



You are cordially invited to

UCLouvain Economics Seminar

On **Thursday May 17, 2018**, from **12:45 to 14:00** **Doyen**
22, Place des Doyens, 1

Stefania Albanesi
(University of Pittsburgh)

Will give a presentation on

Changing Business Cycles: The Role of Women's Employment

Abstract

This paper proposes that the steep rise in women's labor force participation throughout the 1970s and 1980s, and its flattening out since the early 1990s can contribute an explanation for three puzzling phenomena that have changed the behavior of US business cycles: i) the non-stationarity of aggregate hours in the 1970s-1980s; ii) the decline the cyclical of output and aggregate hours starting in the early 1980s, known as the great moderation; iii) the sluggish growth in employment in the aftermath of recessions starting with the 1991 cycle, referred to as jobless recoveries.

To explore this hypothesis, we first examine the empirical connection between the changing trend in female participation and the evolution of the cyclical behavior aggregate employment and hours. We then develop and estimate a dynamic stochastic general equilibrium (DSGE) model that allows for gender differences in labor supply and productivity to assess the implications of the changing trend in female employment on the behavior of aggregate variables. We show that the model is consistent with medium run changes in the correlation between output, aggregate hours, and productivity.

Based on the estimated model, we find that female specific shocks explain a substantial fraction of the variance of aggregate outcomes, both at the business cycle frequency and in the long run, and assess their role in accounting for the changes in aggregate business cycles. Our results suggest that a DSGE model for the U.S. economy in the post-war period that does not include gender specific shocks to labor supply and productivity is misspecified, and leads to misleading inference on the source of economic fluctuations and on the impact of aggregate shocks. The model with gender specific shocks is consistent with the notion that the increase in female labor supply is strong factor for both the great moderation and jobless recoveries.

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