The Effect of Recessions on New Labour Market Entrants

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اثار الكساد الأقتصادي علي دخول عاملين جدد في سوق العمل

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الجامعه البريطانيه في مصر

خص الدراسه :

هدف هذه الورقه البحثيه لدراسه آثار الأزمه الأقتصاديه العالميه وما صاحبها من كساد اقتصادي علي سوق عمل وخاصه الخريجين الجدد بمختلف مستوياتهم الدراسيه من الشهادات المتوسطه وحتي الشهادات الجامعيه و حاصلون علي درجات علميه عليا وقد اوضحت الدراسه تأثر خلق الثروه بظروف الأقتصاد الكلي حيث ان ناك علاقه ايجابيه بين الاجور وتراكم الرأسمال البشري من جهه وتحسن الظروف البيئيه للأقتصاد الكلي من هه اخري وكذلك اوضحت الدراسة العلاقة العكسية التي تبين تأثر كافه مستويات الخريجين بالتباطؤ في الدوره لأقتصاديه وقد تمت هذه الدراسه عن طريق عمل استبيان شمل عدد كبير من الخريجين علي كافه المستويات علميه و قد تم تحليل البيانات التي تم استخلاصها احصائيا للوصول الي نتائج الدراسه.

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Abstract:

This paper mainly goes through an important issue that we are about to all face in the coming years; the paper uses a large sample of the Egyptian college graduates from matched university employer- employee data and from a real survey done to examine the patterns of earnings losses from graduating in a recession. Where unlucky graduates mostly suffer significant initial earning losses that usually fade around 3 to 15 years, which accounts to a large amount of losses including a reduction in the employers quality. Higher skilled graduates suffer less from entry in a recession because they switch to better firms quickly, while lower skilled graduates are enduringly down ranked to low wage firms.

Key words : Labour , récession , markets & walfare.

Introduction

Every year, there are considerable numbers of new graduates entering the labor market while wondering whether the market climate is favorable to them. Given their years of effort, opportunities cost of long years of studies, and in some cases large investment in tuition; it fair enough to expect the highest return in their educational investment. This paper aims to study the effect of macro-economic conditions on the long run careers of entrants in the Egyptian labor market. There are numerous number of studies on how macroeconomic condition affect labor market across different samples set of occupations.

Two potential issues with these studies are that many employees transition slowly into the labor force, making it difficult to isolate a single "entry" point, and that the average effects in these large samples may mask interesting differences across professions. According to the National Bureau of Economic Research, The official scientific definition of a recession is two successive quarters of decline in real Gross Domestic Product (GDP) so that the minimum length for a recession is by

definition only six months. This definition does not mention anything about the magnitude and extent of the decline in real output. All recessions are usually temporary in that their duration time, where the business cycle usually follows a boom (lower turning point) that will sooner or later occur after which a rebound and an increase in real output will follow which is called a peak. In addition, each recession has its own economic characteristics. For example, although the most recent recession (2001) has been over, employment has been unusually slow to recover. Where employment usually lags the upturn in real output because decisions to increase employment are not made until there is sufficient evidence to confirm that sales are definitely on an upward trend. Although no two recessions are exactly alike in their characteristics but there are generally common causes. "These causes can be seen in the different business cycle theories, which have developed over the years" (William M Penn). One of the most popular groups of business cycle theories is the group labeled "inventory theories" where it is explained that periodic excesses or shortages in inventories lead to periodic contractions and expansions of production. Another strongly related group, "lack of adequate demand," which was leaded by one of the most influential economists of the twentieth century, John Maynard Keynes, who based his recommendations of government intervention on the assumption that aggregate demand would periodically fall short of output which would require the government pumping up aggregate demand through increased spending or monetary policy. "The above-mentioned groups come under the category of endogenous theories" (William M Penn). "Another group of business cycle theorists looked to factors external to the economy (exogenous). Joseph Schumpeter stressed cycles of innovation" (William M Penn). Where Schumpeter explained that new innovations would stimulate and inspire economic (GDP) growth and output will keep rising until the benefited industries had "milked" the technology to its limit; then the recession would settle until the next wave of innovations appears. (The remedy for recessions here is to encourage innovation.) While other exogenous theories focused on "supply shocks" which by their very nature were generally impermanent. These supply shocks (such as a war) could generate

increased economic activity after which a recession usually occurred or could lead to a recession (such as a middle-eastern oil crisis) after which an expansion will usually occur. Wesley C. Mitchell, writing for the National Bureau of Economic Research in his classic 1923 article "Business Cycles" commented, that:

"Differences among business cycles arise from the fact that the business situation at any given moment is the net result of complex forces among which the rhythm of business activity is only one. Harvest conditions, domestic politics, changes in monetary and banking systems, international relations, the making of war or of peace, the discovery of new industrial methods or resources, and a thousand other matters all affect the prospects of profits favorably or adversely and therefore tend to quicken or to slacken the pace of business...To give a sketch of the business cycle which will be applicable to future cases, it is necessary of course to put aside the complicating effects of the various special conditions which at any given time are influencing profits, and to concentrate attention upon the tendency of the modern business system to develop alternate periods of activity and sluggishness" (Richard D. Irwin, 1951).

However, to understand the long run impact of economic down turn on the labor force we should answer to an vital question. **Which groups will be most affected by the crisis / recessions?** Historical experience suggests that young, old, unskilled and female workers as well as migrants are particularly vulnerable to an economic downturn and are more likely to bear the brunt of rising unemployment:

• **Urban workers.** According to a survey of WB country economists important pockets of vulnerability emerge with respect to the financial crisis. In particular, urban workers in sectors experiencing a larger decline in demand (e.g., export-led sectors, construction) are reportedly the most hurt. Even though urban workers are not among the poorest segment in most

countries, if displaced, they do face greater obstacle in re-entering the labor market. This problem is greater as workers get older.

• **Older workers face greater obstacles in re-entering the labor market.** Evidence from the early transition to a market economy in Slovenia showed that older workers did not face a greater risk of displacement (Orazem et al, 2005). However, they were much less likely to get a job after losing one and they also suffered much larger post-displacement wage losses once again re-employed (the wage loss of workers with 25 to 30 years of experience was 36 percent, compared to no wage loss of workers with below 10 years of experience). Similar results are found for other countries.

