# Some thoughts regarding recent labor market trends

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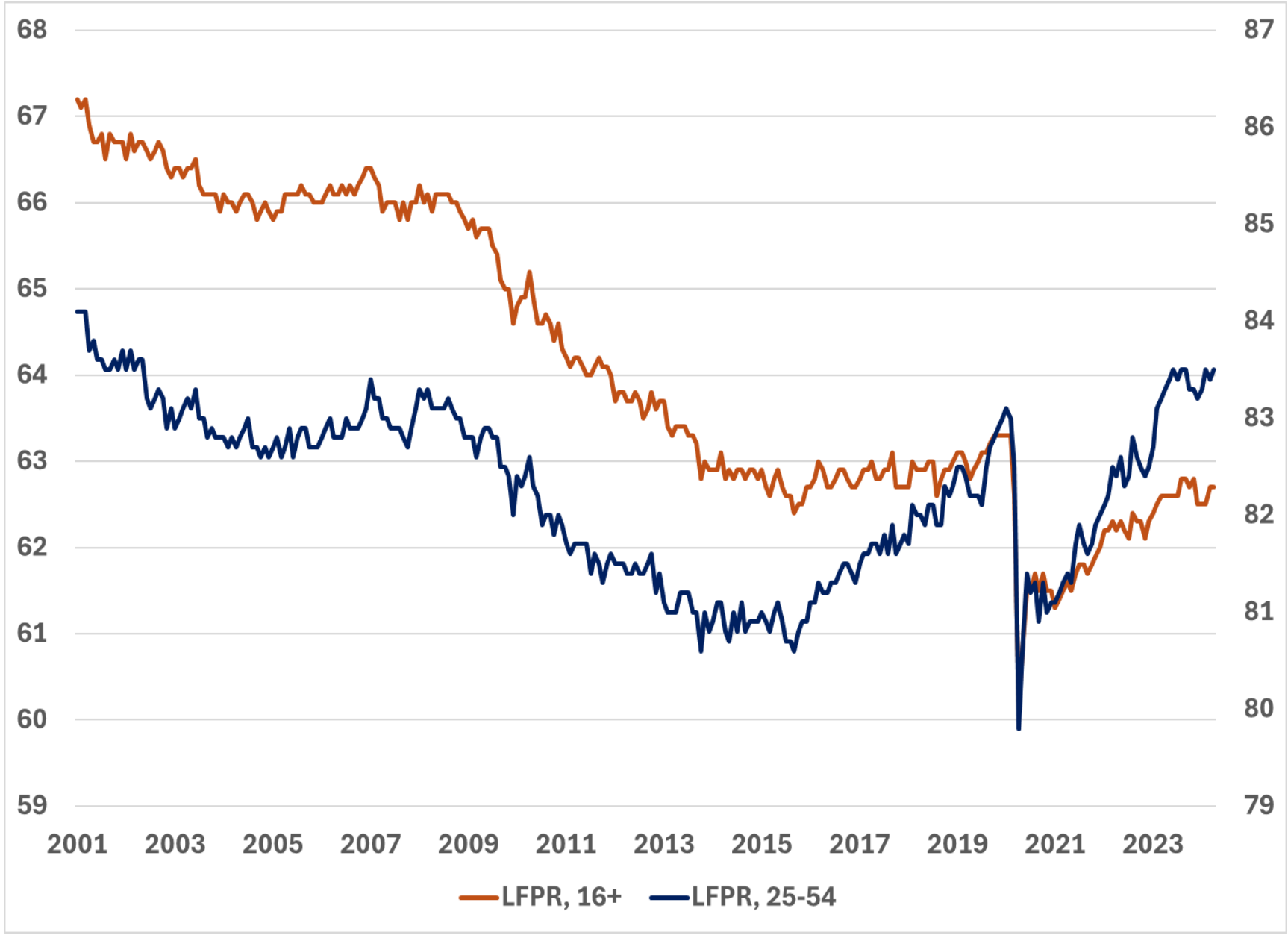
# Labor supply

