

Job-to-Job Flows and the Consequences of Job Separations

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Purpose

- Earnings losses following job displacement are well-documented
 - Identified by large contractions at firm (“distress”)
 - Identified by self-reported job loss
- Comparisons with separations other than displacements are uncommon
- We study both types of separations in parallel to provide a more comprehensive picture
 - Focus on permanent separations

Data

- U.S. Census Bureau's LEHD program
- Quarterly panel of linked employer-employee observations
- Define reference quarter as quarter of separation (or not)
- Q2 of 1999, 2001, 2005, 2009
 - Presentation focuses on 2005

Data: Workers

- Employed in ref qtr in California, North Carolina, Oregon, Washington, Wisconsin
- Follow nationally
- Ages 25-55; ≥ 3 years tenure
- Stayers: same employer for at least 3 qtrs
- Separators: employed with a *new* employer within 8 qtrs.

Data: Firms

- Exclude firms with < 50 employees
- Exclude firms that close (does not matter)
- Distressed: decline in employment $\geq 30\%$ in year ending in qtr after ref qtr
 - Common definition for administrative data
 - Davis, Faberman, & Haltiwanger 2006, 2012; Flaaen, Shapiro, and Sorkin (2019); von Wachter, Handwerker & Hildreth (2009)

Earnings equation a la JLS (1993)