• **Young people suffer disproportionally from economic downturns (World Bank 2007).** Reduced labor demand implies fewer job openings, and young people – new entrants, lacking skills and experience, are the first ones affected. Moreover, job closings are also likely to disproportionally affect the young workers, especially if the shock is expected to be short lived, because young workers tend to work more frequently under temporary contracts.

• **The crisis will also more severely affect unskilled workers and women.** Employers are more prone to dismiss unskilled workers, as they tend to have more flexible work arrangements and are not covered by labor market regulations. Women, who tend to be disproportionally unskilled and have more flexible work arrangements, will also have more difficulties becoming reemployed, especially in stagnant labor markets and in economies with stricter labor regulations.

The innovation of this paper is to study the impact of macroeconomic conditions on the long term condition of new entrants into the Egyptian labor market. However, the study will be conducted through what we could consider to be the determinant of the quality job under status of macro economic conditions. Due to limitation in tracking careers progress in the case of Egypt, we refine the deterministic of labor demand under simple assumptions to make the matter indirect. However, on the other side to make the mater direct we have designed a

subjective survey "questionnaire" base on tracking careers progress of different participants and different occupations in the active economical sector in Egypt.

The interrelation:

The following passage will be trying to inter relate the components/variables of our model to effect of recession of the labor market.

Employment and inflation:

The natural rate of unemployment depends on a variety of features of the labor market. Such as minimum-wage laws, the market power of unions, the role of efficiency wages, and the effectiveness of job search. Within that context, primarily inflation rate depends mainly on growth of the quantity of money, controlled by the central bank. Societies usually faces a short-run tradeoff between unemployment and inflation, where if policymakers decided to expand aggregate demand, they can lower unemployment, but only at the cost of higher inflation and vice versa where If they contract aggregate demand, they can lower inflation, but at the cost of temporarily higher unemployment.

THE PHILLIPS CURVE:

The Phillips curve clarifies the short-run relationship between inflation and unemployment. While in the long run, expected inflation adjusts to changes in actual inflation to neutralize the effect.
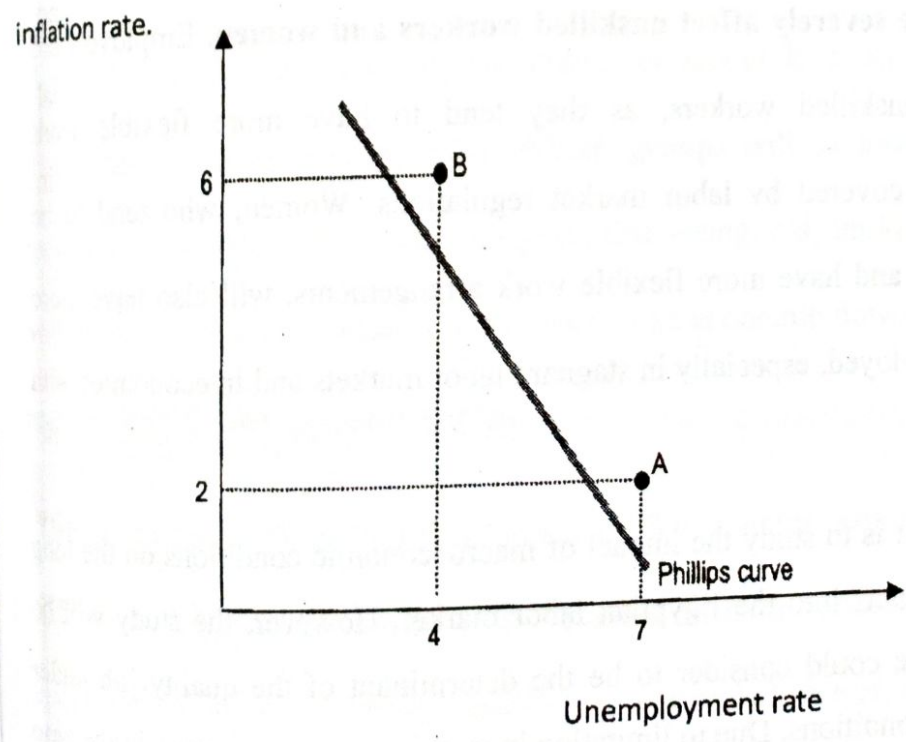

Figure 1

Aggregate Demand, Aggregate Supply, and the Phillips Curve:

The Phillips curve states that the short-run combinations of unemployment and inflation that arise as shifts in the aggregate demand curve move the economy along the short-run aggregate supply curve. "The greater the aggregate demand for goods and services, the greater is the economy's output, and the higher is the overall price level. A higher level of output results in a lower level of unemployment" (Mankiw, 2002).

Importance of education in employment deterministic:

With the arrival of the information age in the late era of the twentieth century, the relation between academic and occupational education has taken on much greater importance and significance (Loring). In the past, education was closely tied to work only in the professional and semiprofessional areas, and, for most of the jobs, education was of little consequence (Loring).

In some occupations, even basic literacy was not required. Nowadays, and into the probable future, most occupations will require levels of education well beyond previous demands, "and the connections between traditional areas of academic knowledge and occupational knowledge, skills, and attitudes will be critically important" in employment deterministic in an active economy (Loring).

The relation between wage and employment:

In the Wyoming's employment structure it been stated that employment and wages are relate base on the norm that if there a 1 percent increase in the number of new job created, there would relatively be a 1percent increase in the wages over the same period of time. Thus, base on this theory we could conclude that job creation s positively relate to earnings/wages (Judd, 1994).

Date collection based on survey (1):

The second part of this paper will to be directly investigated for the long run impact of macroeconomic condition on new entrants in the Egyptian labor force through a questionnaire distribute among a large sample of participants in the Egyptian labor force. See appendix A.

According to the result found in the survey conducted through the questionnaire, the following part describes these findings and its interpretation.

