

## Note on Characterizing Unemployment Flows

Worker flow into the unemployment for many different reasons. The CPS variable [WHYUNEMP](#) provides 6 different reasons for worker's unemployment status. (see below)

An 'X' indicates the category is available for that sample

Code	Label
0	NIU
1	Job loser/ on layoff
2	Other job loser
3	Temporary job ended
4	Job leaver
5	Re-entrant
6	New-entrant

In the paper, employment to unemployment (EU) flows is characterized by an endogenous – related to worker and firm choices - and an exogenous component. The 2 endogenous components underlying EU flows are layoffs and quits. The flows that cannot be explained by these two forces (residual) are exogenous.

We have tried 3 ways to characterize the endogenous (quits and layoffs) and the exogenous flows using the CPS.

1. Layoff is coded by 1 (Job Loser/ Layoff)  
Quits is coded by 4 (Job Leaver)  
Exogenous component is coded by 2 (Other Job Loser) and 3 (temporary job ended)
2. Layoff is coded by 1 (Job Loser/ Layoff) and 2 (Other Job Loser)  
Quits is coded by 4 (Job Leaver)  
Exogenous component is coded by 3 (temporary job ended)
3. Layoff is coded by 1 (Job Loser/ Layoff) and 2 (Other Job Loser)  
Quits is coded by 4 (Job Leaver)  
Exogenous component is coded by 3 (temporary job ended), 5 (re-entrant), 6 (new entrant)

