Note on Characterizing Unemployment Flows

Worker flow into the unemployment for many different reasons. The CPS variable [WHYUNEMP](https://cps.ipums.org/cps-action/variables/WHYUNEMP#codes_section) provides 6 different reasons for worker’s unemployment status. (see below)

A screenshot of a computer

AI-generated content may be incorrect.

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)

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Quits is coded by 4 (Job Leaver)

Exogenous component is coded by 3 (temporary job ended), 5 (re-entrant), 6 (new entrant)