

Fewer Layoffs, Not Enough Hiring

Donald B. Marron | January 21, 2010

The economy is still shedding jobs. Payrolls fell by 85,000 in December, bringing total job losses to more than 8 million since the recession started. The good news is that losses are much lower than they were earlier in the year: payrolls fell by an average of 69,000 in the last three months of 2009, for example, versus 690,000 per month in the first three months of the year. But the bottom line is that the economy is still not creating net new jobs.

As policymakers ponder whether and how they might be able to do more to encourage job creation, they should keep in mind that these payroll figures are the net result of literally millions of hiring and firing decisions each month. In addition to the well-known payroll data, the Bureau of Labor Statistics also provides information about the monthly pace of hiring, firing, etc. Those data, known as the Job Openings and Labor Turnover Survey or JOLTS, allow us to track the overall dynamism of U.S. labor markets and the relative balance of gross job gains and losses.

As shown in the following chart, the total number of new hires each month tracks fairly closely over time with the number of people who separate (either voluntarily or involuntarily) from their jobs:

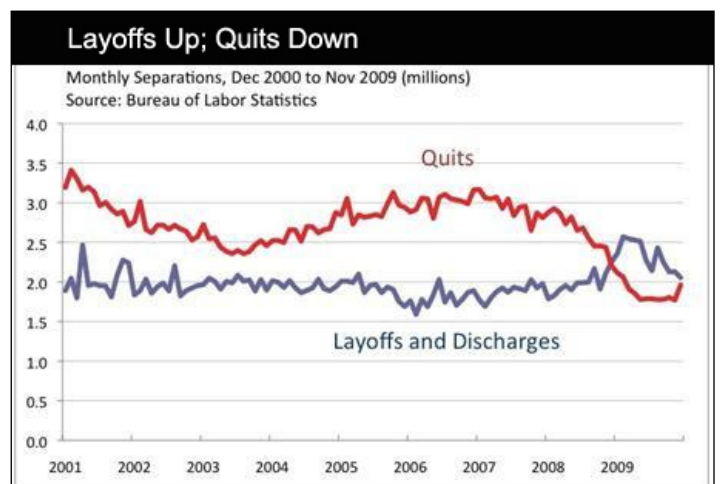
As you would expect, new hires were higher than separations in the middle of the decade when employment was growing. Since the start of the recession, however, separations have outstripped hires by a wide margin.

As the chart shows, overall labor market activity has plummeted over the past two years. New hiring, for example, has fallen by more than 1 million



workers per month. Employers hired more than 5 million new workers each month back in 2007, but have recently been hiring only slightly more than 4 million. Separations show a similar pattern, as about 1 million fewer workers are leaving their jobs each month than did before the recession.

The decline in separations may seem surprising at first, but is easily understood when separations are divided into layoffs and discharges (i.e., involuntary separations) and quits (i.e., voluntary separations):





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As you would expect, layoffs and discharges increased sharply during the recession. During the depths of the financial crisis in late 2008 and early 2009, an average of more than 2.5 million workers lost their jobs each month. The pace of layoffs has since slowed—about 2.1 million workers lost their jobs in November—but remains above levels consistent with growing employment.

Quits, meanwhile, have fallen off a cliff. An average of 1.8 million workers left their jobs voluntarily each month during 2009, about 40 percent lower than the 3.0 million pace a few years ago. In short, many fewer workers are finding opportunities to move to better jobs.

The JOLTS data suggest that the pace of quits may be one of the best signs of a healthy labor market. The uptick in November—to the highest level in ten months—is thus welcome and something to keep an eye on in coming months.