5 |
| Censored | 6.1 | 24.6 | 50.8 |
| <u>Don't expect recall (<i>n</i> = 372):</u> | | | |
| Recall | 13.4 | 7.6 | 12.3 |
| New job | 71.2 | 57.0 | 17.4 |
| Censored | 15.3 | 35.4 | 50.4 |

Those on temporary layoff (those who expect recall) do some job search but
 About ½ as many hours of search as those not expecting recall

TABLE III
SEARCH BEHAVIOR OF UI RECIPIENTS (ENTIRE SAMPLE—MISSOURI AND
PENNSYLVANIA—1,499 OBSERVATIONS)

| Group | Percent who searched | Mean search hours per week of those who searched | Unconditional mean search hours per week |
|-----------------------------|-------------------------|---|---|
| All | 59 | 12.1 | 7.1 |
| <u>Spell outcome:</u> | | | |
| Recall | 41 | 9.8 | 4.0 |
| New job | 85 | 14.3 | 12.1 |
| Censored | 78 | 11.3 | 8.8 |
| <u>Recall expectations:</u> | | | |
| Expect recall | 52 | 10.9 | 5.7 |
| Don't expect recall | 83 | 14.5 | 12.0 |
| <u>Definite recall:</u> | | | |
| Definite recall date | 33 | 11.7 | 3.8 |
| No definite recall date | 65 | 12.2 | 7.9 |

Note. The percent who searched calculations are based on the yes-no answers of workers to the following question: "I'd like to ask you about the period of time after that job [pre-UI job] ended. Did you look for work at that time?" Workers who answered yes to this question were later asked "And about how many hours per week on the average would you say you spent looking for work?"

Recalls are important outside U.S. as well

- Substantial literature has documented importance of recalls in unemployment for Canada, Denmark, Sweden, Austria, Germany, Spain, ...
 - This literature uses high quality administrative UI data plus matched employer-employee data
 - Sweden: 45% of EUE spells end in recall (just like FM for U.S.); 10% of unemployed stock on temporary layoff – Jansson (2002)
 - Recall share of unemployment spells of job separators range from 17% in Germany (Mavromaras and Rudolf 1998) to 30% in Austria to 36% in Spain (Alba-Ramirez et al. 2007 Labour Economics) to 45% in Sweden to 50+% in Canada for UI recipients in the 1980s
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Recalls in Unemployment in Austria from 1981 to 2011 from Administrative Data

31% of spells end in recall but only 15% of weeks of unemployment

Arash Nekoei, Harvard University (2013) with Andrea Weber

Table 1

| Spell outcome | Number of spells | Percentage of spells | Percentage of total non-employment | Mean non-employment duration in days | Median non-employment duration in days |
|----------------------|------------------|----------------------|------------------------------------|--------------------------------------|--|
| Recall | 198,728 | 0.31 | 0.15 | 117 | 36 |
| New job | 392,961 | 0.60 | 0.54 | 219 | 67 |
| Censored | 58,579 | 0.09 | 0.32 | 868 | 1095 |

Note:

