

Charts Related to Labor Market Developments

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NBER

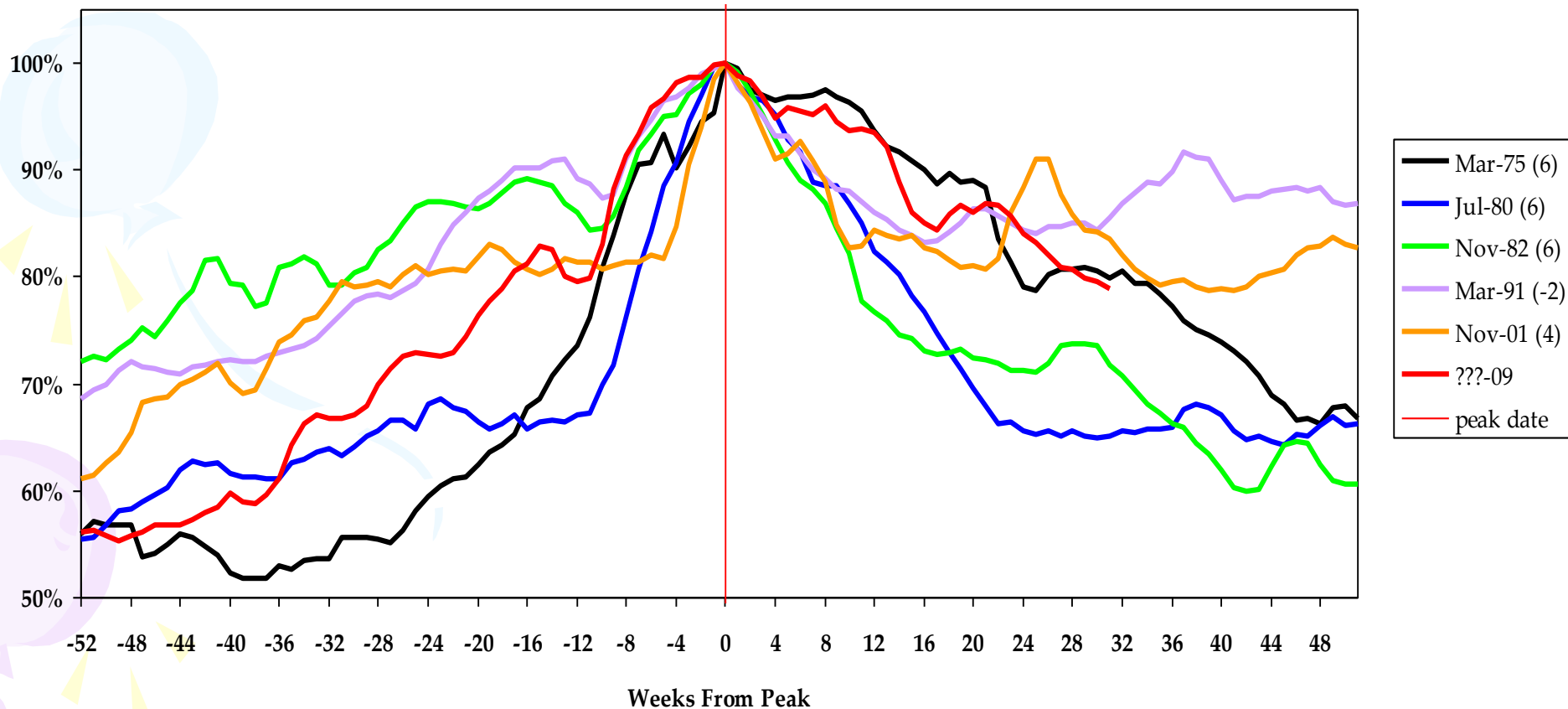
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Recent Performance of UI New Claims as an Indicator

- Back in March, discovery of a tight lag between the cyclical peak in new claims and the NBER trough
 - Four of last five recessions, lag had been 4-6 weeks (1991 -3 weeks)
 - This time turned out to be 10 weeks, not a big miss for this leading indicator
- How bad will the jobless recovery be, according to this indicator?

