

Brookings Papers on Economic Activity

**Remarks on “The Emergence of a Uniform
Business Cycle in the United States”**

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Outline

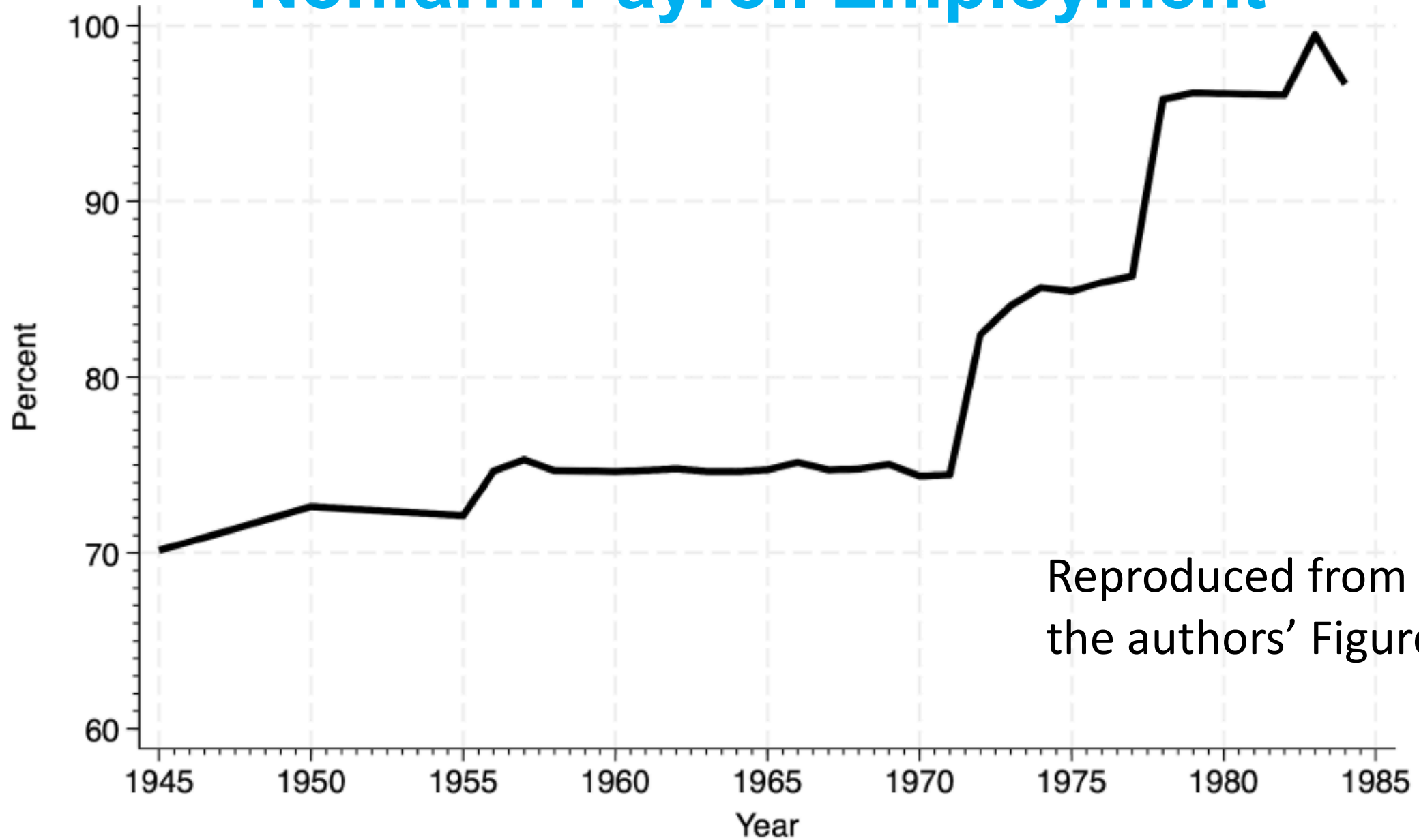
1. Unemployment: What to measure?
2. Two secular developments in the character of fluctuations:
 - The pace of recession recoveries has slowed (excepting COVID recession)
 - Recessions have become more similar across states (excepting the COVID recession).
 - Partly because the industry mix of activity has become more similar.
3. Unemployment by reason and the pace of recoveries
4. What's behind the secular fall in temporary layoffs?
5. Will future labor market transformations involve less economic hardship and dislocation than did deindustrialization?

