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WORK AND SEARCH IN RECESSIONS: THEORY, HISTORY, AND MEASUREMENT ‡

Cyclical Variation in Labor Hours and Productivity Using the ATUS†

By Michael C. Burda, Daniel S. Hamermesh, and Jay Stewart*

I. Measuring Hours over the Cycle

A lively discussion has flared up over the role of labor productivity in the Great Recession (e.g., Galí and Rens 2010; Mulligan 2011; Hagedorn and Manovskii 2011; McGrattan and Prescott 2012; Ramey 2012). Resolving this issue depends critically on the measurement of the denominator, i.e., hours worked. In this study we report new estimates of work hours based on the American Time Use Survey (ATUS) that are significantly different from more conventional measures. These differences potentially shed new light on the behavior of labor productivity over the business cycle.

In the United States work hours are generally measured using either the establishment-based CES, which reports hours paid per job, or the household-based CPS, which reports hours worked per employed person. These measures have been used by macro- and labor economists in countless research studies and are used by government officials and the financial press to draw inferences about the health of the economy. They tell different stories about long-term changes in work hours (Frazis and Stewart 2010), but less is known about their cyclical properties. How do they compare to those derived from a new household-based source of information on hours of work, the ATUS? In particular, does their cyclical variation properly measure the extent of declines in hours as unemployment rises?

II. Using the American Time Use Survey over the Cycle

Between 2003 and 2010 the ATUS collected over 110,000 time diaries, about 1,700 per month in 2003 and about 1,000 per month thereafter.[1] Of the respondents, over 68,000 reported working during the seven-day period ending on their diary day. The 96 months of data, coupled with eight years of macroeconomic fluctuations, allow us to begin to examine cyclicality in hours of work from these time diaries and to compare them to that in other measures. The effects of cyclical variations in market work on nonmarket time reported in the time diaries have been examined (Burda and Hamermesh 2010; Aguiar, Hurst, and Karabarbounis 2011). Our focus here is on the cyclical properties of work hours themselves in these data.

In this initial look at the data, we compare the ATUS estimates to the conventional monthly

‡*Discussants:* Valerie A. Ramey, University of California-San Diego; Bradford De Long, University of California-Berkeley; Dale Mortensen, Northwestern University.

* Burda: School of Business and Economics, Humboldt University, Spandauerstrasse 1, D-10099 Berlin (e-mail: burdamic@cms.hu-berlin.de); Hamermesh: Department of Economics, University of Texas at Austin, Austin, TX 78712 and Royal Holloway University of London (e-mail: hamermes@eco.utexas.edu); Stewart: US Bureau of Labor Statistics, 2 Massachusets Ave. NE, Washington, DC 20212 (e-mail: stewart.jay@bls.gov). We thank Jeff Biddle, Andrew Glover, and especially Valerie Ramey for helpful suggestions, Karen Mulligan for excellent research assistance, and the Alexander von Humboldt Foundation for financial support. The views expressed here are not necessarily those of the Bureau of Labor Statistics.

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[1] See Hamermesh, Frazis, and Stewart (2005) for a description of the survey methods and potential uses. The ATUS is the only ongoing time-use survey in the world.

CPS and CES series. The CPS estimates, *CPSALL*, are actual (not usual) weekly hours on all jobs estimated over individuals 16+ who were employed and worked during the CPS reference week. The establishment-based CES publishes two weekly hours series, one covering production and nonsupervisory workers (*CESPNS*), one covering all employees (*CESALL*). Both series measure hours paid and are computed on a per-job basis. The all-employee series is more comparable to *CPSALL*, but it is only available since March 2006. We thus use *CESPNS* for a comparison covering the entire 2003–2010 period and *CESALL* for the shorter period 2006:3–2010:12. The CES does not include any demographic information, so both CES series include workers of all ages.

Our ATUS sample includes all respondents 15+ who reported that they were employed and worked in the last seven days.[2] For each job we calculated work time as minutes of work on that job plus work breaks of 15 minutes or less plus travel between job sites (same job), and multiplied by 7/60 to convert from minutes per day to hours per week.[3] For the comparison to the CPS series we summed hours worked on all jobs that each worker held and computed average weekly hours on a per-person basis (*APERS*). For the comparisons to CES hours we treated each job as a separate observation and computed average weekly hours on a per-job basis using the CPS weight for each worker for that job (*AJOB*).