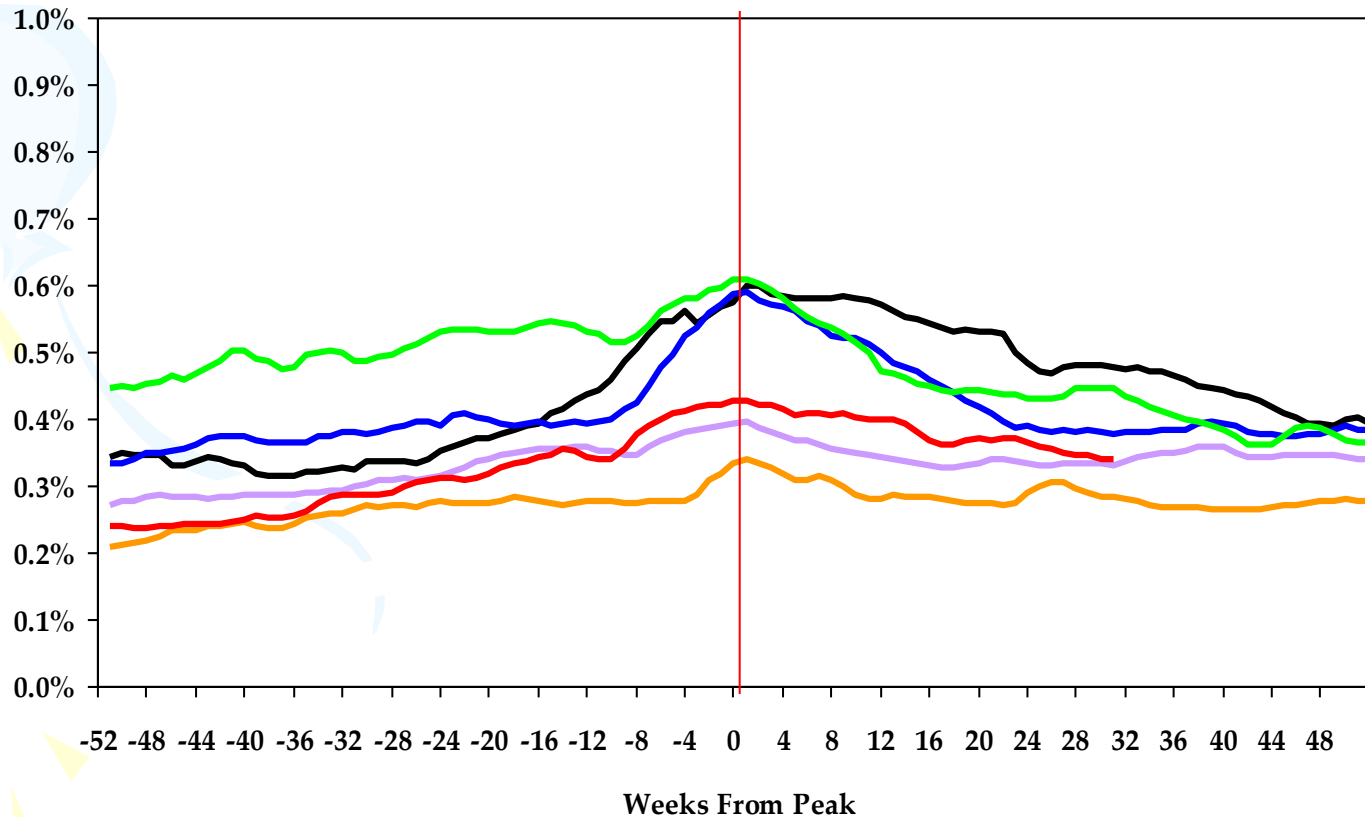
New UI Claims Relative to Peak Value, red line is now

