

The Great Micro Moderation

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Summary

- Extends and complements Sabelhaus and Song (2010)
- In SS data, dispersion in earnings growth declines from 1979 to 2012, not due to changes in composition (true for women, men, young, old)
- Connects decline in dispersion to decline in dispersion of firm employment growth
 - ▶ Firms hire/fire less, individuals switch less, and even when they stay with same firm their earnings are less volatile

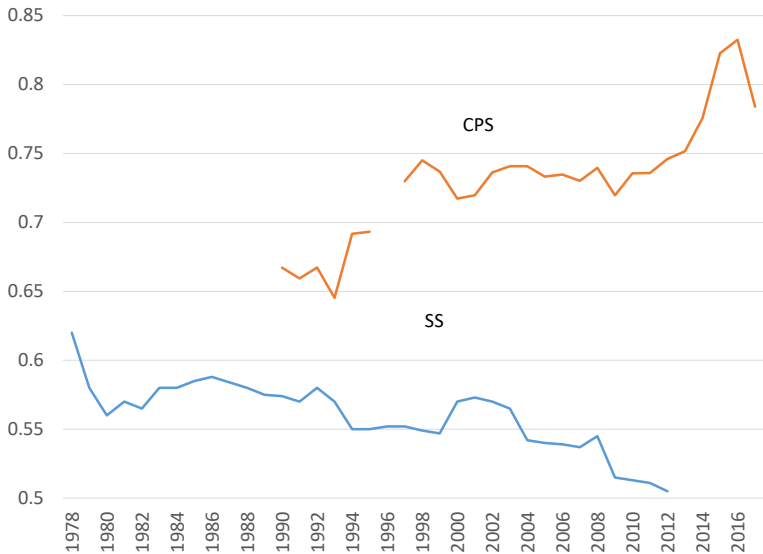
Provoking message!

- Traditional/anecdotal view is (was?): over the past 30 years US workplace has become more volatile
- Lifetime stable manufacturing jobs are gone, and now we move from one gig to the other
- View uniformly validated by evidence from survey data (PSID,CPS,CE)

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- Lifetime stable manufacturing jobs are gone, and now we move from one gig to the other
- View uniformly validated by evidence from survey data (PSID,CPS,CE)
- Paper suggests view was wrong in the first place, and mistake has persisted because we've been looking at the wrong data
- US workers live in a less volatile (but more unequal) workplace

Divergence in measured dispersion: s.d. of earnings 1yr growth rate, all persons 25-64



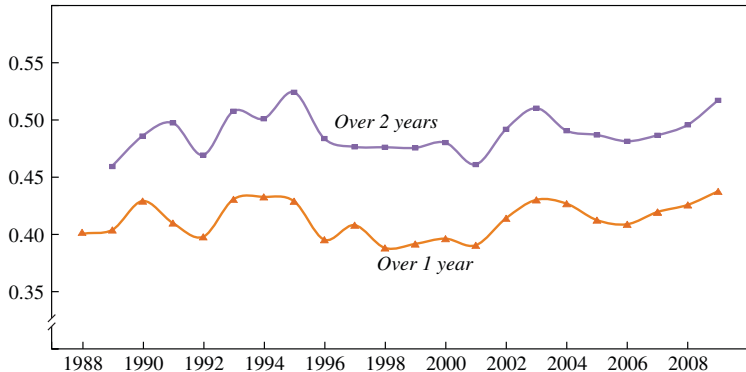
Outline

- Is the fall in dispersion also in other administrative data?
- Why do survey data tell a different story?
- Why it matters?

Debacker et al. (BPEA, 13)

Figure 2. Volatility of Male Labor Earnings, 1988–2009

Standard deviation of the
percentage change in earnings



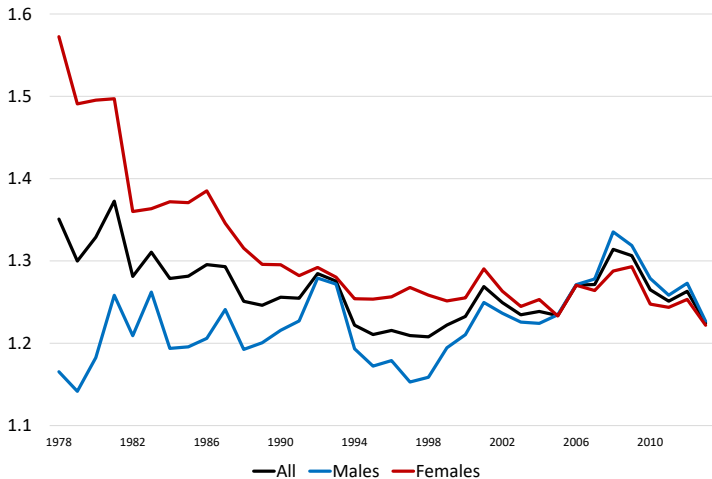
Source: Authors' calculations using SOI data.