While our main interest is in differences in the cyclical behavior of these series, a comparison of their levels, presented in Table 1, is also interesting. *AJOB* hours are slightly higher than *CESPNS* hours. The difference, however, almost disappears in the comparison to *CESALL* (as the inclusion in the latter of supervisors, whose paid hours are longer, suggests it would). *APERS* reports about 1 hour less per week on average than does *CPSALL*. This difference is large, but it is consistent with results in Frazis and Stewart (2004) that average weekly hours computed over CPS reference weeks are about 1.3 hours higher than when the average is computed over all weeks, and with the difference between diary hours and responses to a CPS-like question in Juster and Stafford (1991). Finally, monthly time-series variation in the ATUS measures is greater than in any of the other measures—not surprising given the relatively few observations each month compared to the numbers of workers in the CPS and establishments in the CES.

Table 1—Means and Standard Deviations of Hours Measures

Panel A	*APERS*	*CPSALL*	*AJOB*	*CESPNS*
2003:1–2010:12	37.87	38.82	34.41	33.63
	(2.00)	(0.57)	(1.87)	(0.34)
Panel B	*AJOB*	*CESPNS*	*CESALL*	
2006:3–2010:12	34.50	33.58	34.31	
	(2.07)	(0.39)	(0.37)	

Note: These are unsmoothed seasonally unadjusted series.

Figure 1 graphs smoothed seasonally unadjusted measures of *AJOB*, *CESPNS*, and *CESALL*, and the seasonally adjusted aggregate unemployment rate.[4] The CES series clearly rose slightly from 2003 to the cyclical peak in 2007 and dropped during the Great Recession. While it is less clear because of the ATUS sampling variability, it appears that *AJOB* shows similar cyclical patterns. Figure 2 graphs *APERS* and *CPSALL* along with the aggregate unemployment rate. As with the jobs-based measures, both series are procyclical.

That the series within each pair appear to move in the same directions is interesting. But if they always moved identically, the ATUS data would not add much to our understanding of cyclical variations in work time. To examine this issue we regressed *APERS* on *CPSALL* and *AJOB* on *CESPNS*. All of the series in both equations are

[2] Note that the CPS and ATUS samples include unpaid family workers and the self-employed. The inclusion of 15-year-olds should not affect the CPS-ATUS comparison.

[3] *AJOB* thus includes the aggregate coded 0501 in the ATUS, excluding 050102, which is added to form *APERS*, as are the small amounts of break and travel time. We also experimented with narrower measures that exclude short breaks and within-job travel, and even broader measures that add in work-related activities (coded 0502). The broader measures performed almost identically to their counterparts used here, while the narrower measures behaved slightly differently. The ATUS averages are all calculated using the ATUS final sampling weights. We exclude time spent on other income-generating activities.

[4] The filter attaches weights of 1, 2, 3, 2, and 1 to the monthly observations centered on the current observation. The figures show the smoothed measures only to make the relationships to aggregate unemployment somewhat less opaque by reducing the sampling variation in the ATUS measures.