Initial Unemployment Claims as a Percentage of Peak Value During Recession, 1967-2009 (4 Week Moving Average)



But the Labor Force Has Grown; UI Claims / LF

Initial Unemployment Claims as a Percentage of Labor Force,
1967-2009 (4 Week Moving Average)

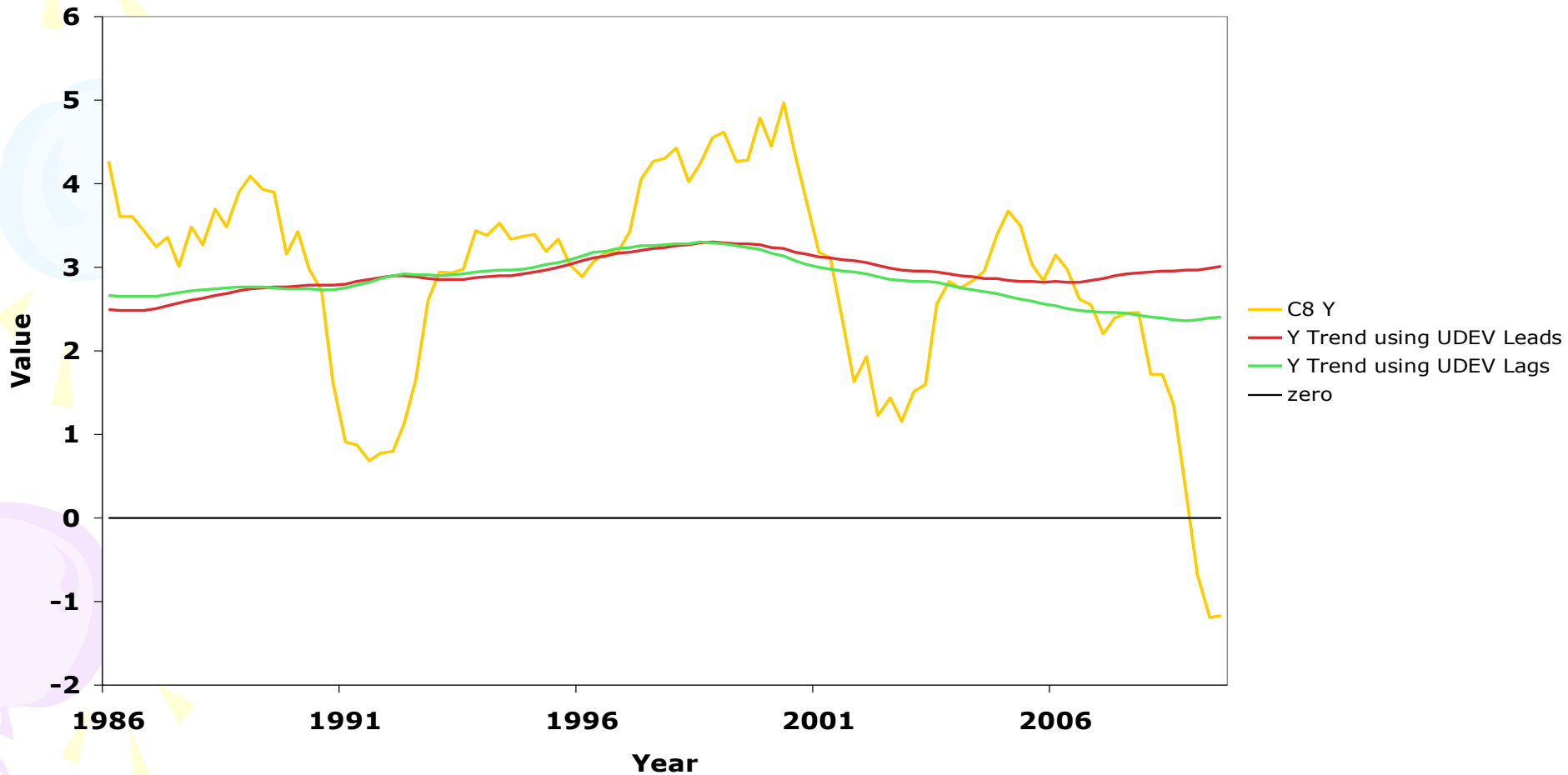


What do Buoyant Productivity Numbers Imply for Trends?