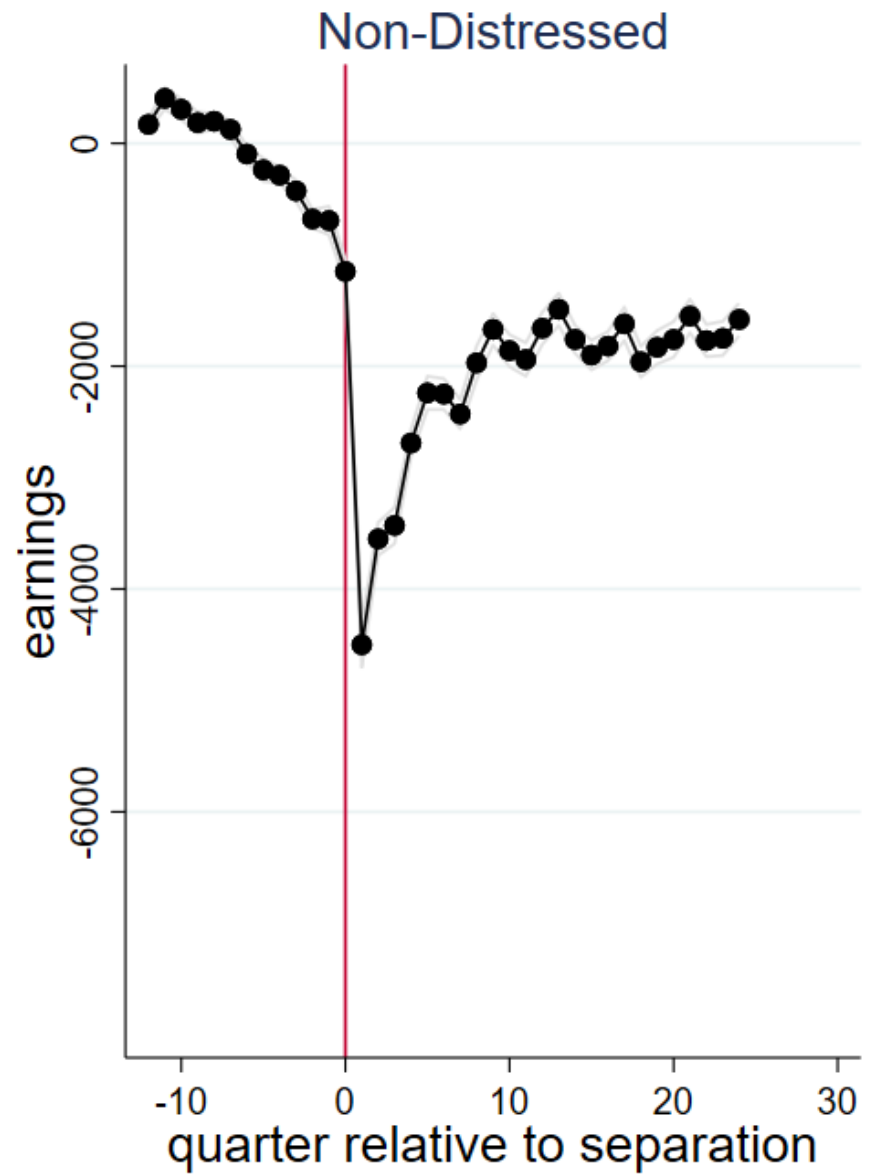
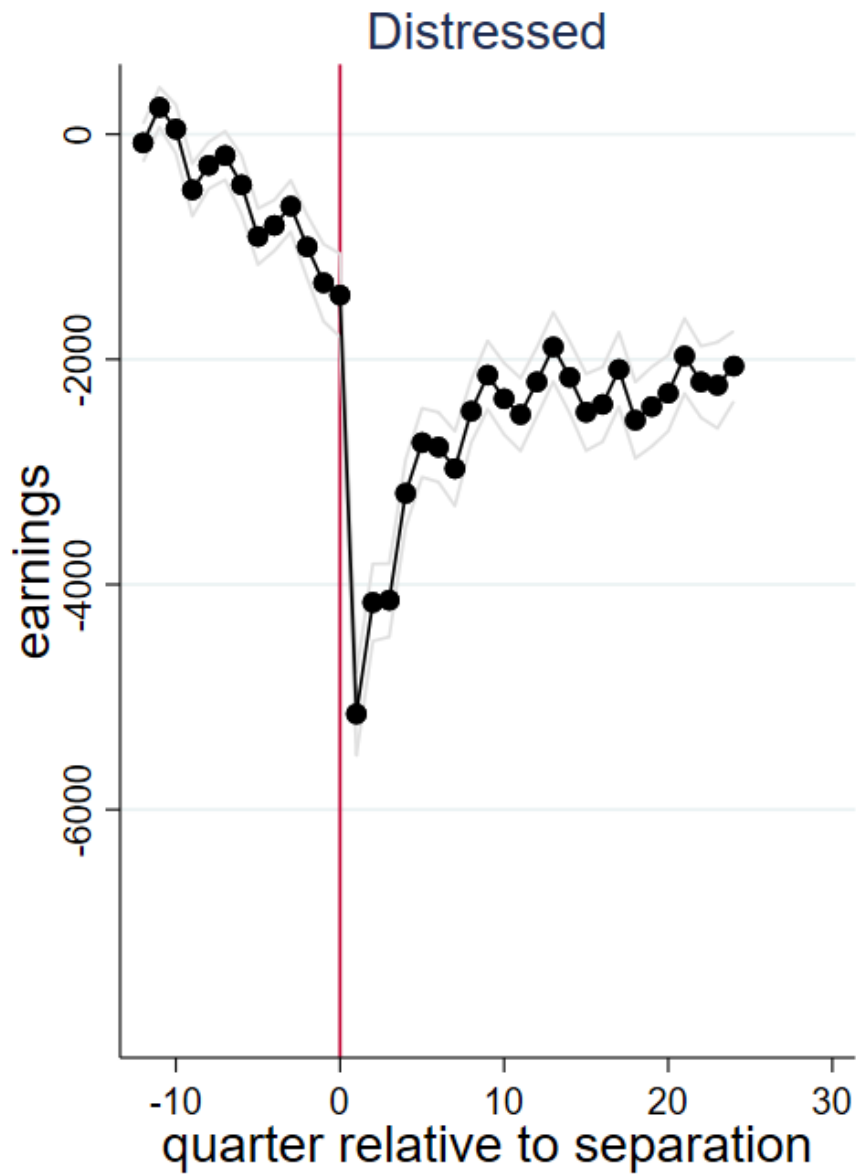
- But for a single reference quarter

$$y_{it} = \alpha_i + X_i\beta + \sum_{k \geq -23} A_{it}^k \gamma^k + \sum_{k \geq -12} S_{it}^k \delta^k + u_{it}$$

