The December *Review*

This month, we present two papers on wage inequality from authors based outside the Bureau of Labor Statistics. Jared Bernstein and Lawrence Mishel of the Economic Policy Institute debate Robert I. Lerman of American University and the Urban Institute on the degree to which inequality has changed in the most recent years. Both papers agree with the widely held view that earnings inequality increased during the 1980s. They diverge sharply in their view of events since then. Bernstein and Mishel argue that the early 1990s saw a fairly straightforward extension of the rising inequality evident in the previous decade. Lerman, in contrast, finds that, at the very least, the rate of increase has moderated substantially.

Inequality is, as we pointed out in this column 4 months ago, a complex, multidimensional puzzle. In this focus section on wage and earnings inequality, we show that even one dimension of the issue is difficult to disentangle. As always, the work of outside authors represents their own work and may not reflect the views of the Bureau of Labor Statistics or its staff.

Steven Hipple's article on job displacement, while again not intended to be an analysis of inequality, also indirectly touches on the issue of income inequality. To the extent that job displacement reduces income, any change in its incidence has important implications for the distribution of income, even if wage inequality is unchanged. Hipple finds that while displacement rates have fallen, those job losses that did occur were more widely dispersed across industries and occupations and that displacement rates were more similar across demographic groups than had been the case in the past.

Young and crowded

What happens when the youth cohort of the labor market is relatively large? Not much on the employment side, say Sanders Korenman and David Neumark in a NBER Working Paper, *Cohort Crowding and Youth Labor Markets: A Cross-National Analysis*. On the unemployment side they found that every additional percentage point of relative youth cohort size is associated with a youth unemployment rate approximately half a point higher. Korenman and Neumark caution, however, that even for the handful of countries with relatively high youth unemployment and large projected declines in youth population share, jobless rates for young workers are "much more responsive to general labor market improvements than to declines in cohort size." While a decline in the relative size of the youth labor cohort may be helpful, any substantial reduction in youth unemployment will have to come from other sources.

A nice place to compete

Ranking places on the basis of their international competitiveness is always serious science and usually interesting as policy art. A recent example is no exception and extends some of the scientific methods used in national-level studies by the World Economic Forum and the International Institute for Management Development to compare the international competitiveness of metropolitan areas.

Dennis A. Rondinelli and Gyula Vastag, writing in the November 1997 *Economic Development Quarterly*, use such national studies as the starting point for their comparison of 11 major cities. The national rankings phase found Frankfurt, Germany, and Singapore tied for first, with the American cities, New York and San Francisco, just behind. When five broad categories of city-specific indicators—population and work force, foreign-interest activities and openness to foreign cultures, trade-related infrastructure and transportation, operating cost conditions, and quality-of-life conditions—were added to the rankings, New York City jumped out to a commanding lead.

The City scored extremely well on the size and educational attainment of its population and also scored impressively on its foreign-interest activities, openness to foreign cultures, and trade-related infrastructure, according to co-author Rondenelli, a professor of management at the University of North Carolina.

Better job matching in the 1990's?

"The efficiency with which unemployed workers are matched with job vacancies has increased significantly in the late 1980s and early 1990s," says Hoyt Bleakley and Jeffrey C. Fuhrer in the most recent edition of *New England Economic Review*. Their analysis is based on measuring changes in the location of the Beveridge curve—the normally negative relationship between the unemployment and job vacancy rates.

According to Bleakley and Fuhrer, unemployment and vacancy rates were about 0.6 percentage point lower in the early 1990s than they had been at a roughly comparable point in the business cycle a decade earlier. Their model of the job-matching function, which predicts this shift quite well, was used in a series of simulations that suggested that an increase in job matching efficiency accounted for about two-thirds of the change.

Shiskin Award nominations

Nominations are invited for the 1998 Julius Shiskin Award for Economic Statistics, a prize established in 1979 to recognize contributions to the development of economic statistics or their use in interpreting the economy. A nomination form may be obtained by writing to the Julius Shiskin Award Committee, American Statistical Association, 1429 Duke Street, Alexandria, VA 22314–3402 or via e-mail to marie@amstat.org Completed nominations must be received by April 1, 1998.

The January *Review*

Next month is our annual review of developments in labor, unemployment insurance, and workers' compensation laws.