

# QLmonthly July 2025 <sup>1</sup>

Kathrin Ellieroth<sup>12</sup>    Amanda Michaud<sup>2</sup>

<sup>1</sup>Colby College

<sup>2</sup>FRB- Minneapolis

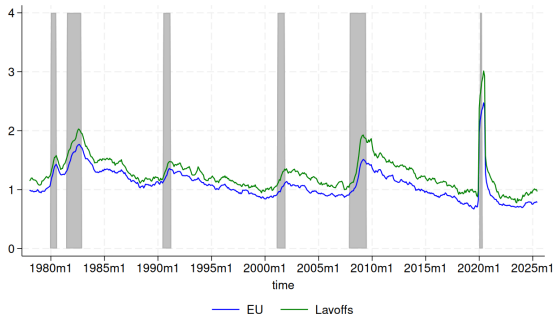
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<sup>1</sup>Based on Ellieroth & Michaud, "Quits, Layoffs, and Labor Supply" Institute Working Paper 94 (2024)

# Contents

1. Recent Developments in Layoffs, Quits, and Job Finding
2. This Month's Special Topic:
  - ▶ How is this cooling episode of the labor market different?

## 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 after increase in the previous two years.
- EU saw a slight increase, but nothing comparable to the prior growth in layoffs.

## Quits start to rise while layoffs pause

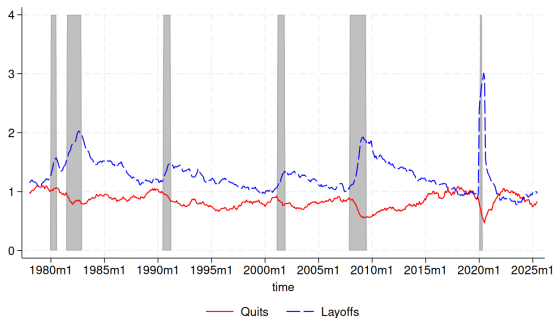
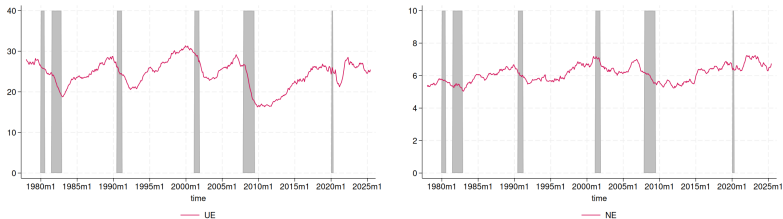


Figure: Quits and Layoffs to non-employment

- Quit rates start to rise after prolonged decrease over the last 3 years.

## Job finding rates increase for prime-age



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

- ▶ Job finding rates continue to increase after months of decline.
- ▶ The levels of job finding rates are within pre-pandemic range.

## What do we make of this?

Recap: Household survey (CPS) indicates:

- ▶ Quits turn a corner and start to rise while layoffs hold steady pausing prior persistent rise.
- ▶ Job finding rates also turn a corner, rising for all prime-age.

Our view:

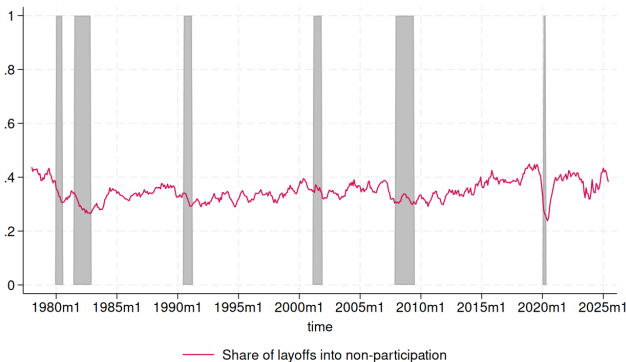
- ▶ The labor market has paused from over two years of cooling.
- ▶ There are early signs of reversal in job finding and quit rates.
- ▶ These movements are more than monthly blips because we smooth the data over 6 months. Still, additional data will clarify whether these readings represent a meaningful change from past steady cooling.

## **Discussion of the Month**

How is this cooling episode of the labor market different?

## Layoffs and Unemployment: The Role of Labor Supply

- ▶ Laid-off workers have historically been more likely to stay in the labor force and be counted as unemployed (say they are looking for a job) in periods when layoffs are rising.
- ▶ The opposite has been true during this cooling cycle.





# Layoffs and Unemployment: The Role of Labor Supply

- ▶ We can calculate how much changes in labor supply decisions of laid-off workers contribute to the increase in unemployment as layoffs increase
- ▶ We do so in an exercise where we hold the share of laid-off workers reporting they are unemployed (looking for a job) fixed at the rate before layoffs started rising.

## Layoffs and Unemployment: This cooling is different

Increase in Unemployment during Recessions						
	1980-82	1990-91	2001	2007-09	2020	2022-25
Actual	4.9	1.6	1.6	4.8	11.3	0.6
Fixed % Layoffs N	3.0-3.5	1.1-1.2	0.9-1.0	3.4-3.6	4.5-5.1	0.6-0.8

**Table:** Second row: range of hypothetical unemployment rate if the share of laid-off workers who exit the labor force were held constant

- ▶ The second row shows that unemployment would have been lower if labor supply choices of laid-off workers had remained unchanged.
  - ▶ Increased share of laid-off workers reporting they are unemployed amounts to 20-30% of the rise in unemployment in a typical recession.
- ▶ This time, laid-off workers became more likely to say they are not looking for a job and thus not count as unemployed.
  - ▶ This resulted in an increase in unemployment up to one-third *less* than if the shares hadn't changed and 50% less than if they had changed as was typical in a prior recession.