- i is individual; t is calendar quarter
- y_{it} is quarterly earnings
- $A_{it}^k = I(\text{ref qtr is } k \text{ qtrs ago as of qtr } t)$
- $S_{it}^k = I(\text{individual } i \text{ separated } k \text{ qtrs ago as of qtr } t)$
- X_{it} = interactions between sex, age, and age²

- Estimated separately for distressed and non-distressed separators
 - Control group for either sample is all stayers
 - Similar if stayers divided into distressed and nondistressed

Earnings Losses, 2005



First take-away

- Firm distress (displacement) *is not* a major distinction among permanent separators

JLS found otherwise. Why?

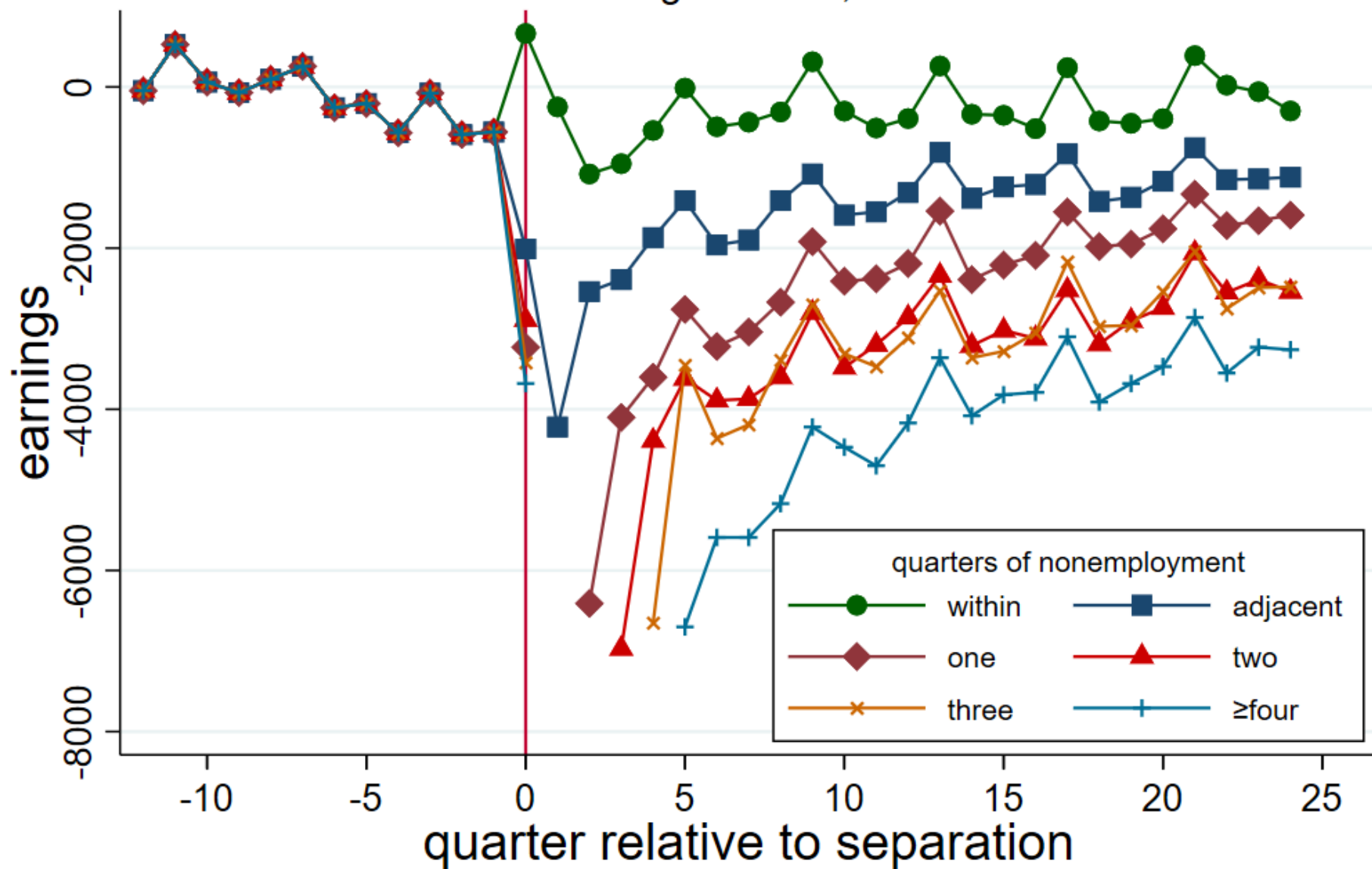
- Appears to be time period
 - JLS 1980-1986 vs. our paper 1999-2009
 - Von Wachter, Song & Manchester (2009): national data for 1980-1986
 - Couch & Placzek: Connecticut 1999-2004