Table 1

Questions	Percentage of yes	Percentage of no's
Do you think that macroeconomic conditions affect the labor market?	28 persons=93.3%	2 persons=6.7%
During your career life span do you think that the choice you made after graduation will affect your present situation?	24P=80%	6P=20%
If yes, do you think that your initial job placement will affect your life span career?	18P=60%	12P=40%

Looking at these finding, we could conclude that the respondent are more likely to be optimistic on influence macroeconomic conditions have on the labor market, but regarding its subjective effect they respondent seems to be ambiguous. Thus, to be more precise on the investigation we proceed by the following set of inquiries that direct us to a more subjective effect on how recession affects the labor market and its new entrants.

Table2

| How do you best think that recession will affect the labor market	Agree	Neither agree nor disagree	Disagree
Lowing wage of workers?	29=96.7%	1=3..3%	0
Reduce employments opportunities?	30=100%	0	0
Affect the significantly the new entrants in the L.F	15=50%	5=16.7%	10=33.3%

Remarkably, the majority of the respondents believe that recession main affect the labor market through its decline in wages and job opportunities. However, these finding are to be debatable in relation to the rate of agrees and disagrees in the effect of recession on new entrants which are approximately balanced. The point made here is that, on one hand if the majority of respondents think that recession negatively affect labor market through wages and employment opportunities it should be relative that these finding positively correlate with the ones found on the new entrants in the market. On the other hand one could answer to this critic through, the fact that new entrants are more likely to except stickiness in the beginning of their career search at less in the sort of the recession compare to those than those already in the labor force. This debate leads us to the following inquiry, which tackles the importance/benefits of the first job.

Table3

How do you picture the importance your first job?	Agree	Neither agree nor disagree	Disagree
By the wage it pays?	26=86%	0	4=13.3%
By the position you get to have?	20=66.7%%	6=20%	4=13.3%
By the challenges you face/self acknowledgement/ human capital?	15=50%	5=16.7%	10=33.3%

Base on these finding one could conclude that most of the respondents believe that the norm of a job is measured by the wage. This finding is also debatable base on preferences as every person differs in relation to taste, preferences, and objectives.

Survey Results
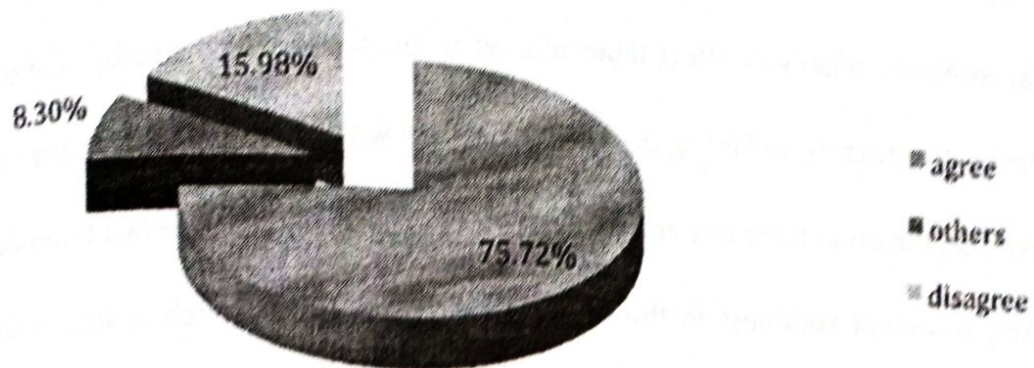
This pie shows the average respondents that agree on macroeconomics conditions affect the labor market, figure3.

The second part of this paper will be concentrated on the result found through our econometric model, within which we have formulate in order to investigation how macroeconomic condition affects the labor market.

- The model is present such as: $q_{it} = \alpha_i + \delta\theta_t + \beta X_{it} + \Pi Y_{it} + \varepsilon_{it}$

Data collection (2):

The measurement of the quality of job taken by labor at time is assumed to be equal to the change difference between employment and unemployment in t-1/ lagged variables of the difference in n time. The premise of this because data of such is not accurate and in our case unavailable thus, the change in the labor force is the most logical measure of quality job under macroeconomic condition because in recessions firms tend to lay off the unskilled labor or higher only the qualified labors.

In the case of θt, (which is assumed to be the numbers of positions available and are exogenously determined by the state of the economy) is considered to be reflected in the GDP because the gross domestic product is the best measure to reflect the heath of the economy, or a other suitable variable could be the growth of the inflation rate. Inflation is inversely related to unemployment thus during recession inflation tend to decrease along with the interest and money supply while unemployment increase.

X is assumed to be the set of characteristics that affect demand for labor (which includes indicators for individual schools and a linear time trend) is accounted as the index of human development/ education. The premise of this is because human development could reflect the productivity of labor in a subjective mean.

The data of such are collected from the World Bank annual statistics and worked out into logarithms bases and replicated in the micro-fit program. The model is as follows:

$$qit = \alpha i + \delta \theta t + \beta Xit + \Pi Yit + \varepsilon it$$

Where:

- We denoted *qit as* our dependent variable which is considered in the model to be the labor force. The reason for this is that whether macroeconomic conditions are favorable or unfavorable, this should be observe in the decrease or increase of the labor force. Thus *qit is the* measures of the quality of a job taken by labor *i* in year t.

- Where, **ai** is the constant/intercept assuming that at the time employee looks for a job, potential employers have a common estimate of his ability.

- Where θt is assumed to be the numbers of positions available and are exogenously determined by the state of the economy, illustrated in the growth of the GDP.

- X is assumed to be the set of characteristics that affect demand for labor (which includes indicators for individual schools and a linear time trend)
- Y is assumed to be the average wage of i worker at t time in the economy.
- e_{it} reflects unobserved factors (such as geographical preferences or individual preference for money relative to an academic lifestyle).