The Authors' Claims-Based Unemployment Rate

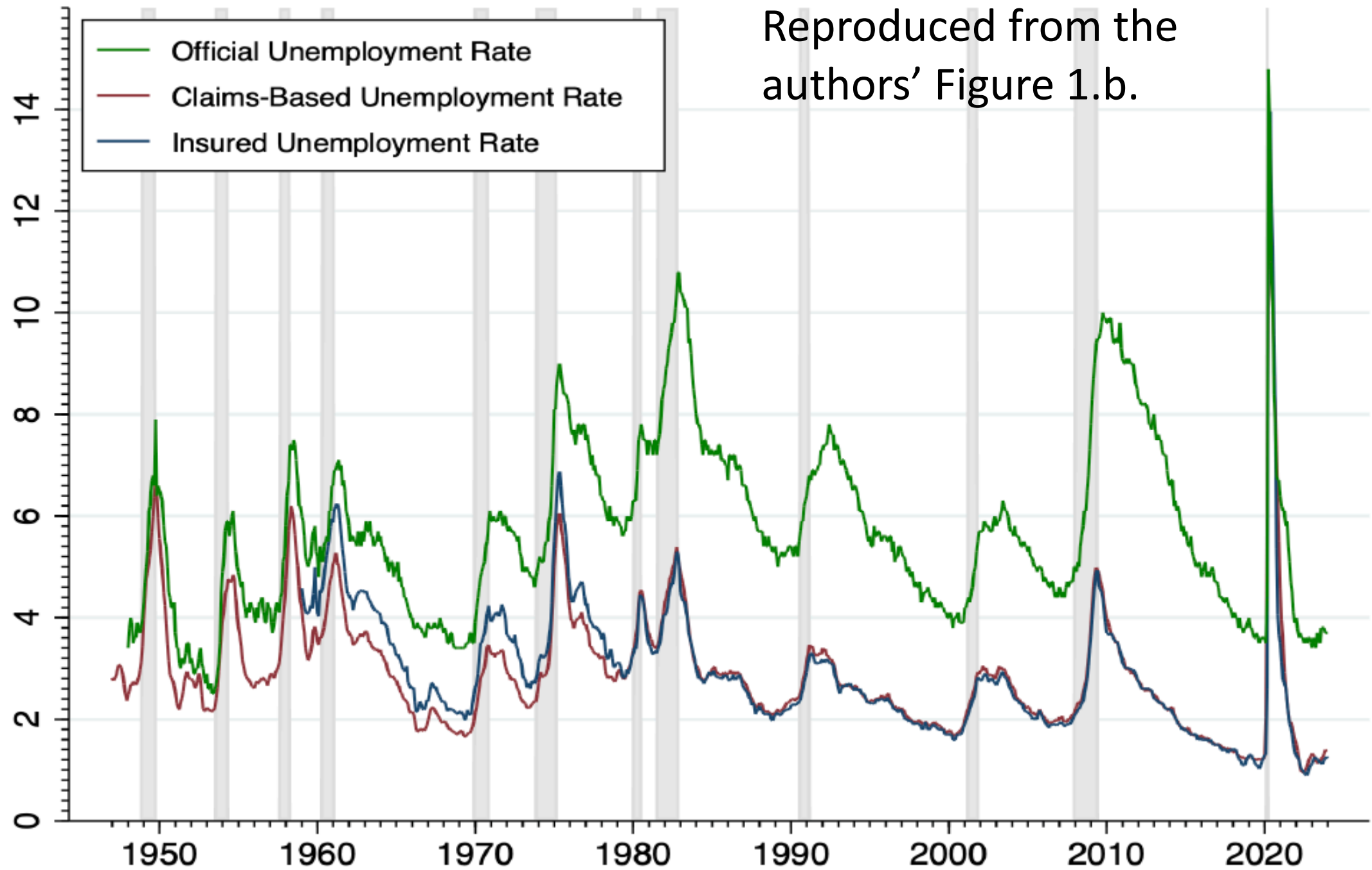
$$UR_{i,t}^{Claims} = \frac{IC_{i,t} + CC_{i,t}}{NP_{i,t} + IC_{i,t} + CC_{i,t}}$$