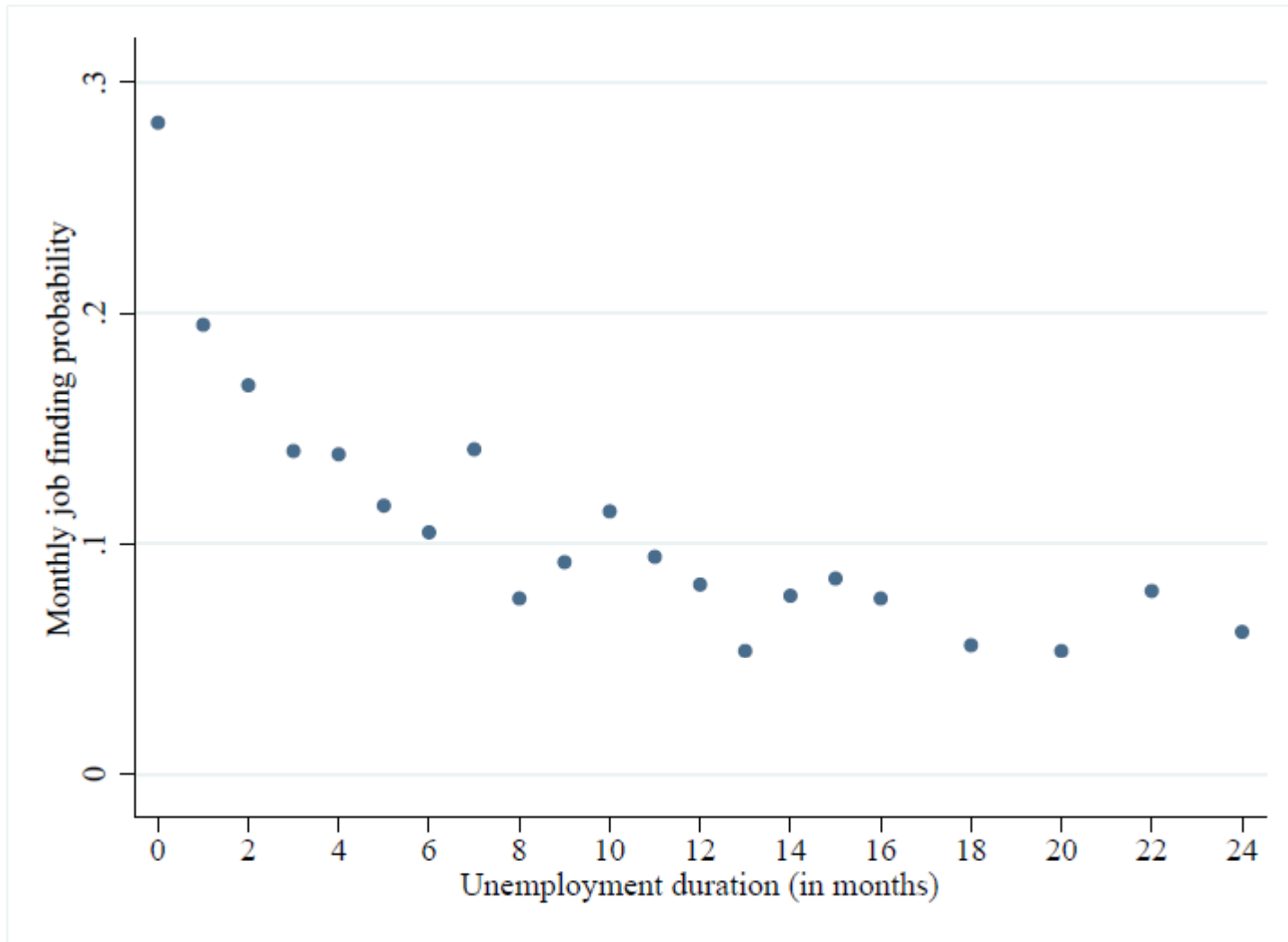
2% sample of all employment spells ending in 1981-2011, and not leading to SS, DI or maternity/paternity leaves. Age 20-60 at the time of separation.

For censored spells, non-employment is measured as $\min(3 \times 365, 1/1/2012 - \text{separation date})$.