Plotting variables:

Labor force, figure 3.
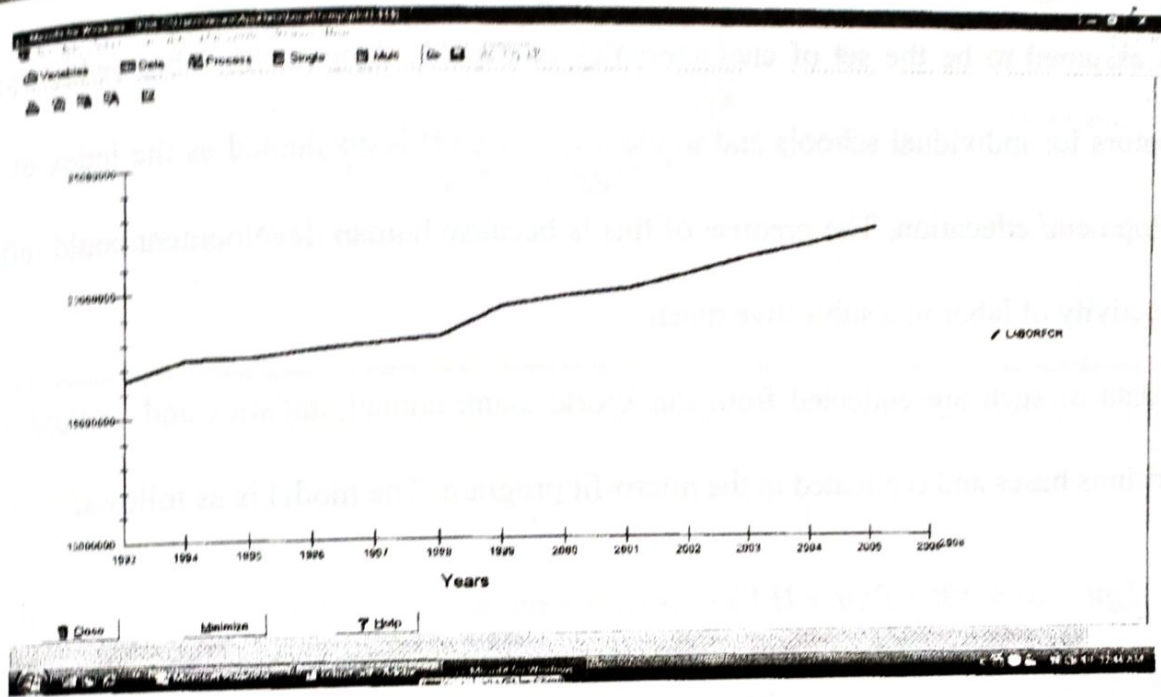
The figure represent the labor force from 1996-2006

Inflation figure 4:

Wage, figure 5:

