

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

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

<sup>1</sup>Colby College

<sup>2</sup>FRB- Minneapolis

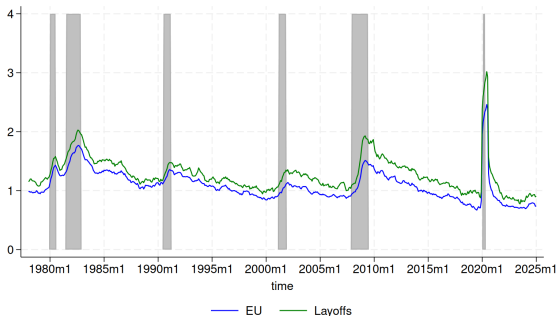
---

<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 in the CPS Household Survey
2. This Month's Special Topic:
  - ▶ Quits and Workers' Expectations

## Labor Market Remains Solid



**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 near 2018-2019.
- Employment to Unemployment (EU) flows retreat back to March 2020 levels from their peak in July 2020.

Quits are a weak spot and continue steady decline.

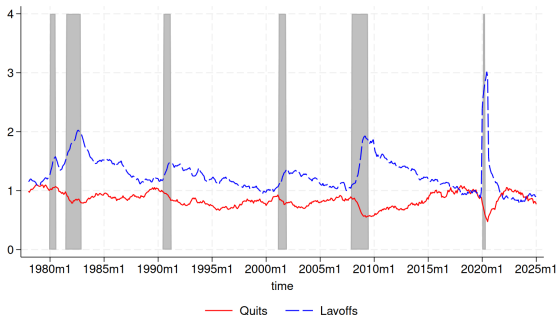
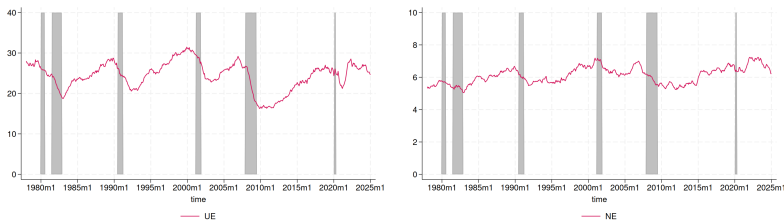


Figure: Quits and Layoffs to non-employment

- ▶ Quit rates continue decline further from 2019 rates.
- ▶ 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 for the Unemployed are Little Changed



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

- ▶ Job finding rates remain steady for the unemployed at rates within the normal historical range.
- ▶ Job finding rates from non-participation stable month-over-month after recent tick down.

## What do we make of this?

Recap: Household survey (CPS) indicates:

- ▶ Quits continue to decline while layoffs are stable.
- ▶ Usually the series move in opposite directions, the current lack of negative correlation is unusual.
- ▶ Job finding rates steady.

Our view:

- ▶ No material momentum in the labor market at the moment.
- ▶ Quits signal a weaker market than layoffs as the level of quits is further from the strong 2019 market than the level of layoffs.
- ▶ Continued decline in quits are a signal that workers expect conditions to worsen (see Discussion of the Month in following slides).

## **Discussion of the Month**

How quits and layoffs relate to workers' expectations.

## Survey of Consumer Expectations

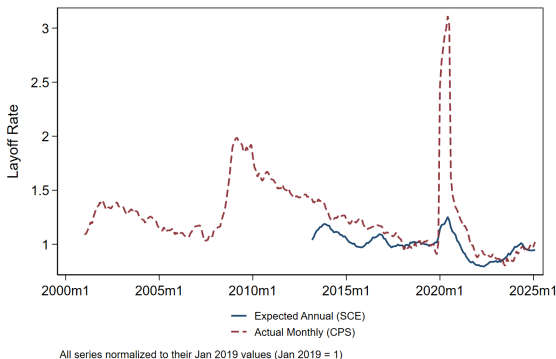
The New York Fed's monthly Survey of Consumer Expectations contains questions about the labor market.

- ▶ Layoffs: What is the probability that you will lose your job in the next year?
- ▶ Quits: What is the probability that you will quit your job in the next year?
- ▶ Job Finding: What is the probability you will find a job in the next three months if you lost your job today?

In the next slides we compare QL series to the mean responses to these questions.



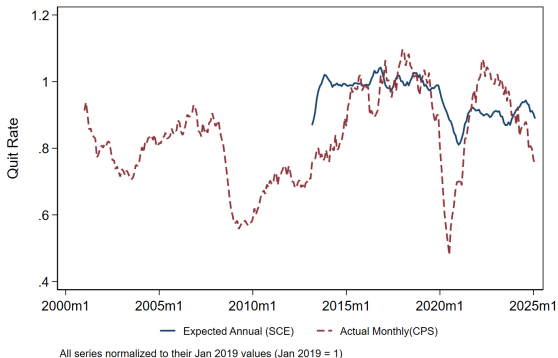
# Actual Layoffs vs Layoff Expectations



**Figure:** QLmonthly Layoffs and SCE Layoff expectations

- Signs that layoff expectations lead layoffs.
- Both layoffs and layoff expectations currently flat.

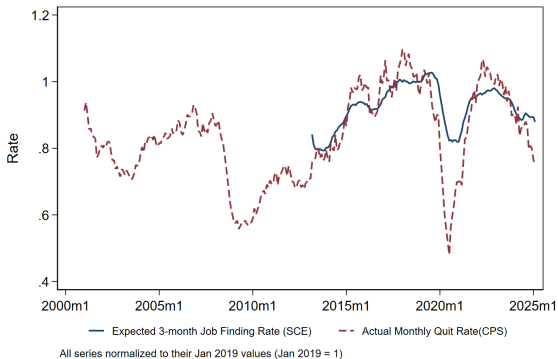
## Actual Quits vs Quit Expectations



**Figure:** QLmonthly Quits and SCE Quit expectations

- Actual quits move much more than quit expectations.

# Actual Quits v Job Finding Expectations



**Figure:** QLmonthly Quits and SCE Job Finding expectations

- ▶ Actual quits and job finding expectations strongly co-move.
- ▶ Quits have recently continued to fall while job finding expectations remain stable.

## Takeaway

- ▶ Quits suggest a weaker labor market in both their trajectory and levels than other labor market indicators.
- ▶ Our preliminary econometric analysis shows quits add the most information to forecasting the unemployment rate in the medium run, around 2 quarters ahead.
- ▶ The unusual pessimism in quits relative to other stable indicators could also be a reflection of workers' increased uncertainty about the future rather than material risks.