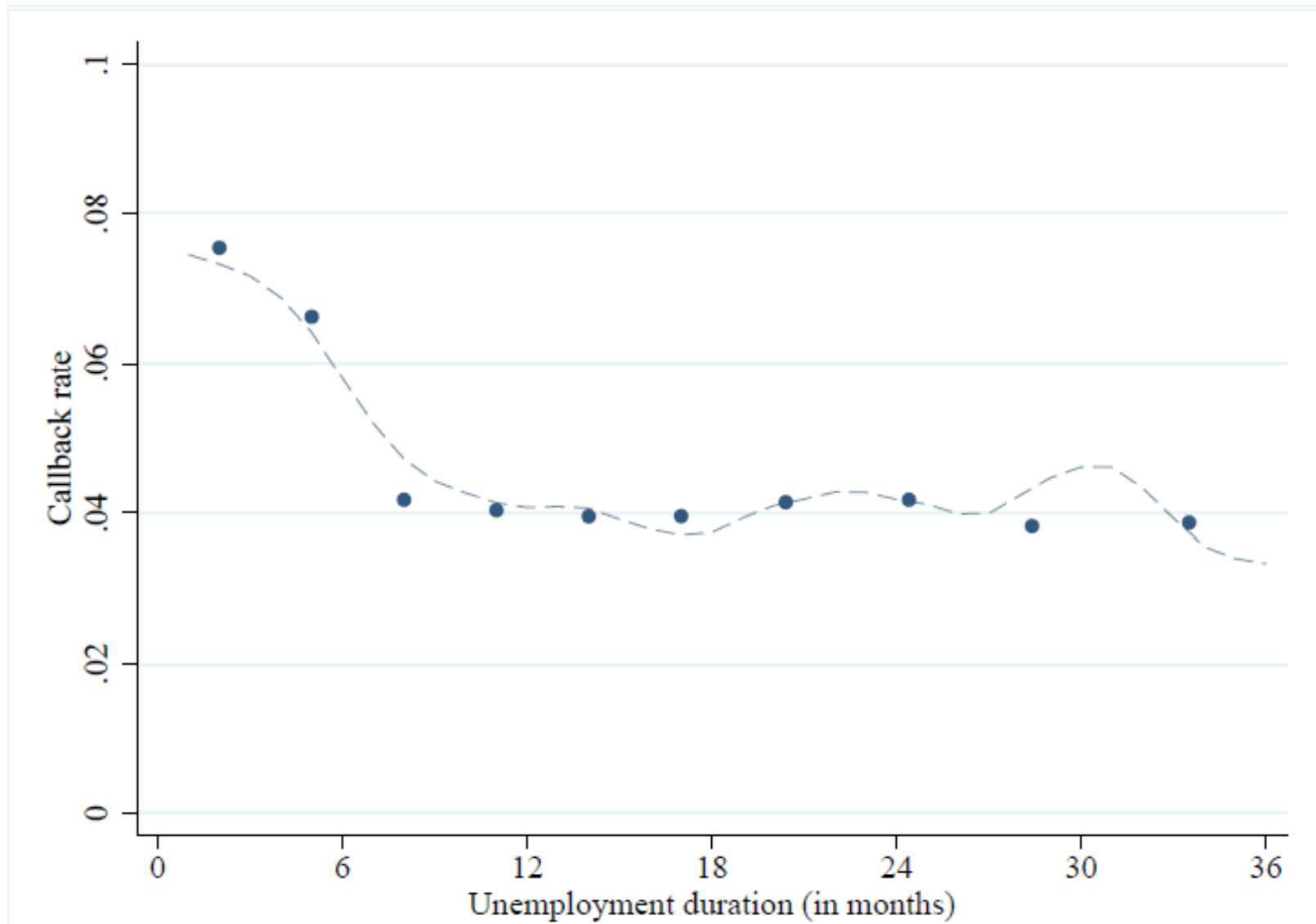
Nekoi finds large decline in reemployment wages for those not recalled after others at firm are recalled

Kroft, Lange, and Notowidigdo (QJE August 2013)