Second take-away

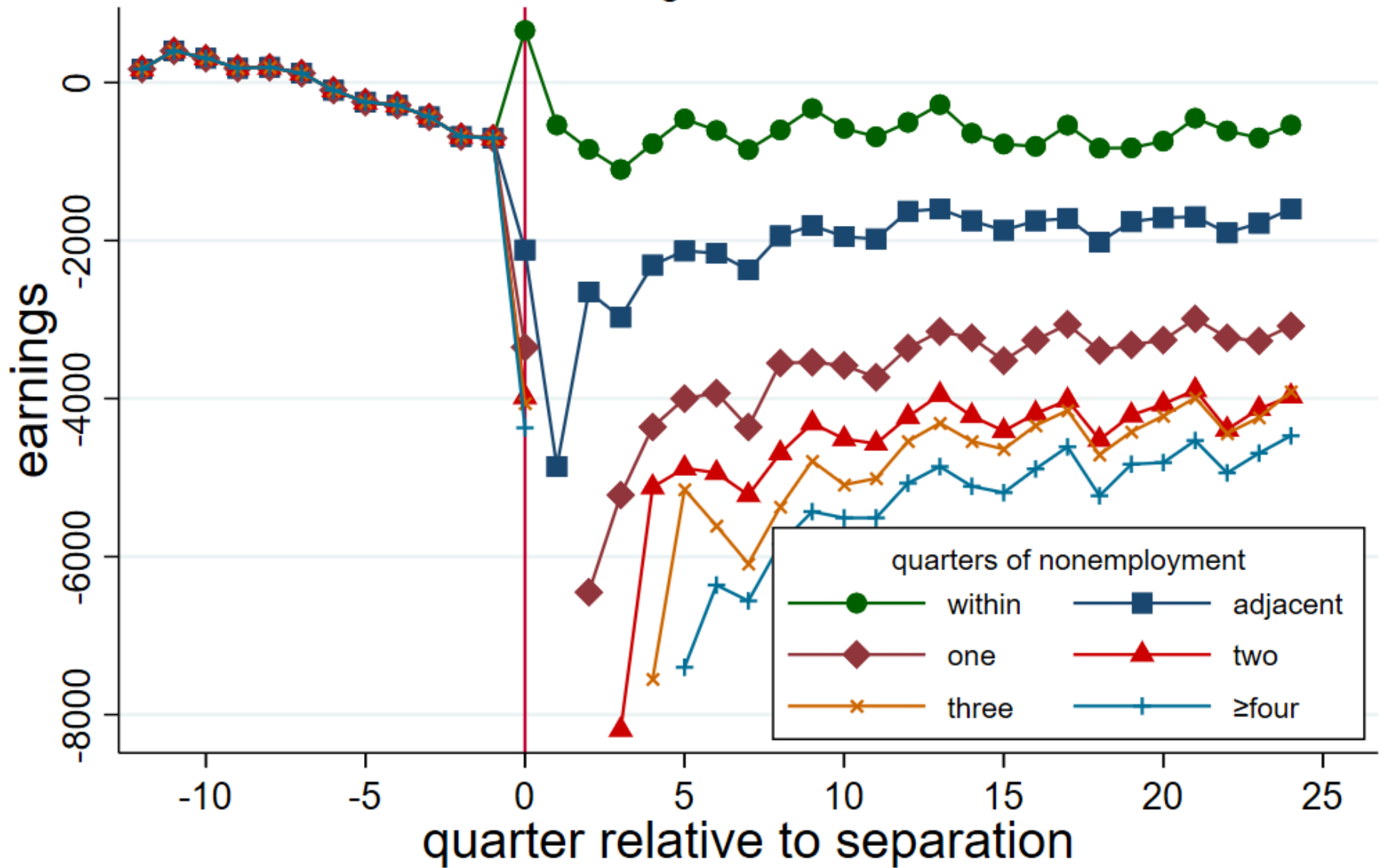
- Duration of nonemployment *is* a major distinction
- Expand the JLS equation to interact type of separation with duration of nonemployment