- Use tax returns and find flat dispersion for men

Poor's man administrative data

- SIPP Gold Standard file
- Gives detailed full SS earning records (1978-2014) for all persons in SIPP
- Have both survey and administrative data for the same households
- Publicly available
- Smaller but decent sample size (100k)

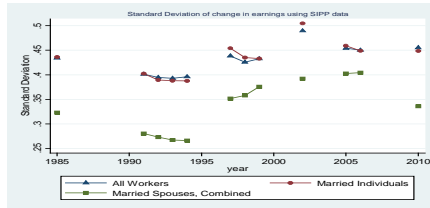
P90P10 in 1 year earnings changes



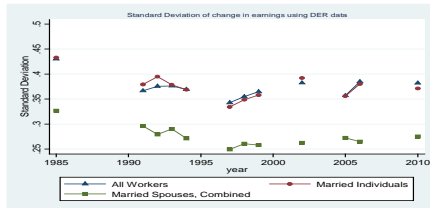
- Flat or increasing dispersion for men
- Decline solely driven by women

Monti and Gathright, 2013

(a) SIPP data



(b) DER data



- Dispersion in administrative data constant after 1990
- Dispersion in survey increasing

Summary

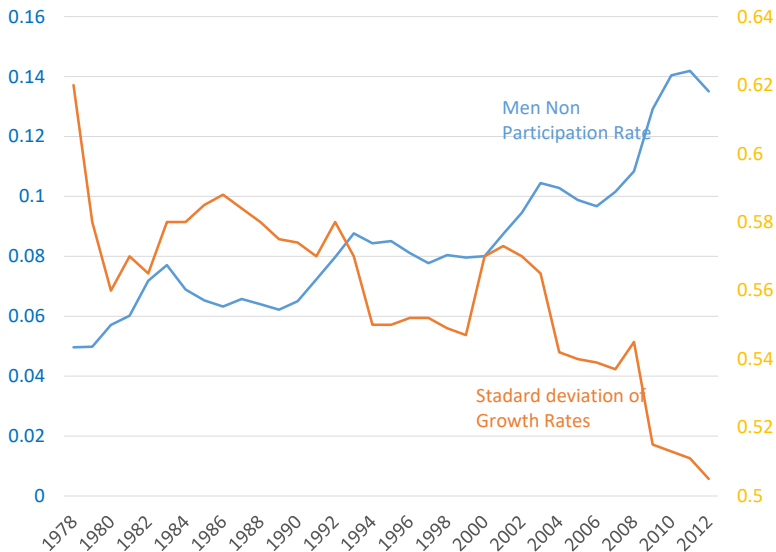
- Other administrative sources show constant (as opposed to declining)
- Still a gap between administrative and survey data

Explaining the gap

- For women volatility fell as they changed from marginally attached to full time
- Workers marginally attached to labor market display very disperse growth rate (think $\epsilon, w, \epsilon, ..$)
- Recent increase in marginally attached men likely to generate an increase in dispersion
- If earnings of marginally attached men not in administrative data (because they are earnings from informal jobs) but are in reported in surveys, that can explain part of the gap

Some suggestive evidence

Non Participation and Dispersion of Growth rates



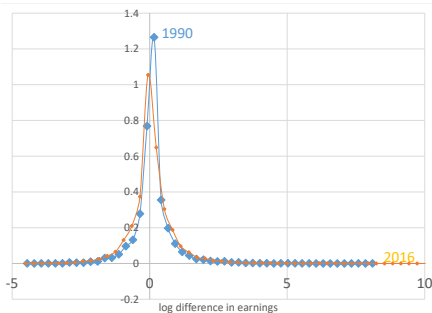
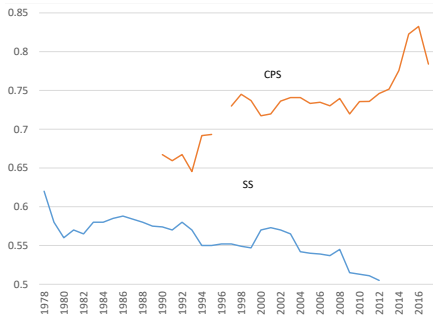
Two alternative explanations

- The growing non participation in the surveys is “fake”, and induces the extra volatility
- The administrative data do not capture the non participation/participation switching and predicts falling/constant volatility

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- The administrative data do not capture the non participation/participation switching and predicts falling/constant volatility
- Suggests looking at non participation patterns in administrative data (right now these are just discarded)
- Two explanations have a very different welfare consequence

Final thoughts



- During recovery from Great Recession dispersion in growth rates in CPS (same in PSID) increases dramatically
- Is it all measurement error?
- The full distribution of log differences (right panel) shows increased dispersion is driven (in part) by increasing fraction of very high log differences
- Consistent with individuals re-entering labor markets

Conclusions

- Excellent paper
- Very thorough analysis on important and relevant issue
- Suggest admin data can changes radically our view on volatility trends in labor mkts
- Survey data still possibly very important for capturing patterns of marginally attached workers