FIGURE I: JOB FINDING PROBABILITY AND UNEMPLOYMENT DURATION IN THE US, 2008-2011

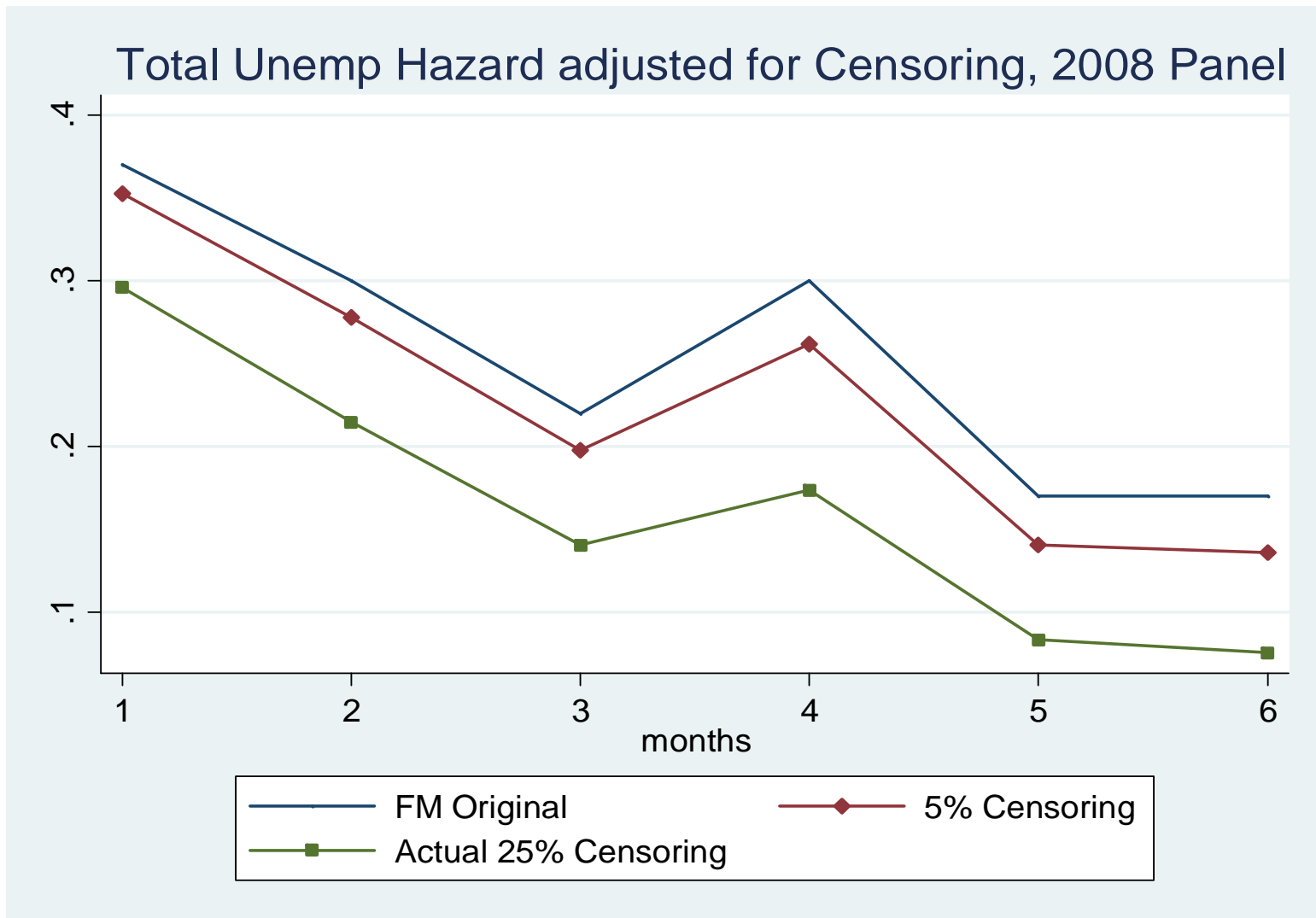


Experimental Estimates of Duration Dependence in Callback Rate



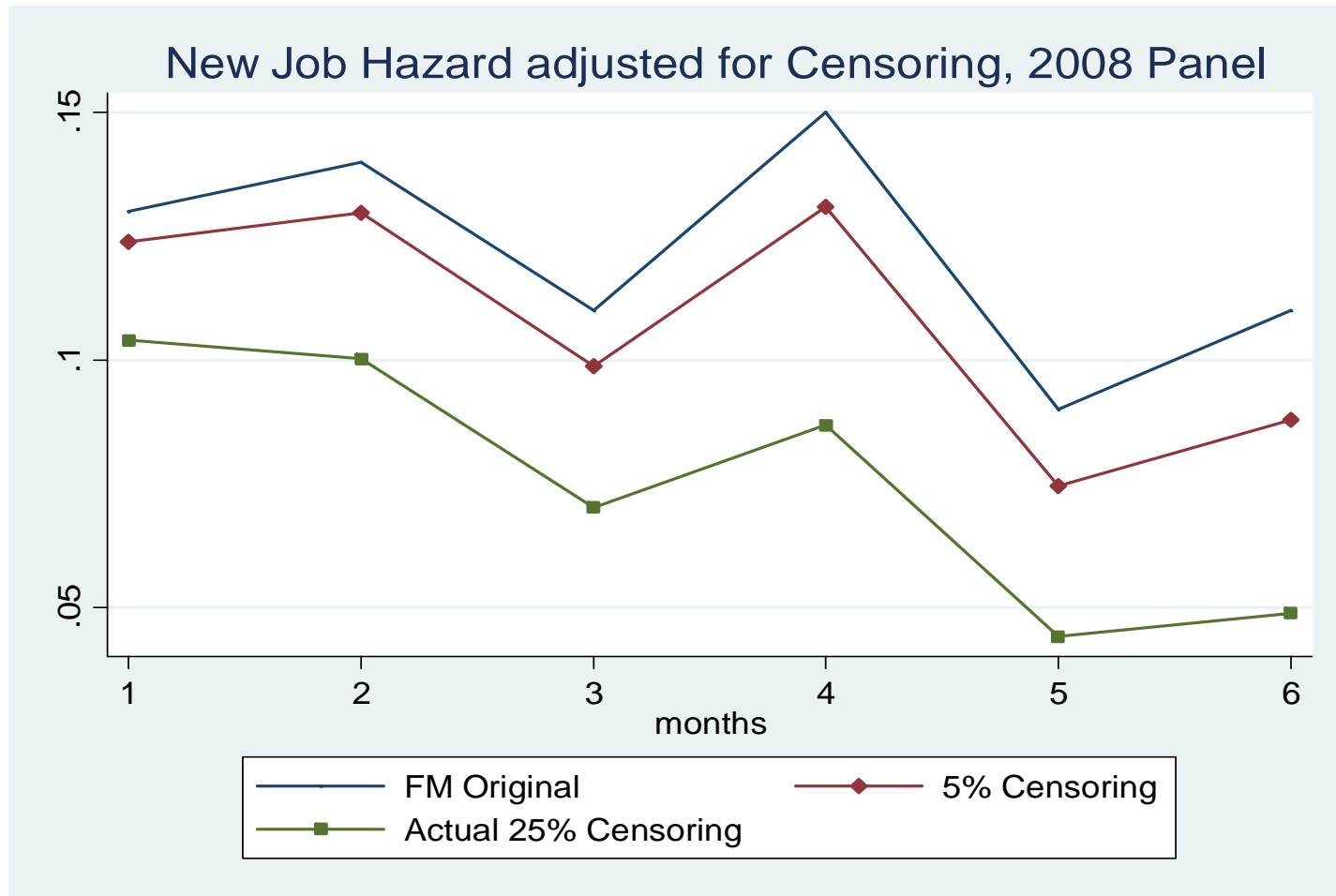
Kroft, Lange, and Notowidigdo (2013, *QJE*)

FM Appear to Understate Negative Duration Dependence in Escape Rate from Unemployment by ignoring Censored Spells
Account for Censoring then looks like KLN (2013 QJE) for 2008-11