Distressed

Earnings Losses, 2005



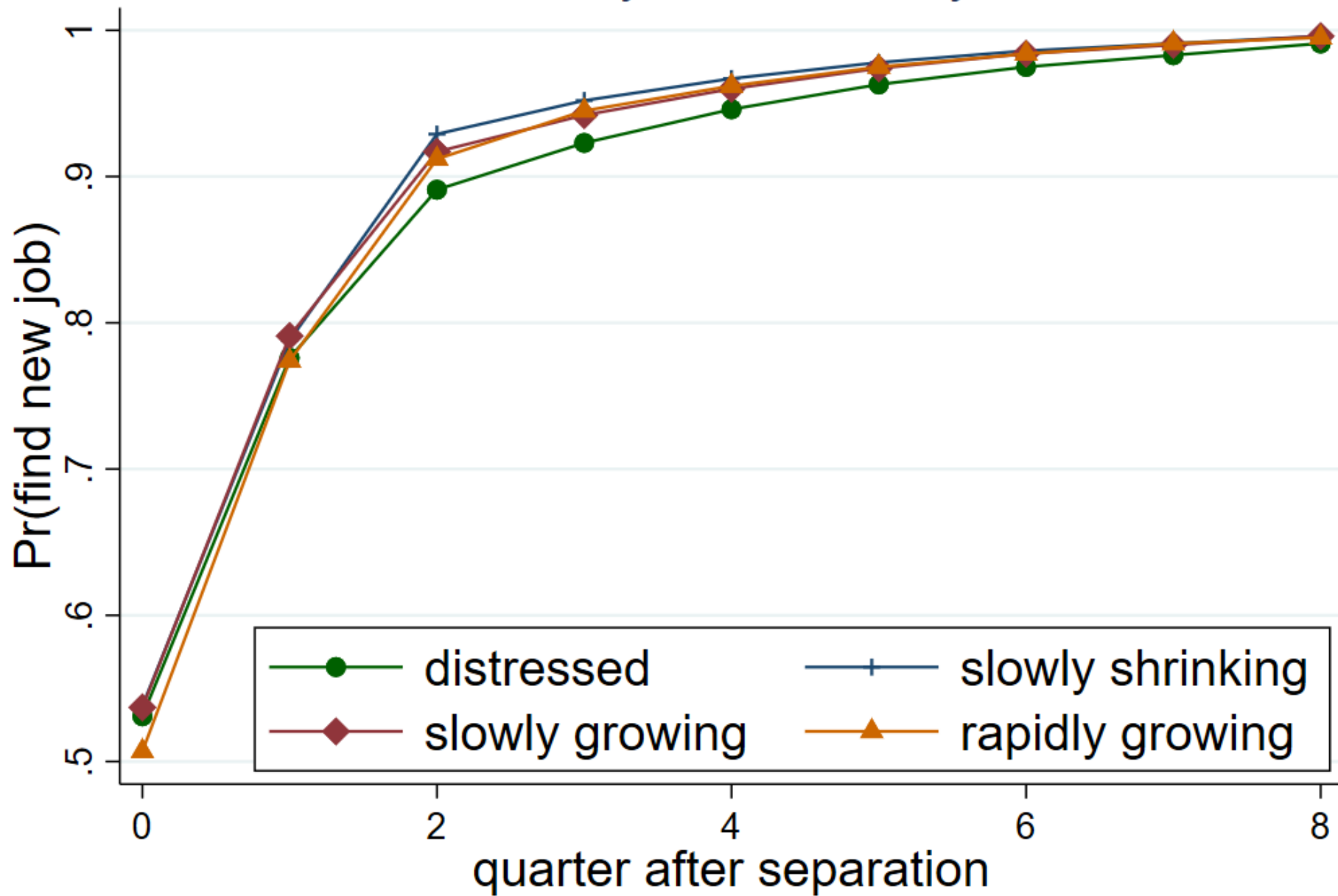
Non-Distressed Earnings Losses, 2005



- Duration of nonemployment, not firm distress, is the major distinction
- Are distressed separators more likely to experience more nonemployment? No.