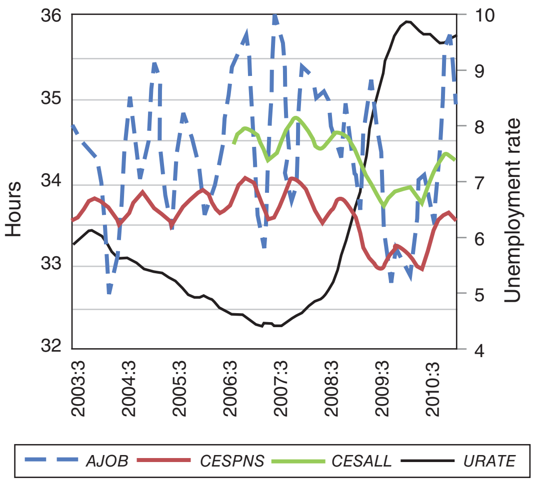

Figure 1. Monthly Job-Based Hours, 2003–2010

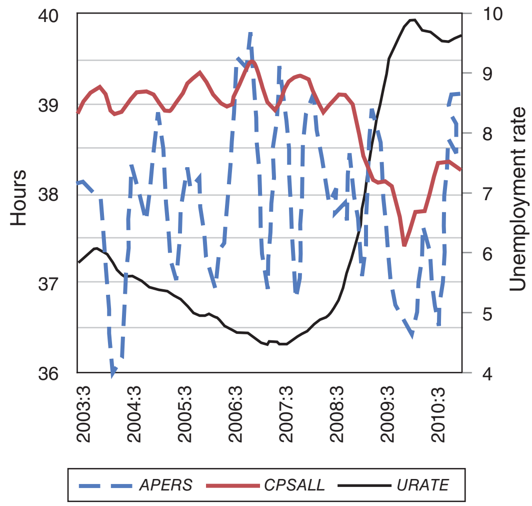

Figure 2. Monthly Total Hours, 2003–2010

smoothed and seasonally unadjusted, and both equations include a vector of monthly indicators. Tests for stationarity of the unsmoothed series soundly reject the null hypothesis of unit roots—we are not just demonstrating that there are trends in these series.[5]

Table 2 lists the estimates and their standard errors, for the entire sample period for dependent variables *APERS* and *AJOB*, then for the shorter period using *CESALL* in addition to *CESPNS*.[6] Examining first the relationship between *APERS* and *CPSALL*, ATUS reports of total hours worked vary less cyclically, and significantly so ($p = 0.04$), than those in the standard CPS data. This suggests that the cyclical variability of hours is stronger in the standard recall data than in time diaries, in particular exhibiting a larger decline during the Great Recession.[7]

Table 2—Variation of ATUS Hours with Other Hours Measures, Based on Five-Month Centered Moving Averages

	Dep. var.		Dep. var.
Panel A. 2003:3–2010:10	*APERS*		*AJOB*
CPSALL	0.627	*CESPNS*	1.308
	(0.178)		(0.307)
Adj. R^2	0.124		0.204
Panel B. 2006:5–2010:10	*AJOB*		*AJOB*
CESPNS	1.865	*CESALL*	1.940
	(0.328)		(0.335)
Adj. R^2	0.366		0.376

Notes: Standard errors in parentheses here and in Table 3. Regressions also include a vector of monthly indicators.

Cyclical variations in the relations between the ATUS measures and the two unadjusted CES measures tell the opposite story. *AJOB* varies more cyclically than does *CESPNS*, but not statistically significantly so over the whole period. Examining the shorter period using the more closely comparable *CESALL* series, the time-diary measure shows significantly greater

[5] The augmented Dickey-Fuller statistics for *AJOB*, *APERS*, *CESPNS*, *CESALL*, and *CPSALL* are −11.09, −10.87, −4.66, −3.50, and −3.90, respectively.

[6] We also estimate the equations without monthly indicators, with the result that the estimated impacts and their statistical significance changed little. The vector of seasonal indicators was not statistically significant. This is reassuring, because it implies that the seasonal factors are similar for each pair of series. Reestimating the equations using the raw rather than the smoothed data also hardly altered the estimates for *APERS*, but, due to the sampling variability in the ATUS measures, the statistical significance of the coefficient on CPS hours fell sharply. The unsmoothed estimate for *AJOB* was essentially zero.

[7] Mulligan (2011) does compare annual averages 2007–2010 of an ATUS and CPS measure and notes that they do not differ much. The comparison necessarily misses most of the cyclical variation in the difference.

cyclical variation than *CESALL*; and we also find significantly greater cyclical variability in *AJOB* than in *CESPNS* over this shorter period.[8]

The differences in the cyclical variations in the hours measures are not tiny: for example, a decline from the highest to the lowest point in the smoothed CPS hours over this period (a drop of 2.11 hours per week) is accompanied by a predicted decrease in *APERS* of only 1.33 hours. A change from the highest to the lowest point in the smoothed CES hours (a drop of 1.10 hours) is accompanied by a decrease in *AJOB* of 1.44 hours. In short, weekly hours of market work reported in time diaries, which have short recall and require the respondent to account for all 24 hours in the previous day, suggest different cyclical responses of hours worked than do our standard measures.