Education expenditures figure 6:
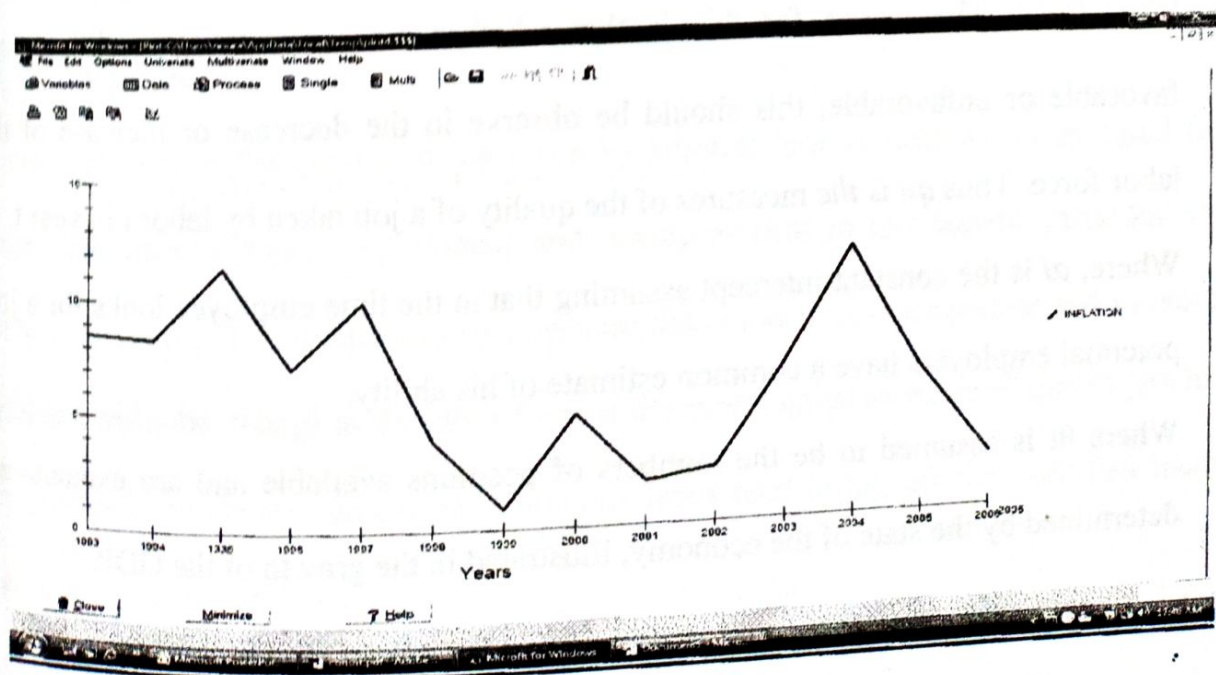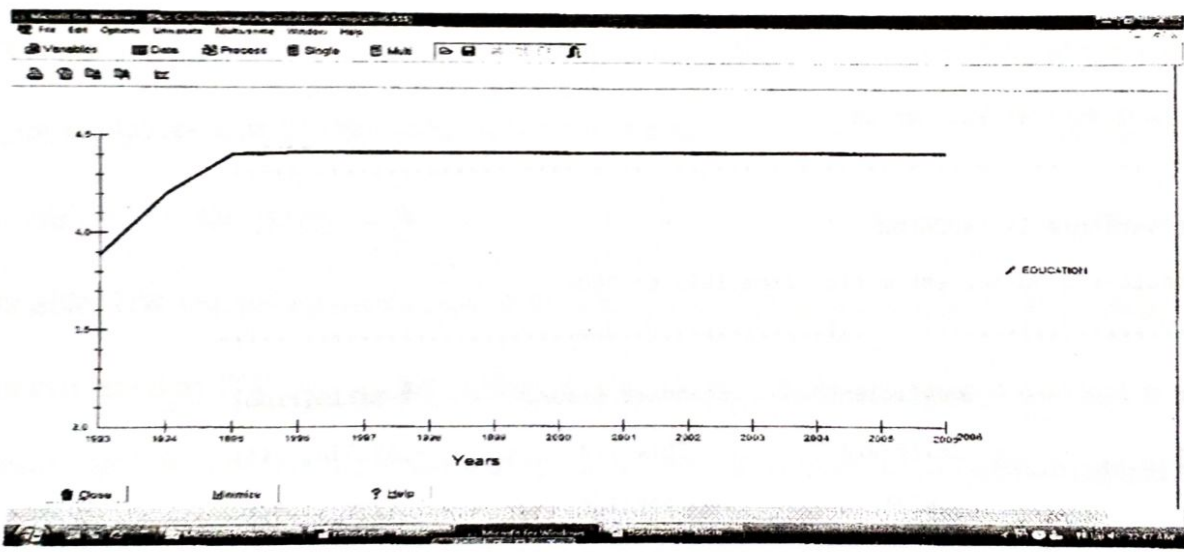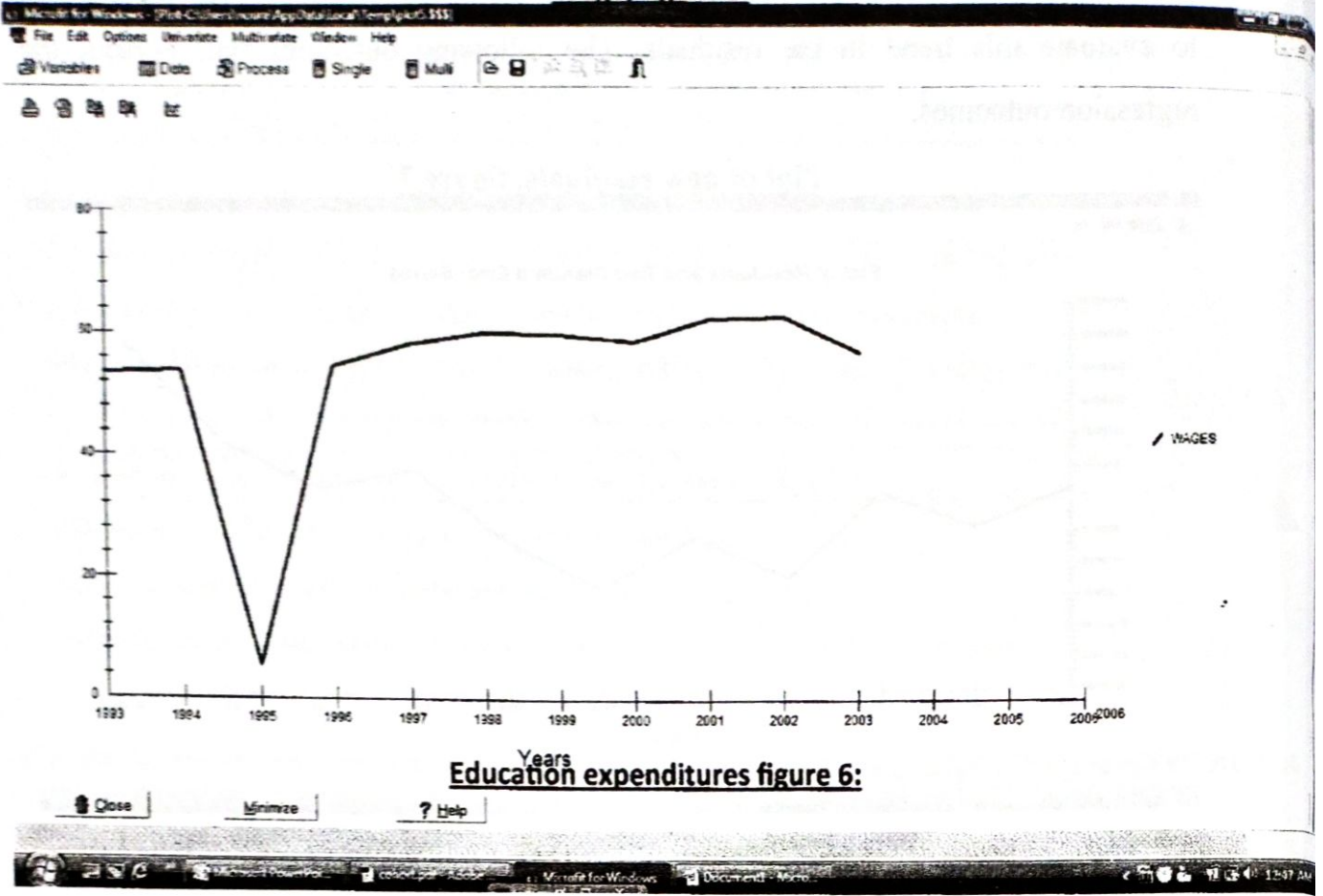
Interpretation of the replicated model in the Egyptian labor market:

Using the following model: $q_{it} = a_i + \delta\theta t + \beta X_{it} + \Pi Y_{it} + \varepsilon_{it}$, we first plot the residual/ unobserved variable that we could have missed in order to see whether they are trended or not. As the figure below show the residuals tend to have a trend mainly from the beginning of 1997 to 2006, however this could imply that the model have omitted or is lacking an important variable that is reflected the trend of the residuals. This trend started having influence in the labor market from the starting period of

1996 to today. In order to justifying our inference, we should run the regression model to evaluate this trend in the residuals. The following outcomes will portrait the regression outcomes.

