

DISCUSSION OF

*Temporary Layoffs, Loss-of-Recall,
and Cyclical Unemployment Dynamics*

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This paper: Highlights the role of large, cyclical flows between TL and 'Jobless Unemployment' (JL).

- Special emphasis on the TL→JL flow, termed **loss of recall**.

MEASUREMENT

<i>from...</i>	<i>to...</i>			
	E	TL	JL	I
E	0.955	0.005	0.011	0.029
TL	0.435	0.245	0.191	0.129
JL	0.244	0.022	0.475	0.259
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What does a JL→TL transition mean? **More generally, what do TL, TL→E, TL→JL, etc. measure?**

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The authors interpret TL→JL transitions as **loss of recall**:

“If a transition from TL to JL represents a true loss of recall, we would expect the re-employment probability of such workers to be similar to the unconditional re-employment probability of workers in jobless unemployment. Otherwise, we would expect the re-employment probabilities of workers moving from TL to JL to remain high.”

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A competing explanation is **duration dependence** in the unemployment hazard (either genuine or apparent, caused by heterogeneity).

If there is duration dependence, and if the “TL” label is correlated with short durations, then we would expect to see the patterns highlighted by the authors.

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When unemployed:

- Each worker i has an individual-specific job finding probability f_i . Specifically, $f_i = 1$ for a fraction α of workers and $f_i = \underline{f} < 1$ for the remaining $1 - \alpha$.
- Each worker gets assigned a type $t_i \in \{\text{TL}, \text{JL}\}$, which changes stochastically over time following some stochastic process which is **independent of f_i** .

In that sense, TL or JL is just a meaningly label affixed to unemployed workers.

MY SILLY MODEL OF TL

I calibrate this model (50,000 workers, 35 years) to match transition matrices:

	E		TL		JL	
	<i>data</i>	<i>sim</i>	<i>data</i>	<i>sim</i>	<i>data</i>	<i>sim</i>
E	0.984	0.988	0.005	0.011	0.011	0.000
TL	0.481	0.480	0.312	0.312	0.207	0.207
JL	0.303	0.319	0.028	0.023	0.670	0.658
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Mechanism:

- It takes at least one month for workers to make a TL→JL transition.
- Thus, all " $f_i = 1$ " workers are selected out of the "JL, previously in TL" sample.

How much of that is going on in the data?

THE GHT MODEL

Builds upon the GT model (Gertler and Trigari, *JPE* 2009), a sophisticated DSGE-*cum*-DMP matching friction model featuring:

- Worker-level, transitory idiosyncratic cost shocks (causing TL);
- Job- (firm-)level idiosyncratic cost shocks (causing permanent job destruction);
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- Real wage inertia (staggered contracts), capital, capacity utilization. . .

Has only one aggregate shock (to TFP, at least outside of pandemic times), and yet does a good job mimicking 35 years of aggregate data on labor market stocks and flows.

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What policy conclusions can be drawn? Do private job destruction / job creation / separations into TL decisions differ from the Planner's?

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One of the authors' messages is that PPP was "*successful in fulfilling its intended purpose of encouraging firms to rehire workers on TL*".

But the way PPP is modeled looks like a free lunch given to the economy.

Essentially, a positive productivity shock partially offsetting the pandemic shocks.

As such, it is not entirely surprising that it was "successful".

THANK YOU!