

QLmonthly April 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 in the CPS Household Survey
2. This Month's Special Topic:
 - ▶ Why is the share of laid-off workers currently exiting the labor force at an all time high?

Separations Remain Steady

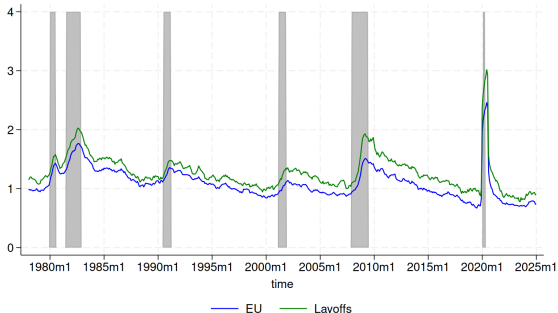


Figure: Prime age monthly Employment to Unemployment (E-to-U) flows and layoffs to non-employment from CPS household survey.

- ▶ Layoffs to non-employment flat at rates around 1%.
- ▶ Employment to Unemployment (EU) flows continue declining after brief spike in late 2024.
- ▶ Increasing gap between all layoffs and EU flows suggest layoffs into N unchanged while layoffs into U decline.

Quits are a weak spot and continue steady decline.

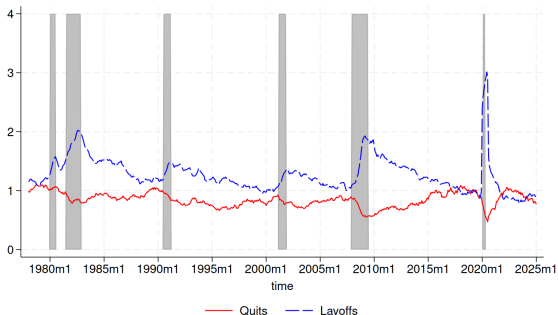


Figure: Quits and Layoffs to non-employment

- ▶ Quit rates continue decline to decline, while layoffs are flat.
- ▶ That quits are continuing to decline without layoffs rising is not a historical norm. The series are sending opposing signals of the trajectory of the labor market.

Job Finding Rates Decline

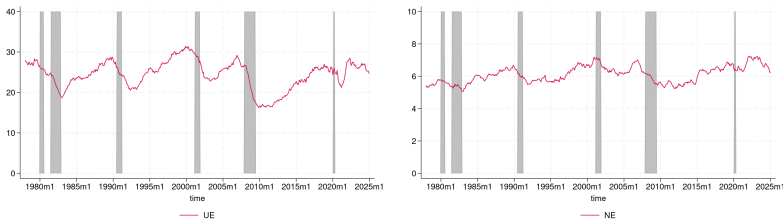


Figure: Job finding rates from unemployment (left) and non-participation (right) for Prime Age Workers

- ▶ Job finding rates decline but are within the normal range.
- ▶ Job finding rates from non-participation decline after short stabilization period in late 2024 to early 2025 but are within pre-pandemic range.

What do we make of this?

Recap: Household survey (CPS) indicates:

- ▶ Quits continue to decline while layoffs are stable.
- ▶ Decline in layoffs to unemployment, but not into non-participation.
- ▶ Job finding rates decline.

Our view:

- ▶ The continued decline in quits signal a weaker labor market and workers expecting conditions to worsen.
- ▶ The decline in job finding rates further hints at a weakening of the labor market.

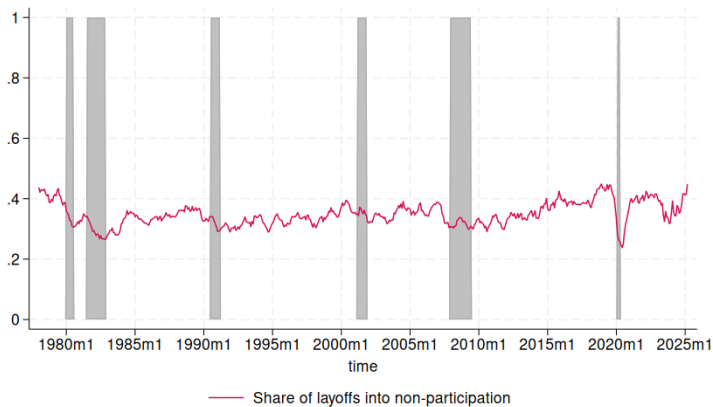
Discussion of the Month

Why is the share of laid-off workers currently exiting the labor force at an all time high?

Layoffs into non-participation are large

- ▶ One of the strengths of this data series is that it allows us to observe which labor market state, unemployment or non-participation, workers will choose after losing their job.
- ▶ We now know that **35% of all prime-age workers leave the labor force after losing their job.**
- ▶ This number ranges from between 15% to 52% for different demographic groups in the U.S.

Layoffs into non-participation vary over the business cycle



- In the past, we see a rise in the share of layoffs into non-participation leading up to a recession.

Current share of layoffs into N is rising

- ▶ The current share of layoffs into non-participation is at an all-time high of about 45%.
- ▶ What do we make of this? Hard to say.
 - ▶ Laid-off workers may be more likely to move to non-participation if:
 - ▶ 1) The market is strong and jobs are easy to find and so it is easy to move back into participation.
 - ▶ 2) The market was strong but is now declining and the first workers to lose their job are those who were at the margin of the labor market and more likely to exit after a layoff.
- ▶ The current fall in quits and job finding rates points towards the more worrisome scenario (2)