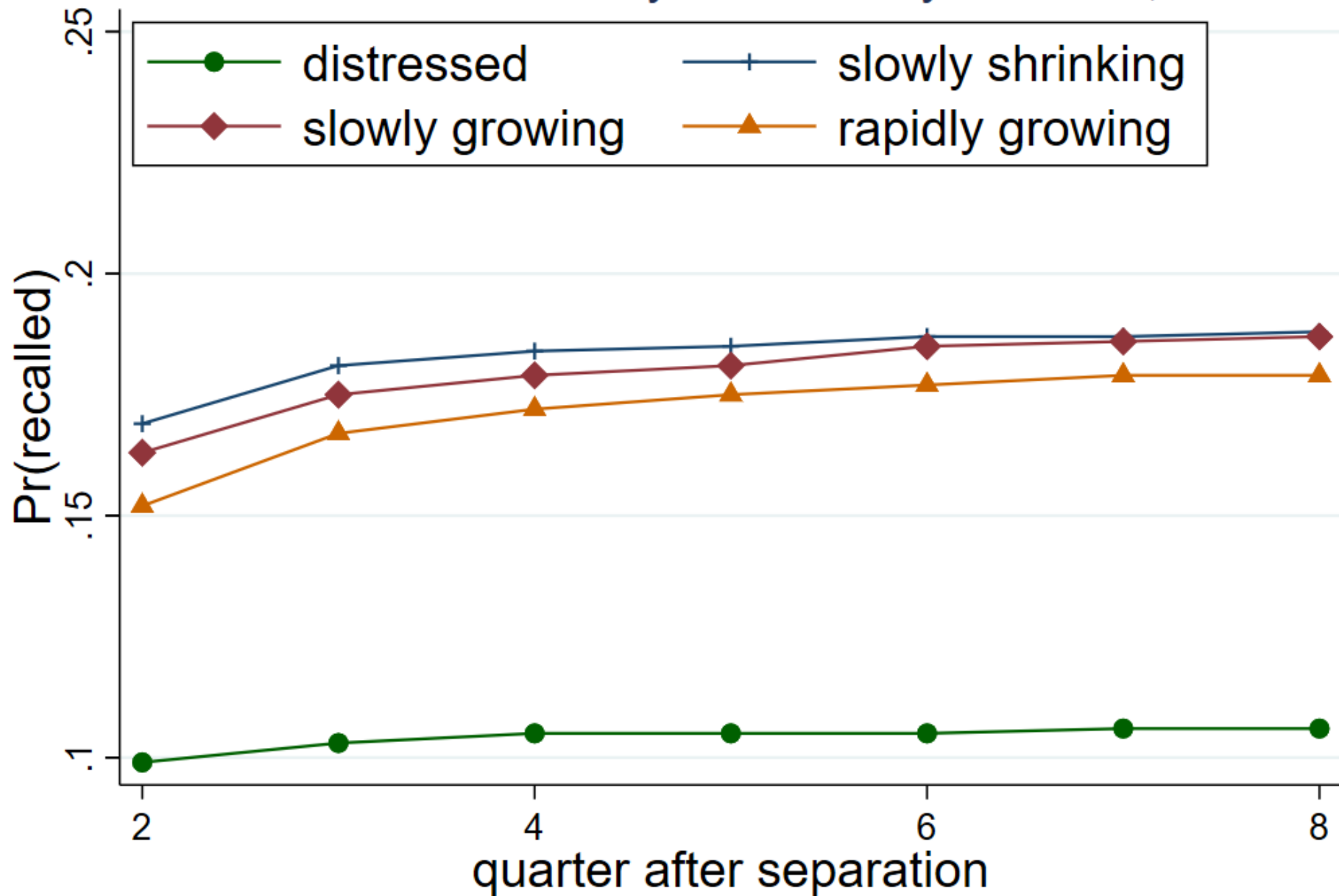
- Duration model for re-employment at new job
- For this purpose, we further divide nondistressed firms by growth rate
 - Distressed
 - Slowly shrinking
 - Slowly growing
 - Rapidly growing