Plot of new residuals, figure 7

Plot of Residuals and Two Standard Error Bands

Ordinary Least Squares Estimation

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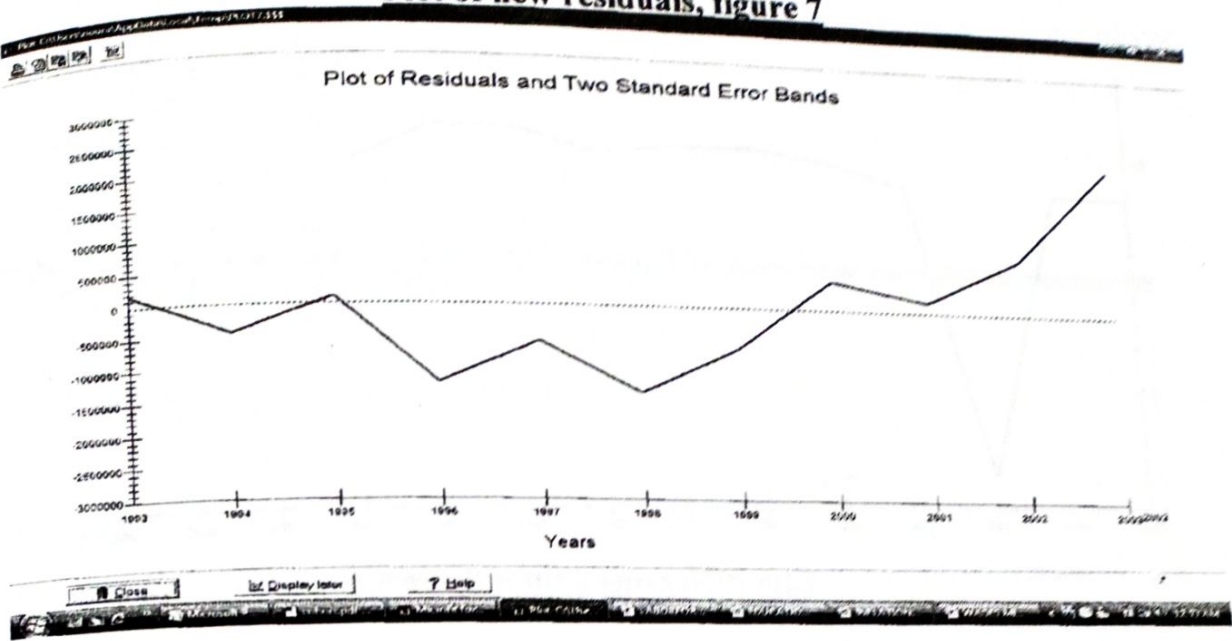
Dependent variable is LABORFOR

12 observations used for estimation from 1993 to 2004

****

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
INFLATION	-17936.5	251457.2	-.071330[.945]
WAGES	62572.9	299801.6	.20871[.840]
EDUCATION	5325136	4042210	1.3174[.224]
CONSTANT	-7628125	1.75E+07	-.43699[.674]

****

R-Squared	.31632	R-Bar-Squared	.059935
S.E. of Regression	1707326	F-stat. F(3, 8)	1.2338[.359]
Mean of Dependent Variable	1.90E+07	S.D. of Dependent Variable	1760911
Residual Sum of Squares	2.33E+13	Equation Log-likelihood	-186.7997
Akaike Info. Criterion	-190.7997	Schwarz Bayesian Criterion	-191.7696
DW-statistic	.26136		

```
                        Diagnostic Tests
                    ***********************************************
***********************************************************
*                              LM Version        *      F Version        *
*   Test Statistics    *                                                  *
***********************************************************
* A:Serial Correlation*CHSQ(   1)=  10.0677[.002]*F(   1,   7)=  36.4710[.001]*
* B:Functional Form    *CHSQ(   1)=   .56857[.451]*F(   1,   7)=   .34816[.574]*
* C:Normality          *CHSQ(   2)=   .95470[.620]*        Not applicable      *
* D:Heteroscedasticity*CHSQ(   1)=   .16360[.686]*F(   1,  10)=   .13821[.718]*
                    ***********************************************
***********************

    A:Lagrange multiplier test of residual serial correlation
    B:Ramsey's RESET test using the square of the fitted values
    C:Based on a test of skewness and kurtosis of residuals
    D:Based on the regression of squared residuals on squared fitted values
```

For the above regression one could note that all the T ratios of independent variables are not reject at 95% level of confidence, this is true because their P value are greater than alpha value 5%, thus they no fall in the rejection area. Surprisingly one could conclude that all these variables are not telling much about their effect on the labor market. To further support this point we could look at the coefficient of variation that "Squared", which explain the rate of variability in the explanatory variable in relation to the exogenous variable/dependent variable. DW test for autocorrelation and model misspecification is relatively low, noting that if, R squared less than DW then we are risking of spurious regression. However in our case R squared is greater that DW implying the absence of spurious regression possibility. The model passed the test of serial correlation (there correlation between the variables) and failed for Heteroscedasticity (variance between the explanatory variable are not equal), and functional form (a significant shock happened during the period of observation). This may result from the constraint of data available / the limitation of observations examined. Thus asymptotic conditions may not hold for the model.

One solution could be to try the unit root test to see whether the default come from an none integrated variables.

Unit root tests for residuals

****

Based on OLS regression of LABORFOR on:

INFLATION   WAGES   EDUCATION   CONSTANT

12 observations used for estimation from 1993 to 2004

****

	Test Statistic	LL	AIC	SBC	HQC
DF	.50971	-104.5952	-105.5952	-105.5681	-105.2609
ADF(1)	-.34753	-102.8878	-104.8878	-104.8337	-104.2193
ADF(2)	-.31003	-102.8878	-105.8878	-105.8067	-104.8850
ADF(3)	-.88490	-100.9957	-104.9957	-104.8875	-103.6586
ADF(4)	.035483	-100.4551	-105.4551	-105.3199	-103.7838

****

95% critical value for the Dickey-Fuller statistic = -6.0752

LL = Maximized log-likelihood   AIC = Akaike Information Criterion

SBC = Schwarz Bayesian Criterion   HQC = Hannan-Quinn Criterion

The ADF test tell that both Schwarz Bayesian criterion and Akanke information criterion tell us that the variable are integrated in ADF (1) with an likelihood ratio that is not rejected. Base on this result we precede in our investigation by introducing the lags of the variable into the regression and see if there would be any significance in the explanatory variables.

