

QLmonthly August 2025 ¹

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

Contents

1. Recent Developments in Layoffs, Quits, and Job Finding
2. This Month's Special Topic:
 - ▶ The role of declining participation in recent unemployment dynamics.

Growth in Layoffs Pauses

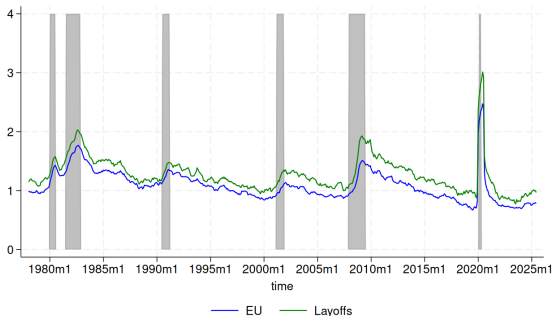


Figure: Prime age monthly Employment to Unemployment (E-to-U) flows and layoffs to non-employment from CPS household survey.

- Layoffs to non-employment steady
- EU saw a slight increase and is returning to 2024 rates.

Quits continue recent rise

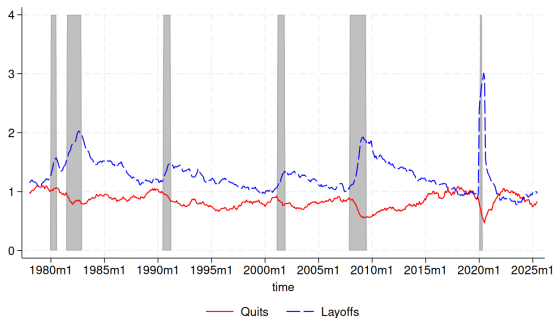


Figure: Quits and Layoffs to non-employment

- Quit rates continue their rise from the previous month.

Job finding rates steady

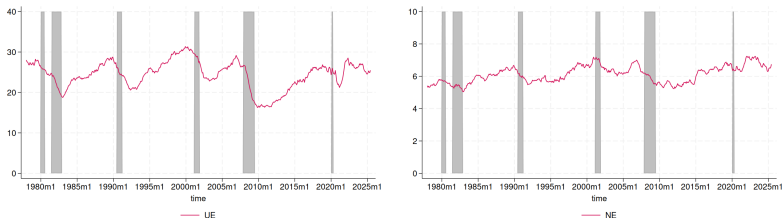


Figure: Job finding rates from unemployment (left) and non-participation (right) for Prime Age Workers

- ▶ Job finding rates are lower than last year.
- ▶ Job finding rates for the working-age population (16 years +) continue to fall.
- ▶ Levels of job finding rates are within pre-pandemic range.

What do we make of this?

Recap: Household survey (CPS) indicates:

- ▶ Quits continue to rise, while layoffs stable.
- ▶ EU flows have risen back to 2024 levels.
- ▶ Job finding rates hold steady.

Our view:

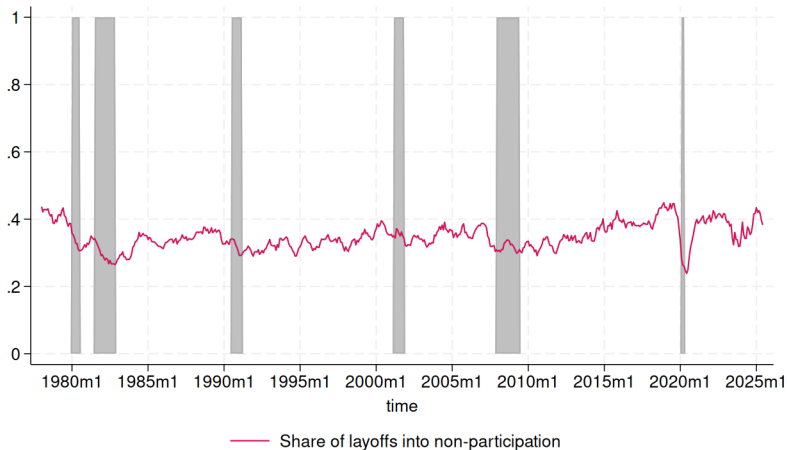
- ▶ Layoffs and EU flows are converging, which indicates more layoffs to unemployment and less layoffs leaving the labor force. If this convergence continues, the unemployment rate could rise more than it has in the past year.
- ▶ The rise in quits is puzzling; more data is needed.

Discussion of the Month

The Role of Declining Participation in Recent Unemployment Dynamics

Fewer laid-off workers have been looking for a job.

When layoffs are increasing, laid off workers are typically more likely to stay in the labor force and be counted as unemployed. This episode is different.



Movements between Unemployment and Non-participation have been relatively flat.

- ▶ More exits after layoff may not matter if people quickly reverse their decision and move to unemployment.
- ▶ But movements between unemployment and non-participation have been flat. Still, we consider this in our analysis.

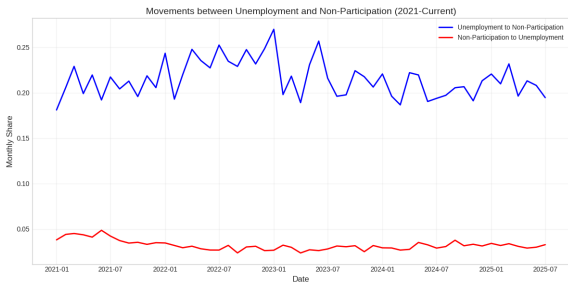


Figure: Prime age monthly Unemployment to Non-Participation (U-to-N) and Non-Participation to Unemployment (N-to-U) flows from CPS household survey.

Labor Force Exits have been Holding Unemployment Down.

- ▶ The graph below shows that prime age unemployment would have remained higher and be recently rising more if labor force participation decisions had been held constant.
- ▶ Specifically, we hold constant the share exiting after layoff, U-to-N, and N-to-U.

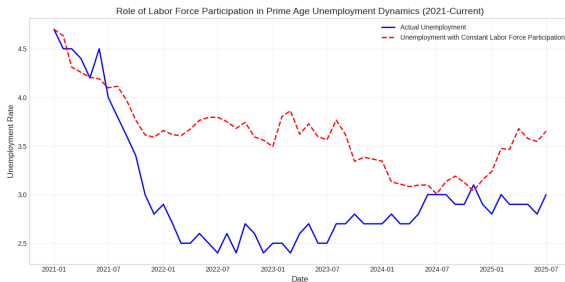


Figure: Prime age Unemployment: actual and with constant labor force participation.

Fewer Job Finders are Counted in Unemployment

- ▶ Recently, a little over 40% of hires from non-employment are people who were counted in unemployment.
- ▶ This is down from closer to 50% before 2007, suggesting unemployment should only be one factor in labor market assessment.

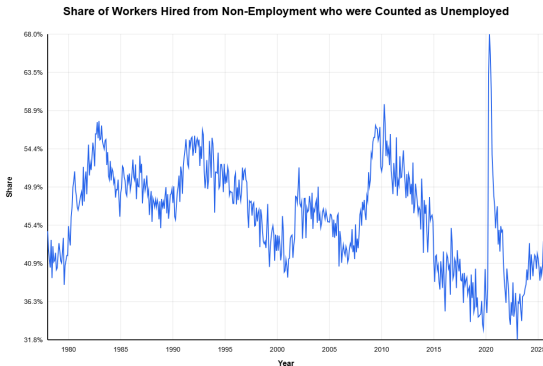


Figure: Share of Prime Age Hires from Non-employment who were Counted as Unemployed in the CPS.