Nonfarm payroll employment rather than the level of employment covered by the unemployment insurance system

Covered Employment as a Percent Nonfarm Payroll Employment

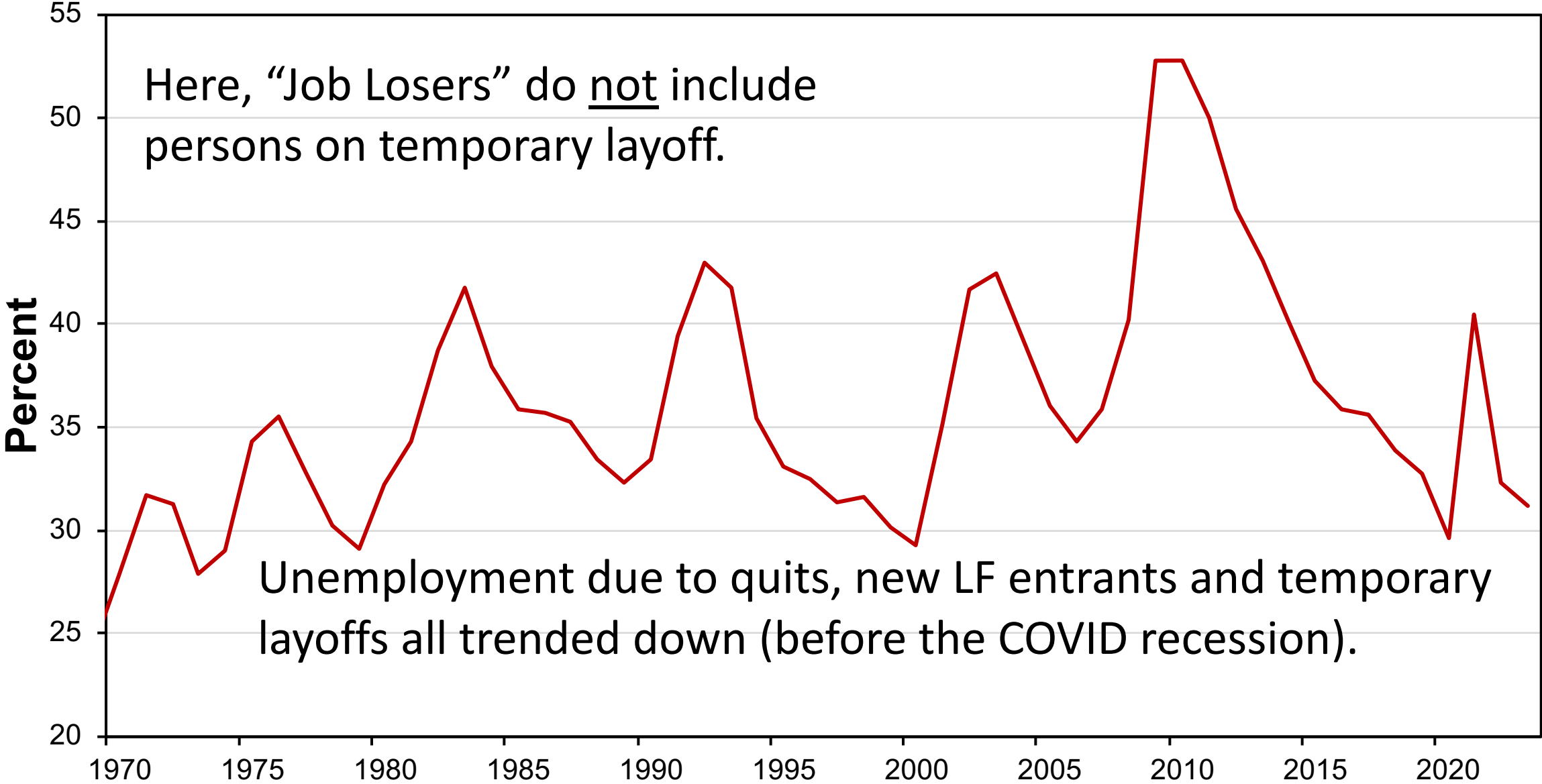


Reproduced from
the authors' Figure A.4.



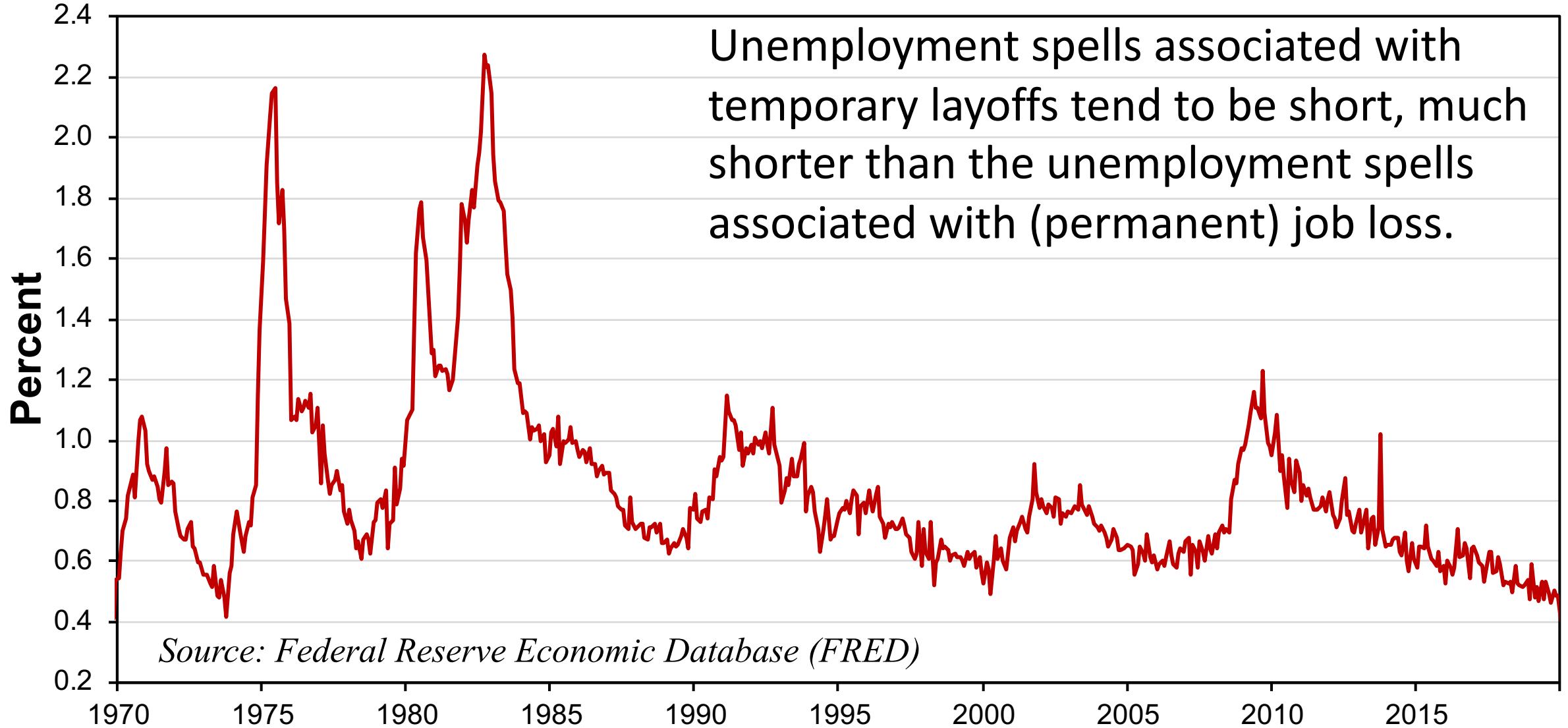
Reproduced from the authors' Figure 1.b.

