Recession affects beliefs as well as wallets

Will the current economic downturn profoundly affect the political, economic, and personal ideologies of the generation that is coming of age during these tough times? Or were the beliefs of this generation already ingrained prior to adulthood?

Economists Paola Giuliano and Antonio Spilimbergo try to answer these questions in a recent National Bureau of Economic Research (NBER) study entitled “Growing Up in a Recession: Beliefs and the Macroeconomy” (NBER Working Paper 15321, September 2009). Giuliano and Spilimbergo argue that “the system of individual beliefs and attitudes is conditioned by the collective experience of a recession”—especially for those individuals who experience a recession during “early adulthood,” defined by the authors as ages 18 to 25. Among the various age groups, the 18- to 25-year-olds are probably the most sensitive to macroeconomic conditions; it is the time in life during which many socioeconomic beliefs are formed, according to social psychology research done by the authors.

The authors used the self-reported answers from participants in the National Opinion Research Center’s General Social Survey, which provides repeated cross sections over a 30-year period with information on economic beliefs, demographic characteristics, and the location and economic conditions of the participants when they were teens. With data from the 1940s through the 1980s to assess respondents’ beliefs and attitudes, Giuliano and Spilimbergo then matched survey answers to the macroeconomic experiences of the survey respondents over a number of years. The authors used regional recessions as the measure for macroeconomic shocks, making their analysis both time and location specific.

Giuliano and Spilimbergo found three major commonalities in beliefs adopted later in life by people who experienced recessions during their formative early adult years, suggesting that recessions have a long-lasting effect on economic beliefs and personal values. These individuals are more likely to

- believe that luck rather than effort is the most important driver of individual success;
- support more government-initiated redistribution of wealth;
- have less confidence in public institutions.

The influence of a recession on an individual’s belief system in turn has a profound long-term effect on labor market experience. Young people entering the job market during a recession experience considerable initial earning losses that may be permanent, and they generally choose a more conservative capital structure in business dealings. These individuals are also less likely to invest a large fraction of their wealth in stocks.

Giuliano and Spilimbergo also found that, until they are in their 40s, adults can have their trust in government institutions shaken by macroeconomic shocks. People who are 40 and older do not tend to change their beliefs in response to negative economic shocks they have experienced.

Employers’ online job postings

It goes without saying that the Internet has transformed the ways in which jobseekers hunt for work and employers search for candidates to fill open positions. There are a number of examples of recent research documenting the causes and consequences of employers using the Internet to search, but there is little known about how employers use the Web to search for workers. In the article “Employers’ Online Search: An Empirical Analysis,” (Industrial Relations, October 2009, pp. 684–709) Vera Brenčič and John B. Norris present a study they conducted in an attempt to provide more answers to the “how” question.

The researchers use data on 172,219 job vacancies on Monster.com between late April and early July of 2005. They set out to determine whether, in general, the urgency in filling a position has a substantial effect on the content of the job posting. The authors control for numerous factors—the length of the job description, whether the job is a temporary assignment, whether the vacancy was posted by the employer that intends to hire or by a recruitment agency, and various other factors—in order to obtain robust results.

The study finds some interesting general trends. For example, compared with employers who did not specify that a position was immediately available, employers who indicated in job postings that the vacancies were ready to be filled right away were less likely to specify required work experience and also less likely to list educational requirements. Brenčič and Norris believe that this result suggests that, when the costs of continuing a search are high, employers elect to provide less information about the types of candidates they are looking for—and that they do so in order to increase the size of the applicant pool. The study also finds that employers with immediately available jobs gave more details about the application process and were quicker to remove the job postings from the Web site. Although there remains much to be learned about the ways in which the Web is used in matching jobseekers with employers, this article provides evidence that vacancy costs influence the ways in which employers use the Internet to find candidates for jobs.