FEDERAL RESERVE BANK OF KANSAS CITY

ECONOMIC REVIEW

Third Quarter 2017 *Volume 102, Number 3*

The Changing Cyclicality of Labor Force Participation 5
By Willem Van Zandweghe

Dissecting Wage Dispersion 35
By San Cannon and José Mustre-del-Río

Banking on Distributed Ledger Technology: Can It Help Banks Address Financial Inclusion? 53
By Jesse Leigh Maniff and W. Blake Marsh

The Changing Cyclicality of Labor Force Participation

By Willem Van Zandweghe

The U.S. labor force participation rate—the percentage of the working-age population who are employed or looking for work—declined sharply after the 2007–09 recession. Typically, labor force participation is only mildly associated with the business cycle. Several studies of the recent recession, however, have concluded that the recession reduced labor force participation, suggesting a shift in its cyclical behavior.

Willem Van Zandweghe examines whether the labor force participation rate has become more cyclical over time. He finds that cyclical fluctuations in the participation rate have become more pronounced, but the most notable shift occurred around 1984. In addition, he finds that cyclicality varies across segments of the labor force. Although the participation rate for workers age 25–54 has become more cyclical over time, the rate for older workers has turned countercyclical.

Dissecting Wage Dispersion

By San Cannon and José Mustre-del-Río

At any time, wages differ dramatically across U.S. workers. Some differences in the wages workers earn may be due to differences in characteristics such as age, race, or education level. But wages are substantially dispersed across individuals even after accounting for these differences, suggesting additional factors may play a role.

San Cannon and José Mustre-del-Río investigate the sources of wage dispersion for different demographic groups as well as how these sources have changed over time. They find that "where you work"—also known as the match-specific component of residual wages—accounts for a substantial portion of residual wage differences across individuals. Moreover, they find that the sources of wage dispersion are similar across sexes and education levels.

Banking on Distributed Ledger Technology: Can It Help Banks Address Financial Inclusion?

By Jesse Leigh Maniff and W. Blake Marsh

Banking services can help households make payments, obtain credit, and build wealth. But in 2015, 7 percent of U.S. households had no checking or savings account and were thus considered unbanked. Policymakers and consumer advocates have promoted distributed ledger technology (DLT) as one way to bring these households into the financial mainstream. But little research has connected DLT's benefits to the specific obstacles unbanked consumers face.

Jesse Leigh Maniff and W. Blake Marsh use data from the FDIC National Survey of Unbanked and Underbanked Households to analyze whether DLT addresses unbanked consumers' primary concerns about having a checking or savings account. They find that although DLT addresses each concern in at least a limited capacity, it is unlikely to significantly reduce the share of unbanked consumers in the United States.

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Special Issue 2017

The *Economic Review* (ISSN0161-2387) is published quarterly by the Federal Reserve Bank of Kansas City, 1 Memorial Drive, Kansas City, Missouri 64198-0001. Subscriptions and additional copies are available without charge. Send requests to the Public Affairs Department, Federal Reserve Bank of Kansas City, 1 Memorial Drive, Kansas City, Missouri 64198-0001. Periodical postage paid at Kansas City, Missouri.
POSTMASTER: Send address changes to *Economic Review*, Public Affairs Department, Federal Reserve Bank of Kansas City, 1 Memorial Drive, Kansas City, Missouri 64198-0001.
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