Ordinary Least Squares Estimation

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Dependent variable is LABORFOR

10 observations used for estimation from 1995 to 2004

****

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
LABORFOR(-2)	.77670	.19208	4.0437[.056]
INFLATION	-69063.3	57042.6	-1.2107[.350]
INFLATION(-2)	43581.1	50971.6	.85501[.483]
WAGES	-62360.4	84757.5	-.73575[.538]
WAGES(-2)	206963.9	90102.6	2.2970[.148]
EDUCATION	-1.36E+08	1.71E+08	-.79455[.510]
EDUCATION(-2)	1051092	2959265	.35519[.756]

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CONSTANT                     5.93E+08          7.50E+08                    .79038[.512]

********************************************************************************

   R-Squared                     .99355   R-Bar-Squared                      .97098

   S.E. of Regression          274625.5   F-stat. F(7,2)              44.0113[.022]

   Mean of Dependent Variable  1.94E+07   S.D. of Dependent Variable       1611966

   Residual Sum of Squares     1.51E+11   Equation Log-likelihood        -131.3738

   Akaike Info. Criterion      -139.3738  Schwarz Bayesian Criterion     -140.5842

   DW-statistic                  3.6713

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                            Diagnostic Tests

********************************************************************************

*    Test Statistics   *      LM Version        *       F Version            *

********************************************************************************

* A:Serial Correlation*CHSQ(  1)=   *NONE*   *F(  1,   1)=    *NONE*          *

* B:Functional Form    *CHSQ(  1)=   *NONE*   *F(  1,   1)=    *NONE*          *

* C:Normality          *CHSQ(  2)=   *NONE*   *       Not applicable          *

* D:Heteroscedasticity*CHSQ(  1)=  .66944[.413]*F(  1,   8)=  .57398[.470]*

********************************************************************************

   A:Lagrange multiplier test of residual serial correlation

   B:Ramsey's RESET test using the square of the fitted values

   C:Based on a test of skewness and kurtosis of residuals

   D:Based on the regression of squared residuals on squared fitted values
```

Introducing the second degree lags into the regression prove that the wages are the integrated variable with great significance. This true because its T ratios were not rejected as it value is greater than 2 at 5% rejection area. This implies that wage is the most integrated variable that best suit or describe the state of the labor market along with years, this can be analyzed the new plotted residual that are less trended (see figure 8). However, this finding is not surprising and make logical sense, but is really surprising in this study is the fact that inflation did not show sign of significance in the investigation which lead us to question the Philip

curve theory in the Egyptian labor market. To deeply investigate this phenomena we tried to plot the Philips curve concept using Egyptian data to geometrical visualize the pattern of inflation and unemployment in the Egypt as the following figure,9 shows:
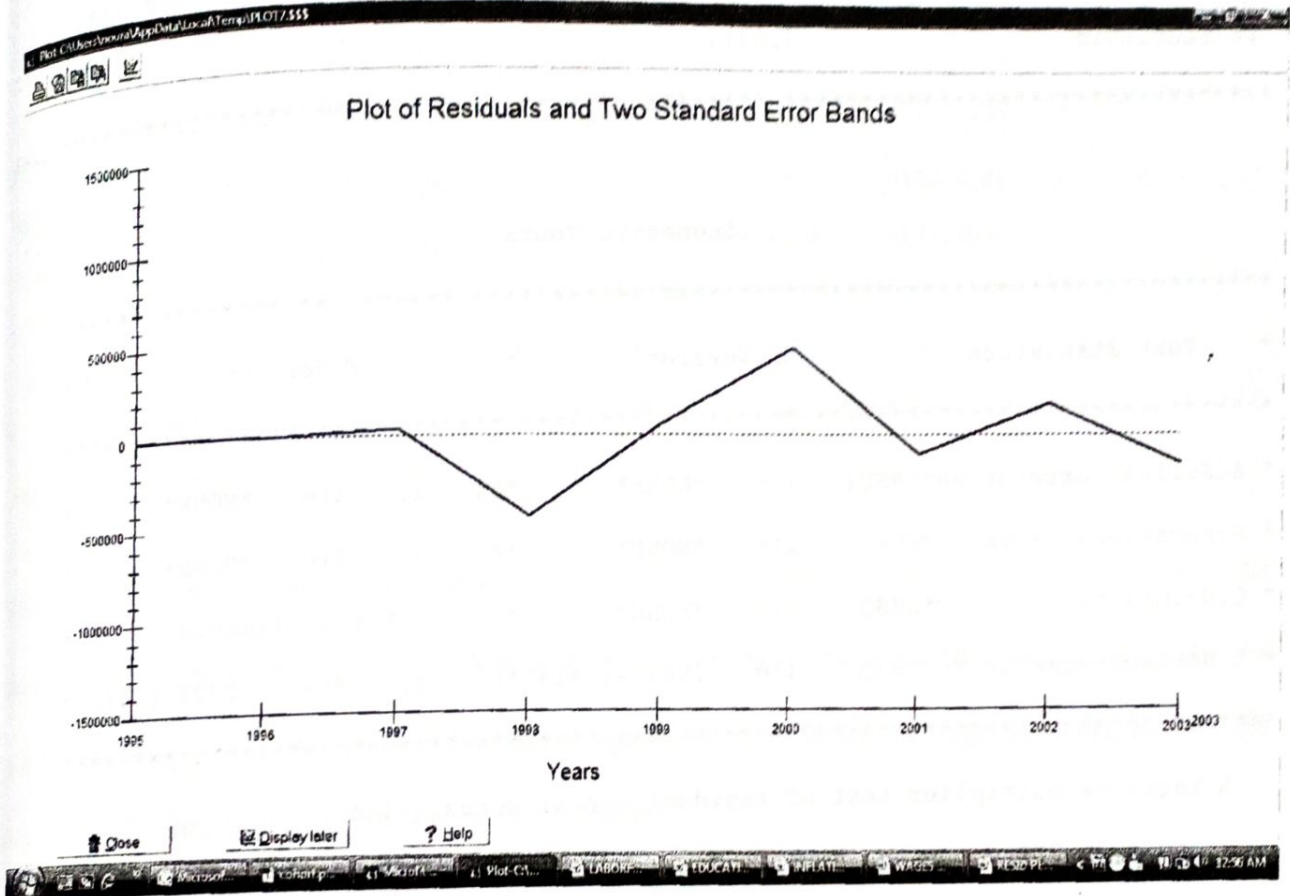
Residuals new, figure 8:

Plot of Residuals and Two Standard Error Bands

Figure 9, portrait the inflation/unemployment pattern in Egypt through the period of 1993 to 2006 (Phillip curve). For the graph we could notice that the rule of inverse relation between inflation and unemployment to not hold over the period of observation. An explanation to this fact could be due to the fact that Egypt since the 60s had a "fixed adjustable peg" to the US dollar, combined with foreign exchange controls and multiple exchange rates. However, during the beginning of the economic reform program in 1991, the Egyptian government unified the exchange rate system and announced the adoption of a "managed floating" regime. In fact, the exchange rate was simply devalued in 1991-1992, and then maintained fixed until June 2000, as can be seen from the Graph above. Although, Egypt was included in

the IMF revised and classification in 1998 and ranked as having resumed its "conventional fixed peg" arrangement. This have caused the Egyptian exchange rate to became subject to numerous external shocks, starting from 1997. On the other this coincided with the East Asian crisis in mid-1997 provoking capital outflows, a slowdown in the capital market investments and significant losses for the investors (Abu El Eyoun, 2003). Furthermore, education expenditure was also insignificant in the model, and this can be explain by the fact that government expenditure to education in Egypt was a constant portion along 1996 to 2006, thus reflecting no relative change if compare to the state of the economy.

Figure 9
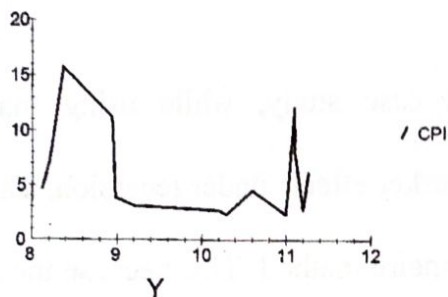
Conclusion;