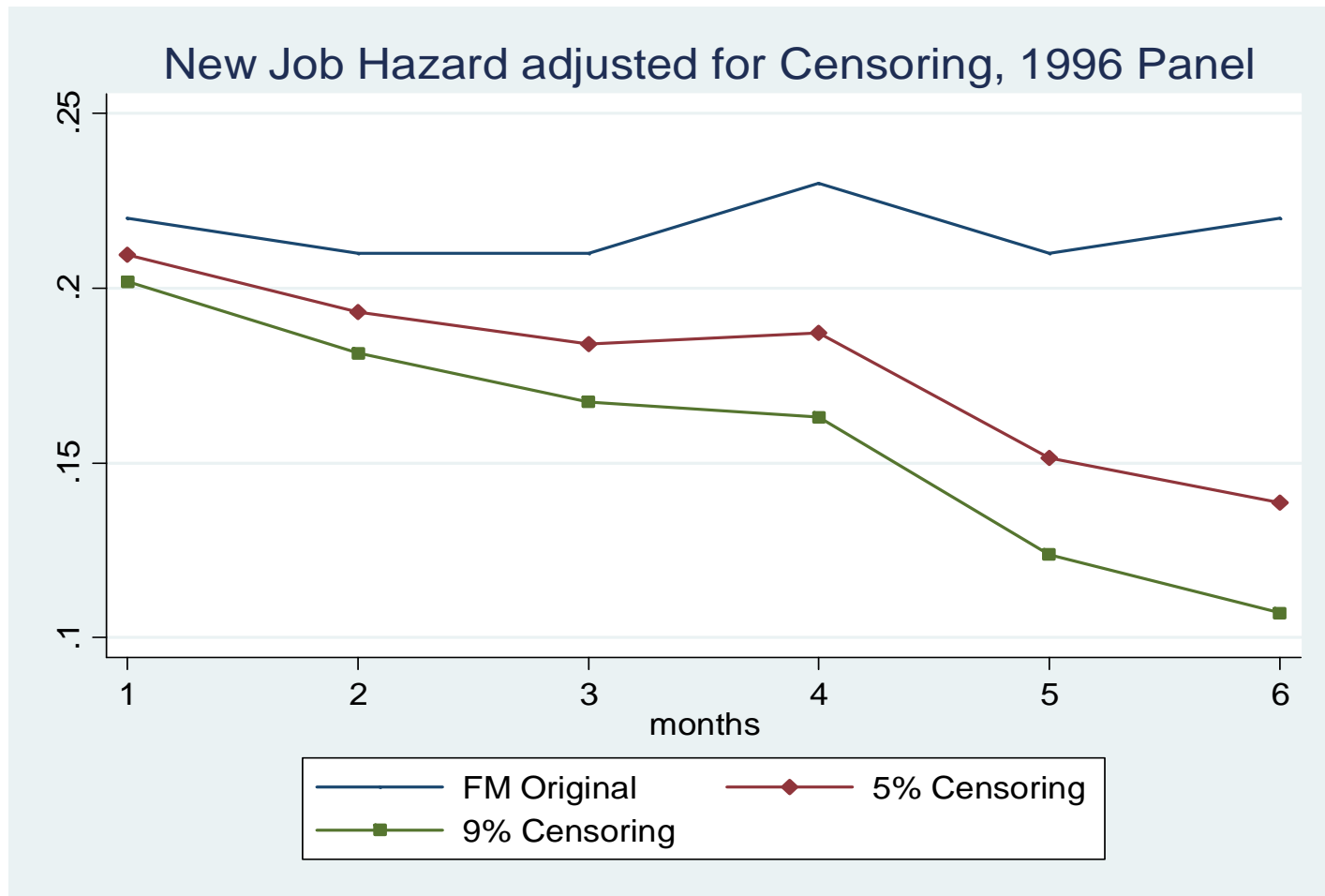
Source: Fujita-Moscarini (2013, based on Figure 7 and Table 4)

Is the New Job Hazard Really Flat? Not if you take into Account Censored Spells



Source: Fujita-Moscarini (2013, based on Figure 7 and Table 4)

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Source: Fujita-Moscarini (2013, based on Figure 7 and Table 4)

Macroeconomic Implications I

- FM go far beyond previous literature in integrating recalls into macro MP Search Model
 - FM show the accounting for recalls and temporary layoffs has important implications for measuring of matching efficiency and estimation of matching function
 - Approach: Remove recall from new hires since don't require matching and remove temporary layoffs from unemployment
 - Implication: Larger coefficient on $\ln(V/U)$
 - Recall share up so fewer hires and lower temp layoff share so higher unemployment in Great Recession so bigger decline in matching efficiency
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Macroeconomic Implications II

- How plausible are cyclical conclusions about matching efficiency? Recruiting intensity decline documented by Davis, Faberman, & Haltiwanger (QJE 2013) and Difficulty of matching cyclical dynamics of Beveridge Curve in deep recession; Lazear (2012) evidence of no increase in mismatch
 - Importance of **Retrospective Wait Unemployment – KM (1990) finding of longest unemp spells and biggest wage losses for those expecting recall and not recalled**
 - Heterogeneity in recall expectations and learning about recall probability need to be taken into account
 - How much of layoff-recall process is seasonal side show?
 - Recall option does not necessarily disappear in taking a new job
 - Policy issue: UI experience rating; debiasing wage expectations; job search requirements for UI, ...
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