

QLmonthly September 2024 ¹

Kathrin Ellieroth¹² Amanda Michaud²

¹Colby College

²FRB- Minneapolis

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

Contents

1. Recent Developments in Layoffs, Quits, and Job Finding in the CPS Household Survey
2. This Month's Special Topic:
 - ▶ Sampling: smoothing and revisions.

Layoffs and Entry to Unemployment Climb

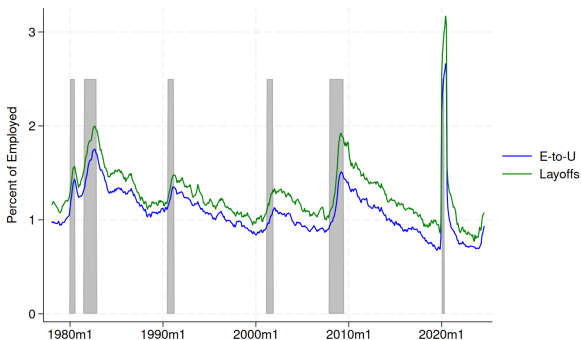


Figure: Prime age monthly Employment to Unemployment (E-to-U) flows and layoffs to non-employment from CPS household survey.

- Prime age layoffs rose to the highest single month and smoothed readings since 2020

August Brought and Uptick in Quits

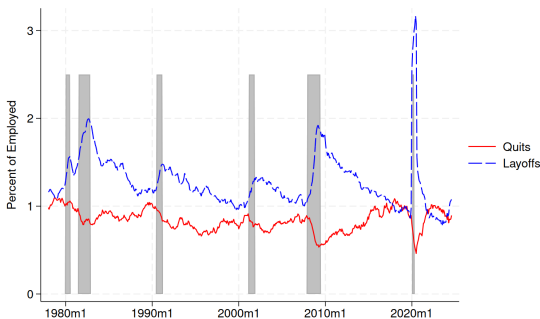


Figure: Quits and Layoffs to non-employment

- It remains to be seen whether this reversal from constantly declining quits will persist.

Job Finding Rates Remain in Sharp Decline

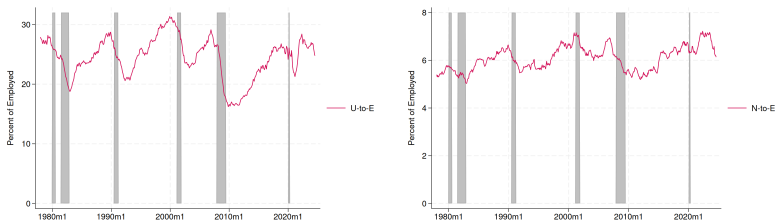


Figure: Job finding rates from unemployment (left) and non-participation (right)

- Current readings show job finding rates below 2019 levels but not below historical averages.

What do we make of this?

Recap: Household survey (CPS) indicates:

- ▶ Layoffs to non-employment continue a steady, sharp rise.
- ▶ Flows from employment to unemployment are increasing.
- ▶ Job finding rates from unemployment decline but are noisy.

Discussion

- ▶ The uptick in quits is an interesting development in August's data because quits are generally rise when job finding rates rise and the unemployment rate falls. We will look to next month's release to see whether this is a blip or something more.

Discussion of the Month
Sampling: Smoothing and Revisions

Sampling in the CPS

The CPS is a sample of around 60,000 households each month.

- ▶ Considerations:
 - ▶ **Volatility:** The small-ish sample size introduces month to month noise.
 - ▶ **Data Revisions** The CPS data are revised in an annual adjustment to population weights.

Smoothing Monthly Volatility

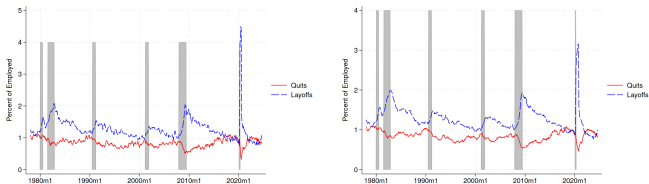


Figure: Right centered moving averages. Left: 3 months; Right: 6 months

- ▶ We use a 6 month centered moving average in our paper and graphs which puts more weight on the current month.
- ▶ A right centered moving average of varying lengths reveals similar recent patterns for quits and layoffs but at different magnitudes.

Revisions in CPS

- ▶ The current month's signal may change with future data revisions.
- ▶ In the CPS this is primarily population weights. Each respondent represents a number of people with similar demographics and estimates of that number could change.
 - ▶ A concern is that there could be large revisions coming if the number of immigrants has been underestimated.
- ▶ Historically, these revisions have not much affected **rates** like the share of the labor force unemployed (See Aruoba "Data Revisions are not Well-Behaved" JMCB March/April 2008, 40(2-3), 319-340.)
- ▶ Based on this, we are expecting our flow rates will not be revised much if population weights change.

Comparison to JOLTS

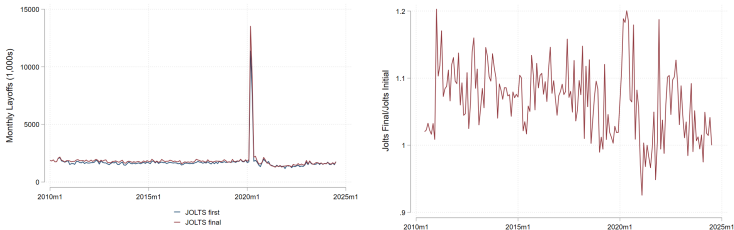


Figure: Left: Series of JOLTS initial and final release. Right: ratio of final to initial release

- ▶ Jolts Advantage: larger sample, less month-to-month noise.
- ▶ JOLTS Disadvantage: larger data revisions.