

Accepted Manuscript

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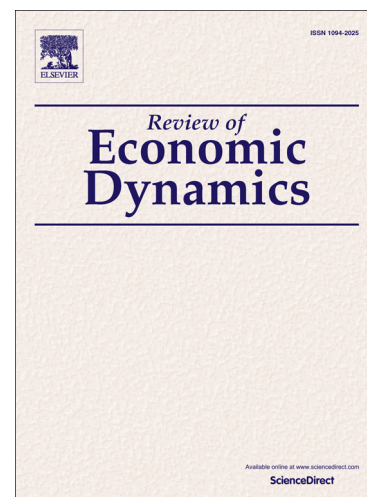
PII: S1094-2025(18)30202-3
DOI: <https://doi.org/10.1016/j.red.2018.05.005>
Reference: YREDY 875

To appear in: *Review of Economic Dynamics*

Received date: 23 May 2016
Revised date: 9 May 2018

Please cite this article in press as: Ferraro, D. The asymmetric cyclical behavior of the U.S. labor market. *Review of Economic Dynamics* (2018), <https://doi.org/10.1016/j.red.2018.05.005>

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The Asymmetric Cyclical Behavior of the U.S. Labor Market

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May 23, 2018

Abstract

The employment rate in the United States fluctuates asymmetrically over the business cycle: it contracts deeply and sharply during recessions, but it recovers slowly and gradually during expansions. By contrast, aggregate output exhibits nearly symmetric fluctuations about trend. I explain these facts using an equilibrium business cycle model with search frictions in the labor market and worker heterogeneity in productivity, featuring endogenous job destruction and fluctuations in labor composition. The model predicts that the response of the employment rate to shocks greatly varies over the business cycle; notably, it rises in recessions and declines in expansions.

JEL Codes: E24; E32; J63; J64.

Keywords: Business cycles; Cyclical asymmetry; Nonlinear dynamics; Search frictions; Worker heterogeneity; Unemployment rate; Labor quality.

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