

QLmonthly August 2024

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

Kathrin Ellieroth¹² Amanda Michaud²

¹Colby College

²FRB- Minneapolis

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

Layoffs hold Steady

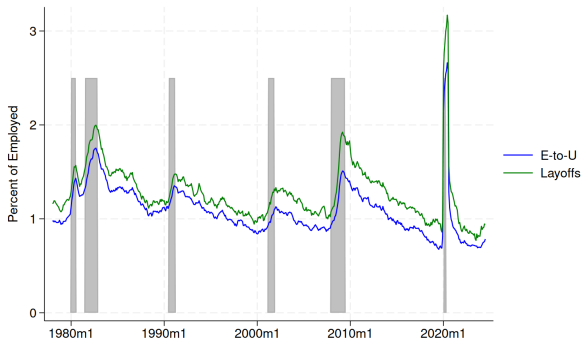


Figure: Prime age monthly Employment to Unemployment (E-to-U) flows and layoffs to non-employment from CPS household survey.

- Layoffs did not increase June to July 2024.
- Flows from employment to unemployment rise as fewer laid-off workers exit the labor force.

Quits hold Steady

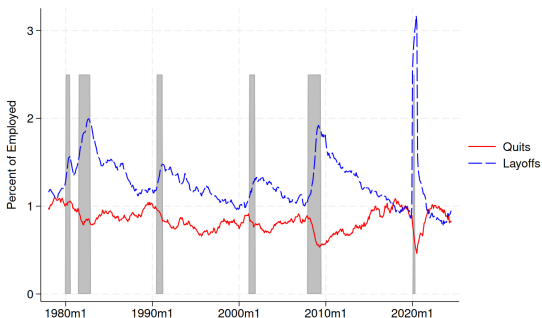


Figure: Left: Quits and Layoffs to non-employment

- The quit rate has been below the layoff rate since April 2024 a typical historical pattern.

Job Finding from Unemployment Falls but is Noisy

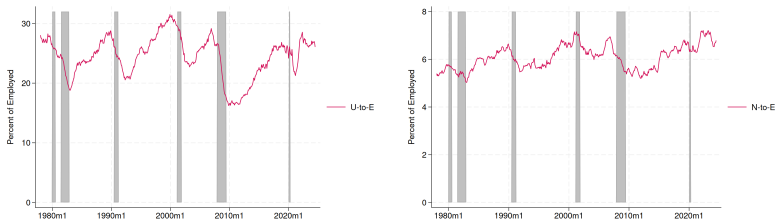


Figure: Job finding rates from unemployment (left) and non-participation (right)

- ▶ Historically, declines job finding rates drive increases unemployment.
- ▶ Job finding rate from non-employment may have risen but is noisy.

What do we make of this?

Recap: Household survey (CPS) indicates:

- ▶ Layoffs stable at still historic lows over past two months.
- ▶ Flows from employment to unemployment are still increasing.
- ▶ Job finding rates from unemployment decline but are noisy.

Discussion

- ▶ Pressure from layoffs has not increased from June to July 2024.
- ▶ Instead, strengthening labor force attachment and normalizing job finding rates drove the increase in the unemployment rate.

Discussion of the Month
Sample Selection & Cleaning

Why Do We Focus on Prime Age?

Question: Prime age make up 64% of workers. Why do we focus our analysis on this subset?

- Answer:**
- ▶ Reason last job ended is only asked of respondents who are unemployed or in non-participation for certain reasons. Notably, it is not asked for retired individuals who may have retired following a layoff.
 - ▶ “Other” separations (not quit or layoff) make up 20% of separations for prime age and is mostly acyclical.
 - ▶ Prime age is less sensitive to shifting age demographics.

Seasonal Adjustment & Moving Average

Question: How are our data seasonally adjusted?

Answer: We use the X-13ARIMA-SEATS Seasonal Adjustment Program provided by the Census.

Question: Why are the graphs in our reports different from the data on the website?

Answer: First, our graphs show the data smoothed with a 6 month moving average. This is common. The monthly CPS is a relatively small sample (60,000 households) and smoothing reduces sampling noise. Second, our graphs are for prime age.

What about direct Job Changes without a Non-Employment Spell?

Question: Why don't we include workers who move directly to another employer following a quit or layoff?

Answer: Unfortunately, the CPS only asks non-employed individuals why their last job ended and so we can not discern whether a direct job change was due to a quit or preceded by knowledge of a coming layoff. In another US survey (SIPP), 22% of job-to-job changes follow a layoff. Reference: *Simmons, Michael. "Job-to-job transitions, job finding and the ins of unemployment." Labour Economics 80 (2023): 102304.*