III. Implications for Measuring Labor Productivity over the Cycle

Differences between aggregate measures of time worked and time paid derived from the ATUS, CES, and CPS surveys are potentially important for interpreting the cyclical behavior of labor productivity as well as for answering more fundamental questions about causes and effects of the business cycle. Standard neoclassical production theory implies that output and labor hours should covary over the cycle, but hours worked should move with greater proportional amplitude as diminishing returns set in. Okun (1962) was one of the first to note that labor productivity measures (output per full-time worker equivalent, or output per hour paid) actually exhibit procyclical behavior. This implies that the elasticity of labor input with respect to output is significantly less than unity, a regularity that appears robust across industrial countries.[9] Leading macroeconomic paradigms have accounted for this procyclicality either by appealing to productivity shocks—exogenous shifts in total factor productivity that lift output, hours, and productivity along a path of economic expansion—or to a combination of demand shocks, sticky nominal wages and/or prices, and monopolistic competition, possibly under increasing returns to scale.

While a positive correlation between labor productivity and output over the cycle was readily observable in US data in the half-century following World War II, since the late 1980s researchers have found that this correlation has disappeared or recently perhaps even reversed. This has given rise to considerable theoretical efforts to rationalize these developments (e.g., Galí and Rens 2010; Mulligan 2011; McGrattan and Prescott 2012).

Besides shocks to total factor productivity, procyclical labor productivity results from some combination of three factors. First, true output or labor input may be mismeasured, since firms often reallocate workers to less productive work in periods of low output, and the output of these workers may not be observed (for example, work in such activities as equipment maintenance, cleaning, painting, etc.). Okun invoked the image of "labor hoarding" to explain the reluctance of employers to shed workers in a downturn. Second, poorly measured or unobservable inputs that complement workers' time—such as workers' effort or capital utilization—will also affect the productivity of hours worked. Third, fixed labor-input requirements (so-called overhead labor) can induce procyclical labor productivity over a range of labor input, even if the marginal product of labor is declining for all positive levels of production. Our results shed the most light on the first possibility and may help illuminate the others.

The CES production-worker hours series is the main source of hours data for the official BLS estimates of productivity growth. BLS adjusts these data to arrive at a measure that covers all workers. Simplifying the discussion slightly, to estimate average weekly hours for nonproduction workers BLS computes the ratio of nonproduction worker hours to production worker hours from CPS data and applies that ratio to CES production-worker hours, also

[8] The difference in cyclicality declines if we use a measure of *AJOB* that excludes short breaks and within-job travel. Implicitly, and quite sensibly, these are more cyclical than normal work time and more cyclical than payment for that time (CES hours).

[9] In quarterly US data for 1969:1–2012:1 the contemporaneous correlation of HP-detrended labor productivity (business-sector output per hour) with real GDP is 0.349, rising to 0.451 and 0.368 at two- and four-quarter lagged productivity. The contemporaneous correlation of first differences is 0.634. Burns-Mitchell diagrams for OECD countries confirm the procyclicality of labor productivity in annual data (Burda and Wyplosz 2013).

adding hours worked by the self-employed and by unpaid family workers.

We compare cyclicality in the BLS productivity series for the business sector to two other series. The second productivity measure is a quarterly index proposed by Cociuba, Prescott, and Ueberfeldt (2012) based on CPS hours worked on all jobs. The third is our transformation of that series based on ATUS hours per person, which we have back-casted from the regression relating *APERS* to *CPSALL* for 2003:3–2010:10 presented in Table 2.[10] We recognize the fragility underlying the back-casting, but the demonstrated difference in the cyclicality of *APERS* and *CPSALL* between 2003 and 2010 and the appeal of a short-recall diary approach to recording work hours suggests that this calculation may be instructive. Given our findings that responses to the CPS recall questions about hours differ cyclically from hours reported in the ATUS diaries, this alternative productivity series will lead to different and perhaps more reliable inferences about the historical record of the cyclicality of productivity.

