

QLmonthly November 2024¹

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:
 - ▶ From where employers hire has shifted

Layoffs to Non-Employment Stabilize, May be Retreating

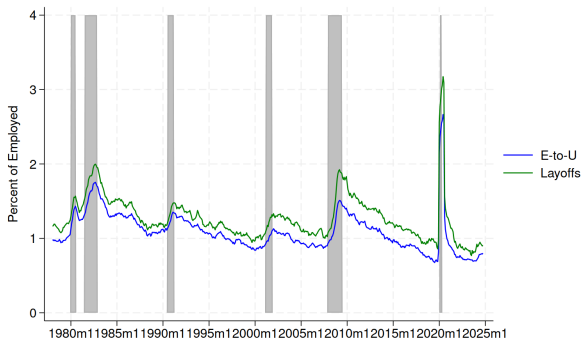


Figure: Prime age monthly Employment to Unemployment (E-to-U) flows and layoffs to non-employment from CPS household survey.

- ▶ We now have three months of evidence (August, September, and October) that layoffs are no longer rising and could even be falling.
- ▶ Flows from employment to unemployment reinforce this view.

Quits appear to have gone flat.

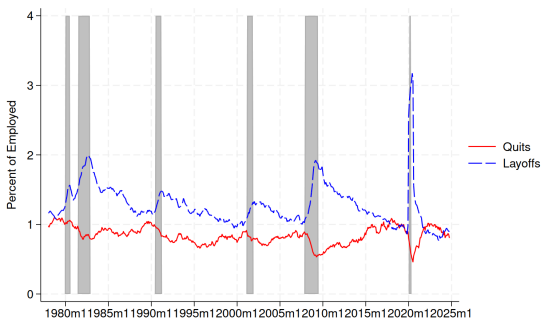


Figure: Quits and Layoffs to non-employment

- Quits stabilize across August, September, and October after steady decline.

Job Finding Rates worsen for the Unemployed

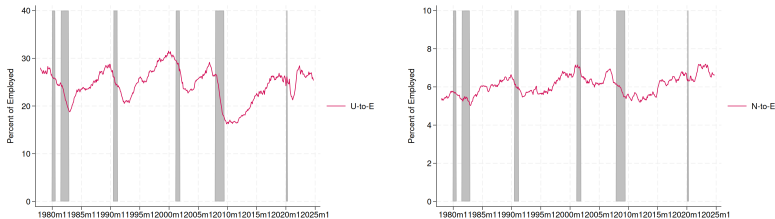


Figure: Job finding rates from unemployment (left) and non-participation (right) for Prime Age Workers

- ▶ Job finding rates continued to worsen for the unemployed but stabilized for non-participants.
- ▶ Both remain above or near recent pre-pandemic rates.

What do we make of this?

Recap: Household survey (CPS) indicates:

- ▶ Layoffs to non-employment show a reversal and decline.
- ▶ Flows from employment to unemployment continue to plateau.
- ▶ Job finding rates bring mixed news (more evidence in additional slides)

Our view:

- ▶ Labor market softening has stalled over the past three months.
- ▶ Indicators for future trajectory remain mixed with the first few readings that layoffs to nonemployment could be stepping down.
 - ▶ These series are volatile and a couple more months are needed to confirm these signs.

Discussion of the Month
From Where Employers are Hiring

Employer-to-Employer Series.

- ▶ Our series tracks only quits and layoffs to non-employment.
- ▶ Many job changes are directly employer to employer and do not have an non-employment spell.
- ▶ The Philadelphia Fed has a series tracking these flows in the CPS.
- ▶ Unfortunately, it is not possible to see whether these direct moves are quits or layoffs.

A steady climb since March has lifted direct employer-to-employer hires to almost full recovery after more than a year of decline.

Employers' hiring has shifted.

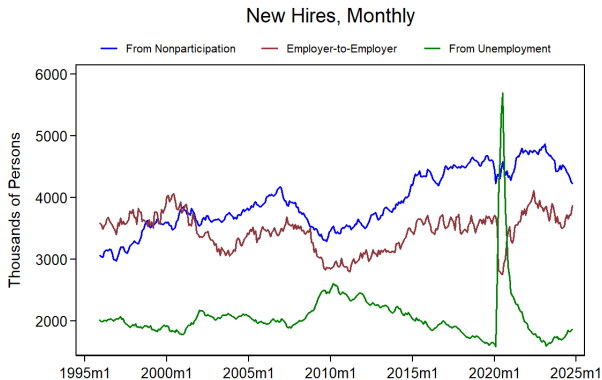


Figure: CPS hires: from U and N accessed from FRED. From another Employer via Fujita, Moscarini, Postel-Vinay.

- ▶ As hiring has slowed it has shifted from non-Participants towards the employed and unemployed.
- ▶ Notably, hires from other employers have been increasing

Employers' hiring has shifted.

What does it mean?

- ▶ An optimistic view:
 - ▶ The re-balancing shows a better alignment of supply and demand with employers less pressed to stretch and bring new workers into the labor force.
 - ▶ The rise in direct hires shows a recovery in the availability of jobs that could also benefit unemployed job seekers going forward.
- ▶ A pessimistic view:
 - ▶ The re-balancing shows a difficult labor market for new entrants who cannot easily find jobs and show up in unemployment instead of directly going to employment.
 - ▶ The rise in direct hires is a symptom of job instability as workers anticipating a layoff are moving to new employment.