

QLmonthly July 2024

RECENT DEVELOPMENTS IN LAYOFFS, QUITS, AND JOB FINDING IN THE HOUSEHOLD SURVEY ¹

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¹Based on Ellieroth & Michaud, “Quits, Layoffs, and Labor Supply” Institute Working Paper 94 (2024)

Layoffs have Recently Risen

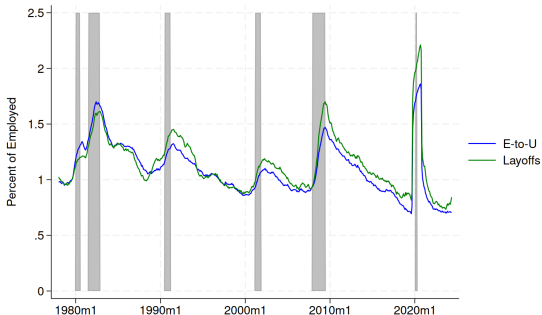


Figure: Prime age monthly Employment to Unemployment (E-to-U) flows and layoffs to non-employment from CPS household survey.

- ▶ Layoffs from employment to nonemployment started rising in Jan 24 and rose higher in July 24.
- ▶ 45% of these laid off workers are exiting the labor force

Quits Continue to Decline

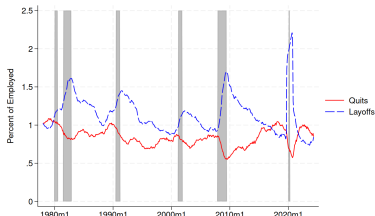


Figure: Left: Quits and Layoffs to non-employment

- ▶ Recent rise in layoffs has been offset by fall in quits leading to little change separation rates.
- ▶ Consistent with history: quits fall when layoffs rise
- ▶ None-the-less, rising layoffs typically precede recessions

Job Finding Rates

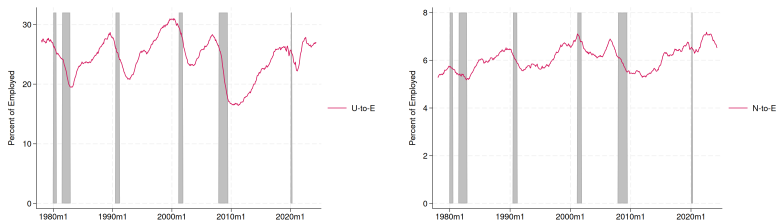


Figure: Job finding rates from unemployment (left) and non-participation (right)

- ▶ Currently job finding rates from unemployment are stable.
- ▶ Job finding rates from non-participation are falling.
- ▶ Historically, job finding rates drive unemployment in recessions

What do we make of this?

Recap: Household survey (CPS) indicates:

- ▶ Rising layoffs ending in nonemployment
- ▶ Declining quits to nonemployment
- ▶ Falling job finding rates

Discussion

- ▶ All of these facts are consistent with labor market loosening- in theory and in historic episodes.
- ▶ But the CPS is a survey and not without flaws.
- ▶ These findings should be taken jointly with developments in other data to form complete view of labor markets

Methodological Appendix
All results derived from
Ellieroth & Michaud “Quits, Layoffs, and Labor Supply” (2024)

The Data

- ▶ Old way: Label all moves in CPS from employed to non participant as a quit.

$$\text{Employment-to-Unemployment} = \text{Layoffs} + \text{Quits}$$

$$\text{Employment-to-Non-Participant} = \text{Layoffs+Quits}$$

- ▶ Our way: Found a way to see reason for leaving job for non-participants in CPS.

$$\text{Employment-to-Unemployment} = \text{Layoffs} + \text{Quits}$$

$$\text{Employment-to-Non-Participant} = \text{Layoffs} + \text{Quits}$$

Why it matters:

- ▶ We found ~40% of laid off workers exit the labor force.
- ▶ Previously, these were simply being dropped in CPS counts of layoffs!

Comparison to JOLTS (establishment survey)

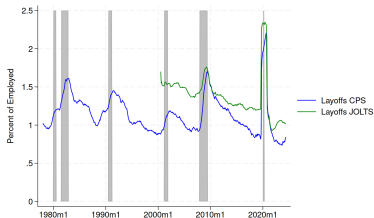


Figure: Layoffs in JOLTS vs comparable layoffs in CPS

- ▶ JOLTS and CPS have always differed in level and cyclical volatility
- ▶ We don't yet know why. Some thoughts:
 - ▶ Response rates have fallen precipitously in JOLTS
 - ▶ JOLTS misses entering and exiting firms
 - ▶ JOLTS implied employment historically inconsistent with CES and worsening

Should we believe CPS estimates?

Advantages

- ▶ Some detail that allows for checks
 - ▶ ex: quits didn't rise much in CPS during 2021-23; consistently, CPS employer tenure was also relatively stable
- ▶ Representative sample of all people and has details about them.
 - ▶ ex: demographics- race, gender, education, age; wage; tenure

Disadvantages

- ▶ Smaller sample size (60k households but few lose jobs)
 - ▶ Some decline in response rates (~ 60%)
 - ▶ BLS cuts will trim sample 5k households fewer in FY2025
- ▶ Self reports- layoff vs quit could be subjective
 - ▶ historical movements over the cycle have been systematic none-the-less