Regressing logarithms of each of the three productivity series—the official BLS series, the Cociuba, Prescott, and Ueberfeldt series, and a series based on the **actual** *APERS*—on the unemployment rate and a time trend for 2003:I–2010:IV, we do find that each of these series **increases** with unemployment over this eight-year period—but only the second series increases significantly.

Table 3—Estimated Cyclical Responsiveness of Three Measures of ln(*Labor Productivity*) 1961:I–2011:IV

Productivity measure	BLS Business (1)	Cociuba et al. (2)	(2) Adjusted using back-casted *APERS* (3)
CPS unemployment rate	−0.0000626	−0.000817	−0.00329
	(0.00150)	(0.00144)	(0.00136)
Trend	0.00498	0.00375	0.00371
	(0.00004)	(0.00004)	(0.00004)
Adj. R^2	0.987	0.978	0.981

Using logarithms of the first two series and of our new productivity measure based on the **back-casted** *APERS* over the entire period 1961:I–2011:IV, Table 3 presents estimates of regressions relating each of these to the quarterly average of the CPS unemployment rate and a linear time trend. The BLS series appears remarkably acyclical. While the Cociuba et al. series does appear to move procyclically over the half-century, falling when unemployment rises, this relationship is not statistically significant. The ATUS-based series, however, does vary significantly with the cycle; and the size of the relationship implies that a 5.5 percentage-point rise in the unemployment rate, essentially what was observed in the Great Recession, is associated over this half-century with a 1.8 percent drop in business-sector labor productivity. The results do not change qualitatively if we use quadratic trends and/or substitute one- or two-quarter leads or lags of unemployment.

IV. Conclusion

The apparently countercyclical behavior of labor productivity in the Great Recession has reopened the debate on the role of productivity in macroeconomic fluctuations. Although labor productivity during the Great Recession is weakly countercyclical if the denominator is measured using the ATUS hours per employee series, it is the only series of the three that we considered that exhibits significant procyclical behavior over the past 50 years. Furthermore,

[10] We construct the first measure from the BLS series PRS84006092. The third productivity measure is a modified version of the Cociuba, Prescott, and Ueberfeldt series into which we substituted the back-casted ATUS average weekly hours for their average weekly hours series. The "predicted" ATUS weekly hours series is constructed from the regression of *APERS* on the monthly smoothed CPS hours series rate and monthly indicators, with the prediction being back-casted as $13.48663 + 0.6274202 \times CPSALL$ (the constant term chosen so that predicted hours equal the average of *APERS* for 2003:1–2010:12). Specifically, we divided the Cociuba, Prescott, and Ueberfeldt productivity series by our back-casted hours series and then multiplied it by the weekly hours measure originally used to construct the series. Our series is available at https://webspace.utexas.edu/hamermes/www/HoursRecession.xlsx. The main difference between the Cociuba, Prescott, and Ueberfeldt measure and the official BLS measure is that the former includes nonprofits, government, and the military. Their inclusion tends to push productivity growth toward zero, because inputs are used to estimate output, which makes productivity growth in these sectors equal to zero by construction. The ATUS weekly hours measure includes nonprofits and government, but not the military. Thus, in the third series we are implicitly assuming that average weekly hours in the military are about the same as hours outside of the military.

the cyclical changes in the difference between establishment and diary measures of labor input suggest that the productivity shock description of the business cycle might be augmented by a careful modeling of the labor hoarding phenomenon, which appears to be a central feature of firms' behavior over the business cycle (e.g., Fay and Medoff 1985). Our new monthly series on labor productivity, based on novel evidence on hours worked, may be useful in this regard.

Our analysis shows that the inferences that one draws about the cyclicality of hours differ when one uses what workers record about their work time in their diaries for the previous day rather than what they recollect about their work hours in the previous week. Given the differences between these hours series, and possible difficulties of recalling longer-ago activities unconstrained by any adding-up restriction, diary-based measures of work time might give a better picture of levels and cyclical changes in workers' well-being than does information about variation in work-hours based on one-week recall.

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