The study was conducted in the concern or investigation the effect of macroeconomic or more precisely the effects of recession on new entrants in the labor market. Although several studies have been conducted on the issue in hand, two potential conclusions have been erupt. On one hand, the study concluded that macro economic conditions indirectly affect wealth creation through it positive correlation with wages, and on the other hand it concluded that macro economic conditions directly affect the human capital accumulation through its implications on first job opportunities. From the survey conducted on the effect of the recession on new labor entrants, where different educational criteria's where considered

varying from people holding a high school certificate to people holding PhD's . from questions 3, 4 and 5 (see appendix B) it has been noticed that most of the people agree on the point that a recession or a business cycle is most likely to affect both employed and unemployed negatively with an aggregate effect of an increase in the unemployment rate .besides based on questions 6 and 7 from the survey answered new entrants to the labor market will be affected negatively and on the long-run basis too. And from question 8 it has been varied that the effect on new entrants will follow one of these effects or all summed together, which include lower wage levels , lower productivity levels, lower human capital accumulation or depreciation in skills, and in most of the cases this will lead to psychological discouragement.

However, taking Egypt as a case study, while using macroeconomics conditions as instruments to evaluate labor market effects under recession. The outcomes of the study were ambiguous through the questionnaire method. This because the rate responses were relatively undistinguished between whether wage, employments opportunities, or human capital are significantly affected by recession.

However, the second method of the investigation was tried through an econometric model that gives us clearer analysis. Indeed the study found that empirically recession or macroeconomic condition in Egypt mainly affects the wages of the new entrant in the economy and the human capital accumulation. Thus one could infer that in Egypt recession affect the labor market through reducing opportunities of wealth accumulation as wages tend to decline under unfavorable economic conditions. The reasons for the insignificance of the other active economic variables are subject managerial economic reforms.

Appendix: A

This questionnaire aims to help some researchers studying Microeconomics to conduct a survey about the Egyptian labor market, where it aims to give an answer to the following important question of how a recession can affect your career in terms of employment: (please give it back as soon as possible as we need it shortly and urgently).

Name:

Age:

Current position:

Please indicate a Y letter for the chosen criteria

Degree received:

> ( ) undergraduate
> ( ) graduate

Educational background:

> ( ) holding a high school diploma
> ( ) holding a bachelor degree
> ( ) holding a master's degree
> ( ) holding a PhD.

How do you think a recession (boom in the economy) can affect the labor force (employed or unemployed)

For employed:

> ( ) positively, by increasing their wage or finding a better job.
> ( ) negatively, by decreasing their wage or laying them off.
> ( ) in other ways (please indicate).

For unemployed:

- ➤ ( ) positively, by getting a suitable job.
- ➤ ( ) negatively by not finding the suitable job or any other jobs.
- ➤ ( ) in other ways (please indicate)

Total effect:

- ➤ ( ) decrease in the unemployment rate
- ➤ ( ) increase in the unemployment rate
- ➤ ( ) neither effect will happen.

Effect on new labor market entrants:

- ➤ ( ) positively.
- ➤ ( ) negatively.

New labor market entrants will be affected after the recession for:

- ➤ ( ) short- run period (in one year period).
- ➤ ( ) long -run period (for more than 1 year).

This effect that will occur to the new entrants will be in terms of:

- ➤ ( ) in terms of lower wages.
- ➤ ( ) lower productivity levels.
- ➤ ( ) in terms of psychological discouragement.
- ➤ ( ) lower human capital accumulation or depreciation in skills.

Thank you for your precious time and efforts.

Appendix: B

From the survey conducted on the effect of the recession on new labor entrants, where different educational criteria's where considered varying from people holding a high school certificate to people holding PhD's . from questions 3, 4 and 5 it has been noticed that most of the people agree on the point that a recession or a business cycle is most likely to affect both employed and unemployed negatively with an aggregate effect of an increase in the unemployment rate .besides based on questions 6 and 7 from the survey answered new entrants to the labor market will be affected negatively and on the long-run basis too. And from question 8 it has been varied that the effect on new entrants will follow one of these effects or all summed together, which include lower wage levels , lower productivity levels, lower human capital accumulation or depreciation in skills, and in most of the cases this will lead to psychological discouragement.

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