Cumulative Probability of New Job by Duration, 2005



- This does not imply that distressed workers experience similar nonemployment overall
- They are much less likely to be recalled to former job

Cumulative Probability of Recall by Duration, 2005



- Why do nondistressed (permanent) separators fare the same as distressed separators?
- Not heterogeneity in labor force attachment
 - Holds for variations in tenure, sex, age, earnings ...
 - Holds in widely different macroeconomic periods
 - Holds with individual time trends
 - Holds for new mothers

Mechanisms we are investigating

- Job ladder
 - Movement to lower-paying firms
- Declines in “local” labor demand
 - Geography, industry, occupation

Take-Aways

- Outcomes for permanent separators are similar across firm distress/nondistress
 - Nonemployment predicts earnings losses
 - Nonemployment is similar

Research Implications

- Displacement still of interest because they are likely exogenous and often unanticipated
- Research should concentrate on the association between earnings losses and nonemployment

Extra Slides

Identifying job changes and nonemployment spells in LEHD data

- UI wage record data

Changes jobs in Q3

PIK	SEIN	Q1	Q2	Q3	Q4	Q5
Person1	Firm A	7000	7000	3000	0	0
Person1	Firm B	0	0	4000	8000	8000
Person2	Firm A	5000	0	0	0	0
Person2	Firm D	0	0	3000	5500	6000

Job change with 1 full-quarter nonemployment spell.

Full-quarter earnings

Nonemployment duration

- A competing-risks hazard model of re-employment at a new job or recall

$$\begin{aligned} & \text{Logit}(\text{new job in } t \mid \text{not reemployed before } t, \text{ not recalled in } t) \\ &= \alpha_t + \beta_t X_i + \gamma_t Z_i + \lambda_t g_{j(i)} + \mu_{it} \end{aligned}$$

$$\begin{aligned} & \text{Logit}(\text{recall in } t \mid \text{no reemployed before } t) \\ &= \alpha'_t + \beta'_t X_i + \gamma'_t Z_i + \lambda'_t g_{j(i)} + \mu'_{it} \end{aligned}$$

- X_i is a vector of worker characteristics
- Z_i is a vector of characteristics of the separating firm
- $g_{j(i)}$ = growth rate category of separating firm

Observed vs. Actual Nonemployment

- We observe only full quarters of nonemployment.
- If separations and accessions are uniformly distributed within each quarter, then
 - A within-quarter move implies an average of 5-6 weeks.
 - An adjacent-quarter move implies an average of 3 months.
 - And so on.