- Output Identity $Y = Y/H * H$
- Per Capita Version $Y/N = Y/H * H/N$
- To make the identity work, Y/H is total economy output per hour, not NFPB sector
- Method of Obtaining Trends:
 - Kalman Filter with a Cyclical Adjustment based on the unemployment gap derived from my “triangle” inflation equation
 - Relation of U gap and GDP gap has shifted
 - Results here based on detrending for 1986-2009, not the alternative of 1962-2009

Kalman GDP Trend based on Ugap Lags vs. Leads

Figure 2a(2). Kalman Trended Y using alternatively UDEV leads and UDEV lags, 1986:1 - 2009:3



Right Side of the Identity: Trends for Y/H , H , and H/N

Figure 4a(2). C1LP vs C1 Hours, 1986:1 - 2009:3

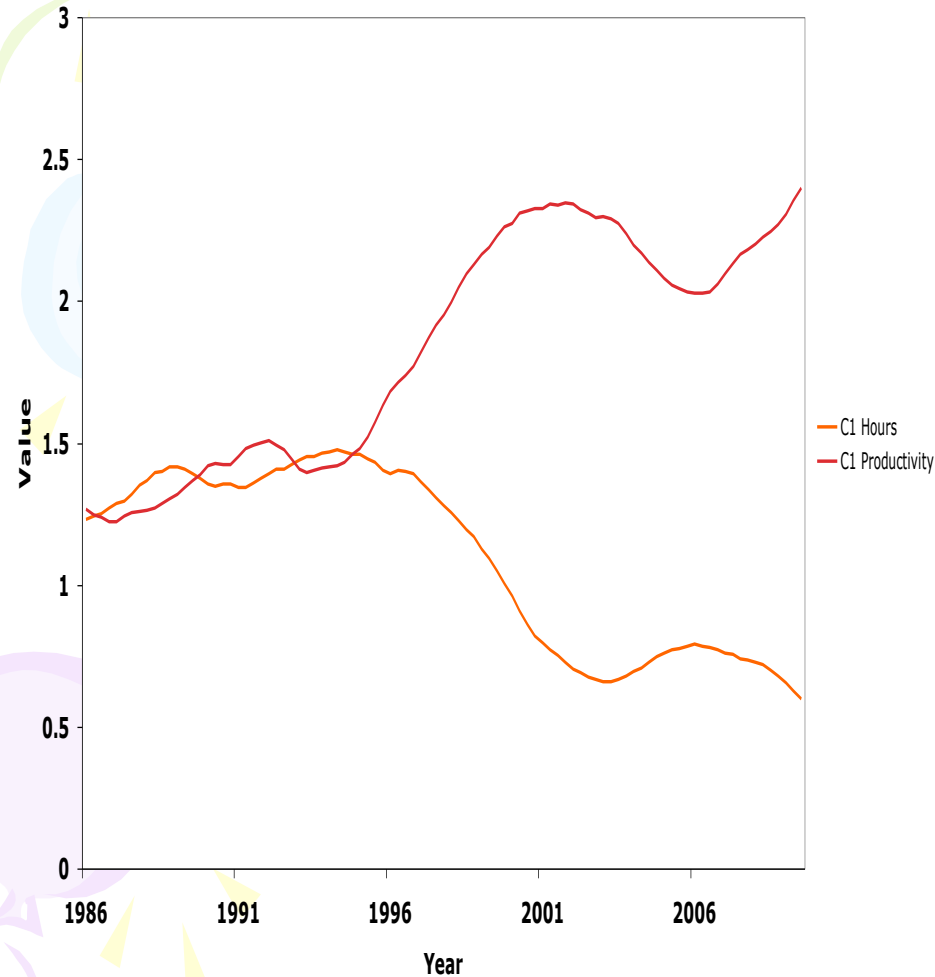
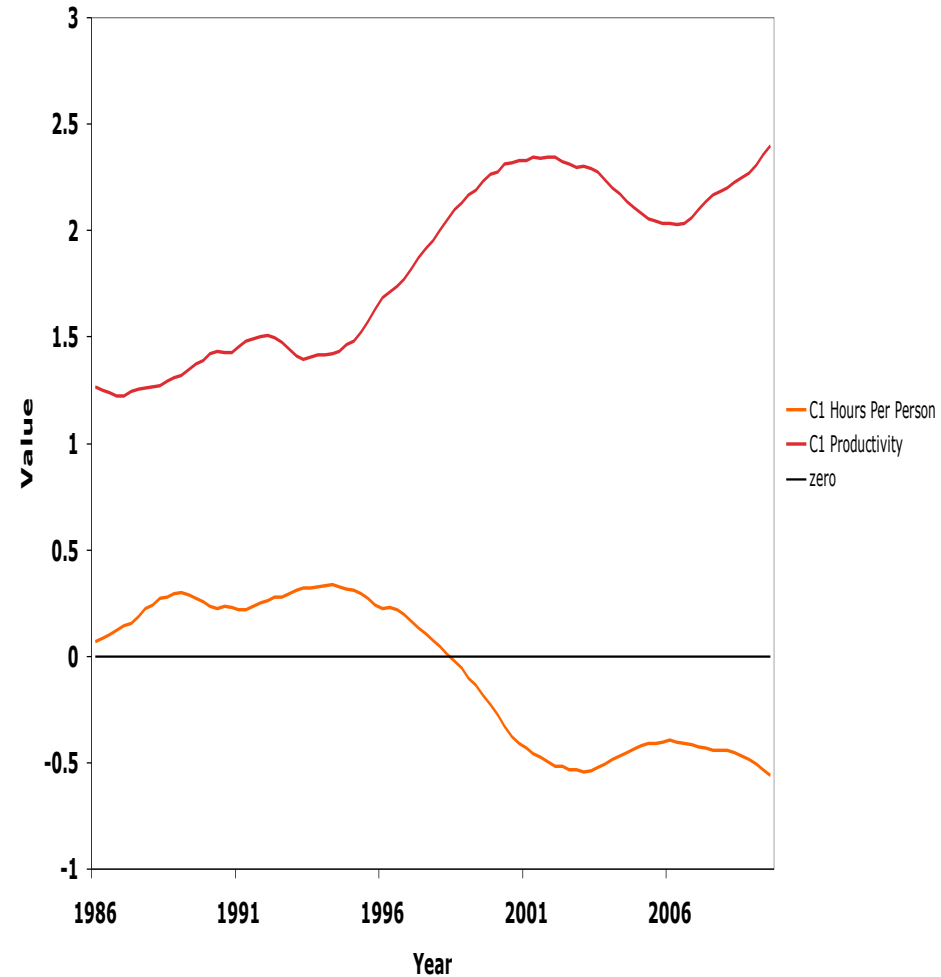


Figure 4(2). C1LP vs C1 Hours per Person, 1986:1 - 2009:3



Conclusions about Trends in Y , Y/H , H , and H/N

- Results reflect a twist compared to previous recessions
 - 2007-09 is worse for H/N than it is for output
 - Big U gap implies output trend is growing at 3.0 percent vs. the previous 2.5 consensus
 - Of the 3.0, 2.4 is the productivity growth trend and 0.6 is the growth trend of total economy hours
- Robust Y/H trends contingent on continuing decline in H/N of 0.5 percent per year
- Qualifications on robust productivity trend of 2.4 in the total economy, ~ 2.7 to 2.8 in NFPB sector
 - Contingent on an ongoing train wreck in the labor market
 - Contingent on this recession's imbalance between labor market weakness vs. relative output market strength