Job Losers, % of CPS Unemployment, 1947 to 2023



Source: Federal Reserve Economic Database (FRED)

Unemployed Persons on Temporary Layoff, % of Civilian Labor Force, 1967 to 2019

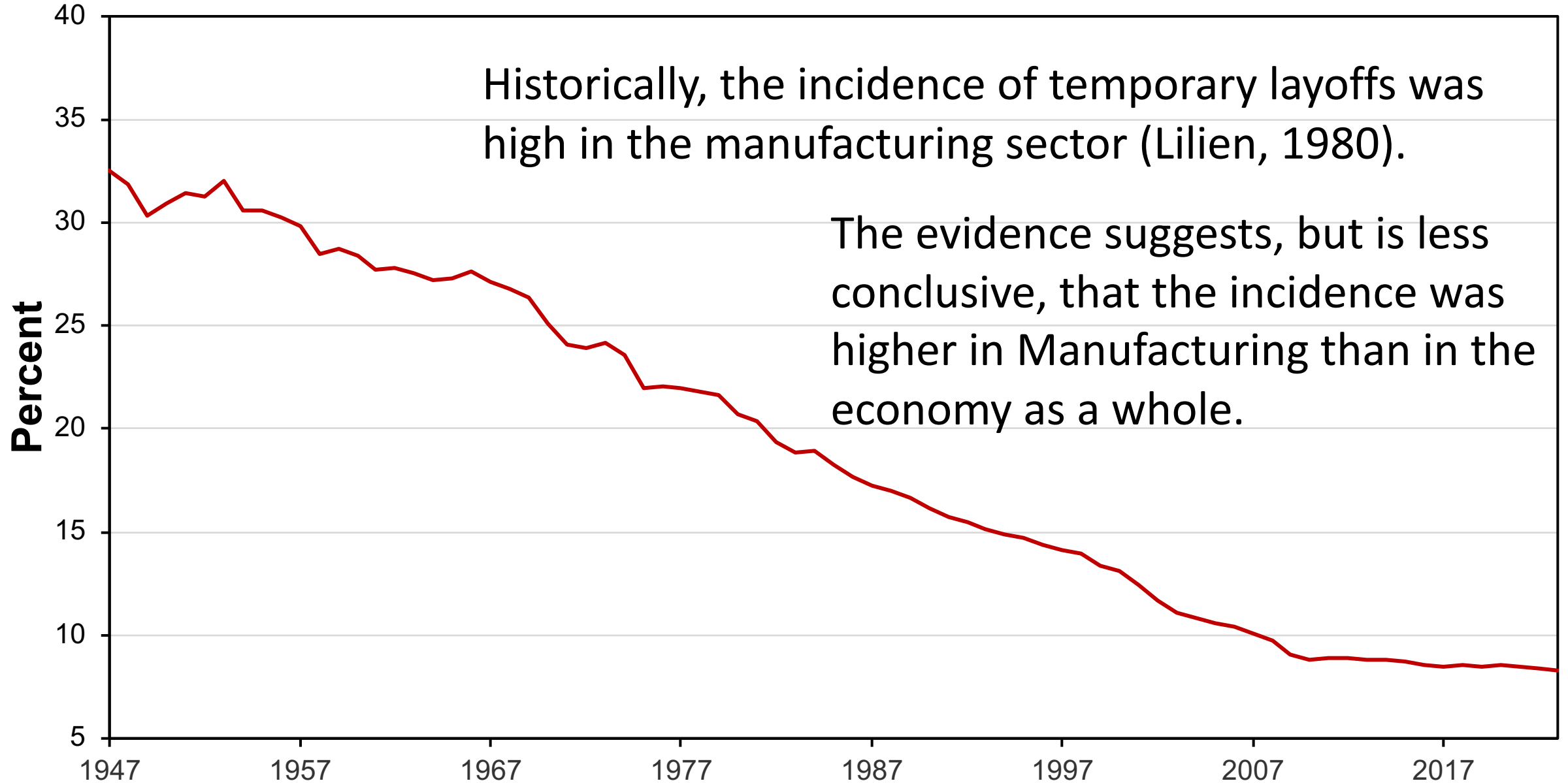


Why the Secular Decline in Temporary-Layoff Unemployment?

Three plausible (but unproved) answers:

1. Manufacturing's employment share plummeted.
2. Private-sector unionization and the incidence of collective bargaining fell sharply.
3. Experience-rating reforms in the UI tax system reduced implicit subsidies to the use of temporary layoffs.

Manufacturing's Share of Nonfarm Employees, 1947 to 2023



Why the Secular Decline in Temporary-Layoff Unemployment?

2. Private-sector unionization and the incidence of collective bargaining also fell sharply.
 - Private-sector union jobs fell from about 17% of employees in 1983 (and higher in earlier years) to 6% in 2023. (BLS stats)
 - An old view holds that unions cause firms to rely more on temporary layoffs. See Feldstein (1978) and Medoff (1979), for example.
 - Despite their modest share of employment, private-sector union jobs account for 15% of all layoffs and 75% of temporary layoffs in a sample of new UI benefit recipients in Illinois in the fall of 2018 (Davis and Krolkowski, 2024).

Why the Secular Decline in Temporary-Layoff Unemployment?

3. Did experience-rating reforms in the UI payroll tax system reduce implicit subsidies to the use of temporary layoffs?
- The design of the U.S. unemployment insurance system subsidizes the repeated layoff and recall of employees – i.e., temporary layoffs. See, for example, Feldstein (1978) and Topel (1983).
 - In the 1970s and 1980s, there were calls to strengthen the experience-rating of UI payroll tax rates to reduce the implicit subsidy of temporary layoffs and thereby lower unemployment – temporary-layoff unemployment, in particular.
 - Did those calls succeed in prompting reforms, and if so, did they have a material impact on unemployment outcomes?

