RESEARCH STATEMENT

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My primary research interests are in macroeconomics and applied macroeconomics, especially the relationship between GDP growth and labor dynamics. In my dissertation I focus on the topic of jobless recovery, which explores the speed of recovery in unemployment rates post-recession, controlling for GDP growth. In my theoretical work, I put forward an efficiency wage model extending the framework of Alexopoulos (2003) to explain how increased firing costs can cause slower hiring following a negative productivity shock.\(^1\)

In my empirical work, I investigate jobless recovery as a relative term using time series and panel data to compare recoveries in unemployment rates across time and states within the United States. One empirical paper is a time series VAR analysis of the U.S. that finds two structural breaks in the relationship between GDP growth and changes in unemployment rates that indicate increasingly jobless recoveries. In my job market paper, I use panel data of the individual states within the U.S. to find the effects of labor laws, called Employment-At-Will Exceptions (EWEs), making it more difficult to discharge an employee on jobless recovery. I find the EWE’s contribute, but do not explain all of jobless recovery.

My future research will further explore other possible contributors to jobless recovery on both the demand and supply side. These possibilities include increases in temporary workers and healthcare costs, adverse selection effects from technological changes in the job application process, and large increases seen in entitlement spending both as a percentage of GDP and as a percentage of people in the U.S. receiving benefits.

Aaronson, Rissman and Sullivan (2004) find some evidence of a shift towards temporary workers in recent recoveries and document the dramatic rise seen in U.S. healthcare costs.\(^2\) When large numbers of temporary workers desire full time work in a recession, there may be persistently high unemployment rates. This would result if new jobs are filled with temporary workers shifting to full time, leaving smaller changes in the number of unemployed.

Rising healthcare costs could be contributing to jobless recovery in two different ways. First, quickly rising healthcare costs could be temporarily reducing labor demand with above equilibrium costs. Second firms could be pushed towards reducing their workforce.

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in lieu of fewer, more highly skilled employees working longer hours due to having to pay fixed healthcare costs independent of salary and hours worked.

I will also examine the changes firms face during their screening and hiring process due to the reduced cost and increased ease that technology has introduced into the job application process. With the advent of the internet, applying for a job no longer requires buying a newspaper for the help wanted ads or buying the stationary, envelopes and stamps necessary for job applications. These changes to the application process could be contributing to jobless recovery by creating an adverse selection problem for firms with increasing numbers of applicants willing to apply for large numbers of jobs regardless of the suitability of their qualifications. Sorting through the noise to find properly qualified job candidates can increase the cost of screening and leave firms more cautious in their hiring.

On the supply side, the dramatic increases in entitlements seen in the U.S. over time may have led to an negative income effect on labor, which could result in a decrease in job search intensity and an increase in reservations wages. Using data from the Bureau of Economic Analysis, total government spending on social benefits to persons as a percentage of GDP has risen from 4.6% in 1960 to 9.7% in 1980 to 15.43% in 2010. Government assistance has increased in a number of areas, including healthcare, housing, food purchasing and income levels below certain poverty thresholds. From the U.S. Census Bureau for example, the percentage of people on medicaid has increased from 8.4% in 1987 to 15.9% in 2010 and the percentage increase in people on food stamps has outpaced the population growth rate 34.4% to 21.1% from 1990 to 2008. From the Social Security Administration, the number of people receiving Supplemental Security Income from the federal government has increased by 26.6% from just 2003 to 2010, while the population has only increased by 6.2%.

One of the more striking increases in entitlements has come in the form social security disability. Using data from the Social Security Administration and the Bureau of Labor and Statistics, there were about 152 people in the labor force per every worker receiving disability benefits in 1960. By 1970 that number quickly went down to 55, then 41 by 1990 and 18 by 2010. Workers on disability can still work and receive benefits as long as they make under a certain threshold or are not working too many hours. In bad times, disabled workers may be more willing stay at home or work part time, and accept less income supplemented by their benefits. In boom times there could be larger numbers of disabled workers either drawn into the labor force or moving from part time to full time work if the increase in wages and benefits is large enough. All of these supply side factors may be causing persistence in unemployment rates and contributing to jobless recovery.