Looking Forward

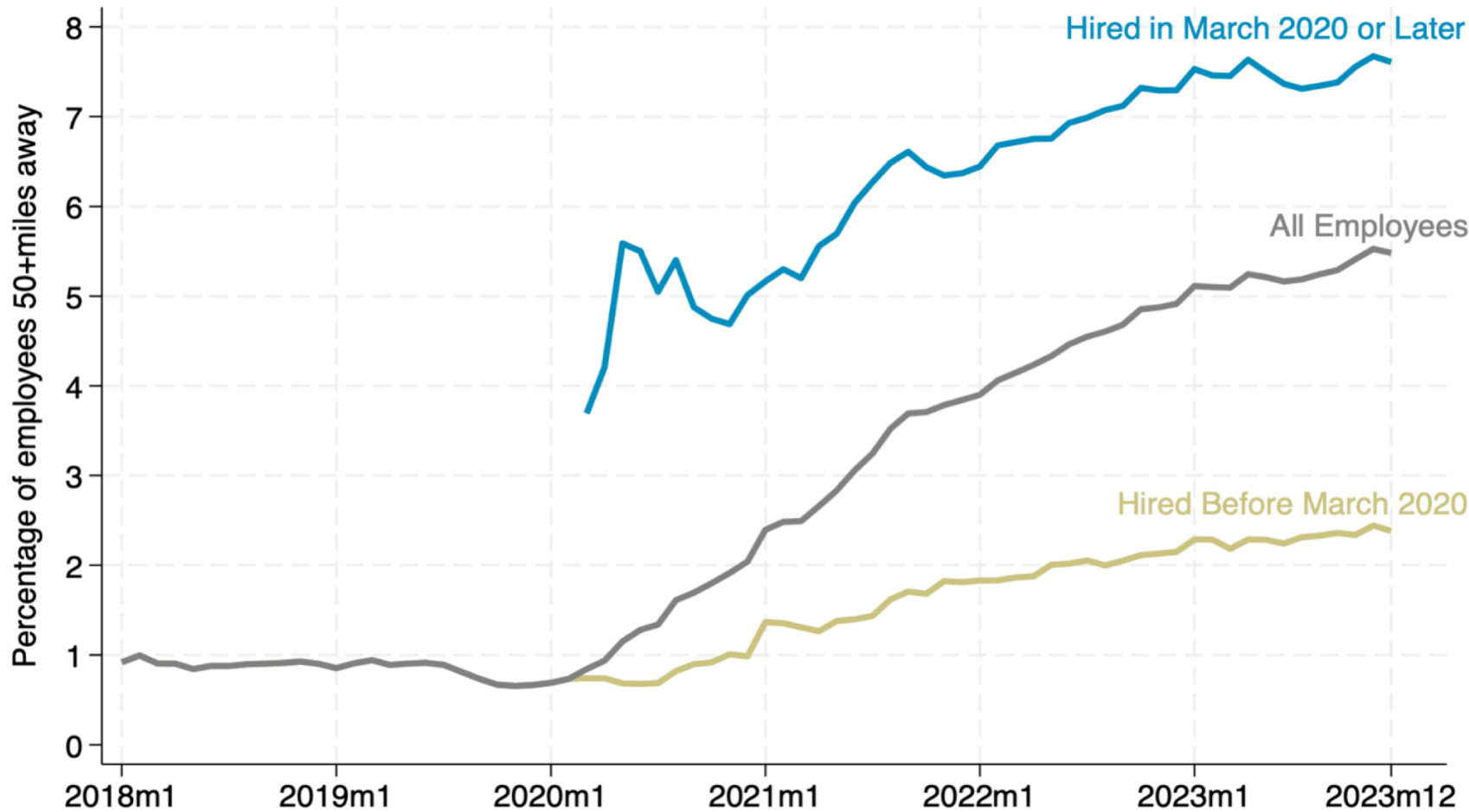
Will future U.S. labor market transformations involve less economic hardship and dislocation than did deindustrialization?

Conditional on the pace of transformation, here are four reasons to think so:

1. More spatial similarity in industry mix of employment suggests future transformations will require less geographic mobility of factor inputs.
2. Manufacturers often play outsized roles in their local economies to an extent that is uncommon in other major sectors. And manufacturing's share of employment has plummeted over the past 75 years.
3. Jobs displaced by advances in AI (the biggest prospective source of transformation on the horizon) will be spread across many occupations, industries, and regions – not concentrated spatially.
4. Worker locations are becoming less tied to employer locations.

Workers Are Becoming Less Tied to the Location of Their Employer

Percentage of Employees Living More than 50 Miles from Employer Location



Two corollaries:

- (1) Job displacements due to industry and firm-level declines will be less clustered in space.
- (2) A larger share of job losers will be displaced into local labor markets that are not especially depressed.

Notes: The sample contains employees of 5,793 firms in a balanced panel of mostly smaller and mid-sized firms. Employee-level data are reweighted to match the CPS distribution by (age bin) X sex X major industry. Authors' calculations using proprietary data from Gusto, a payroll processing and HR services firm.

From "[Americans Now Live Farther from Their Employers](#)" by Akan et al. (2024).

References

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