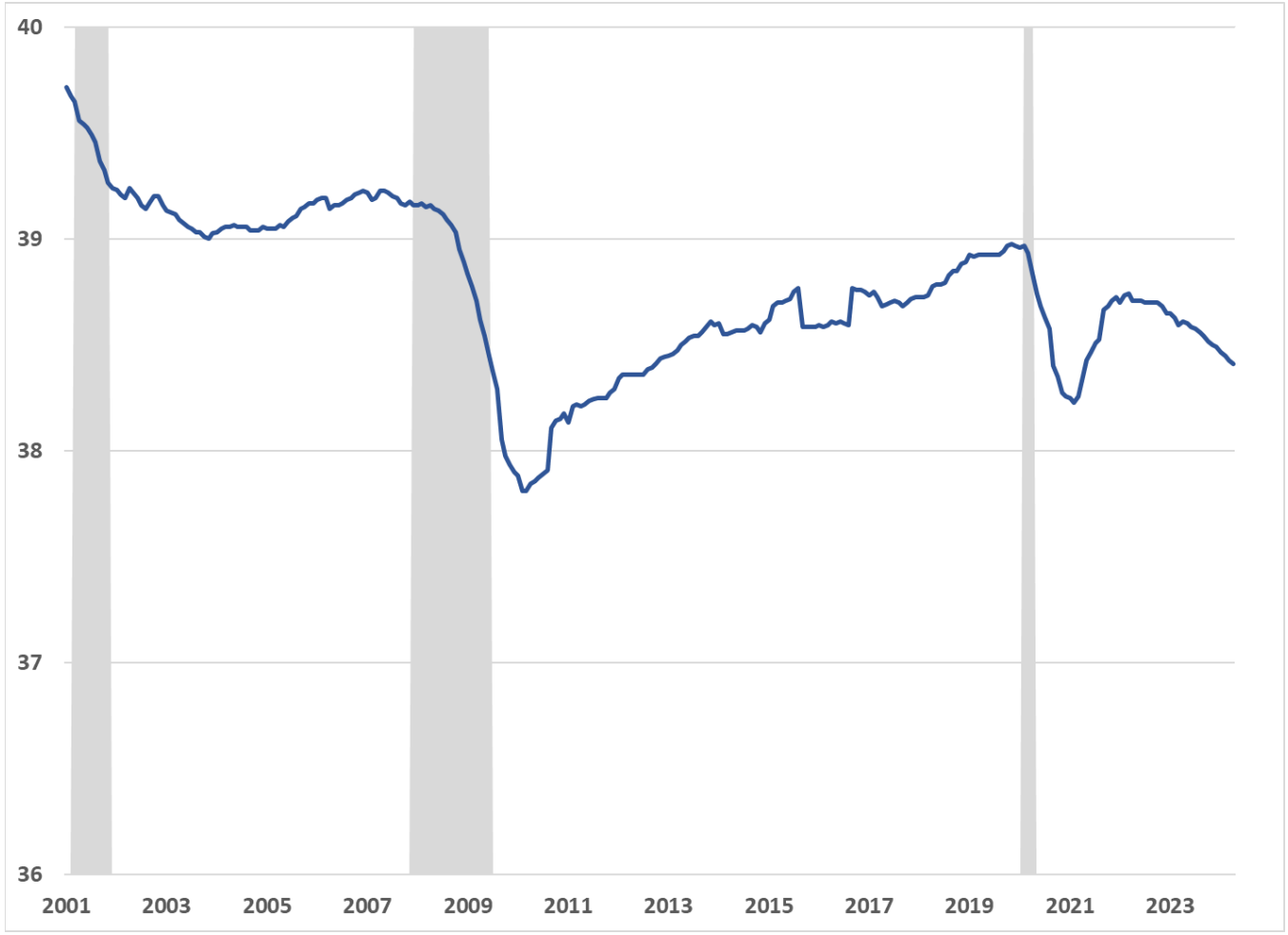
# Labor force participation rates, 2001-2024



- “Harris Poll’s 2024 Out of Office Culture Report, which surveyed 1,170 employed adults age 18 and over, reveals that 37% of millennial workers have taken time off from work without informing their manager or employer. This could include signing off early without telling anyone, or spending time working remotely from a vacation spot like a beach, national park or a cabin in the woods without letting your job know where you’re working from.”

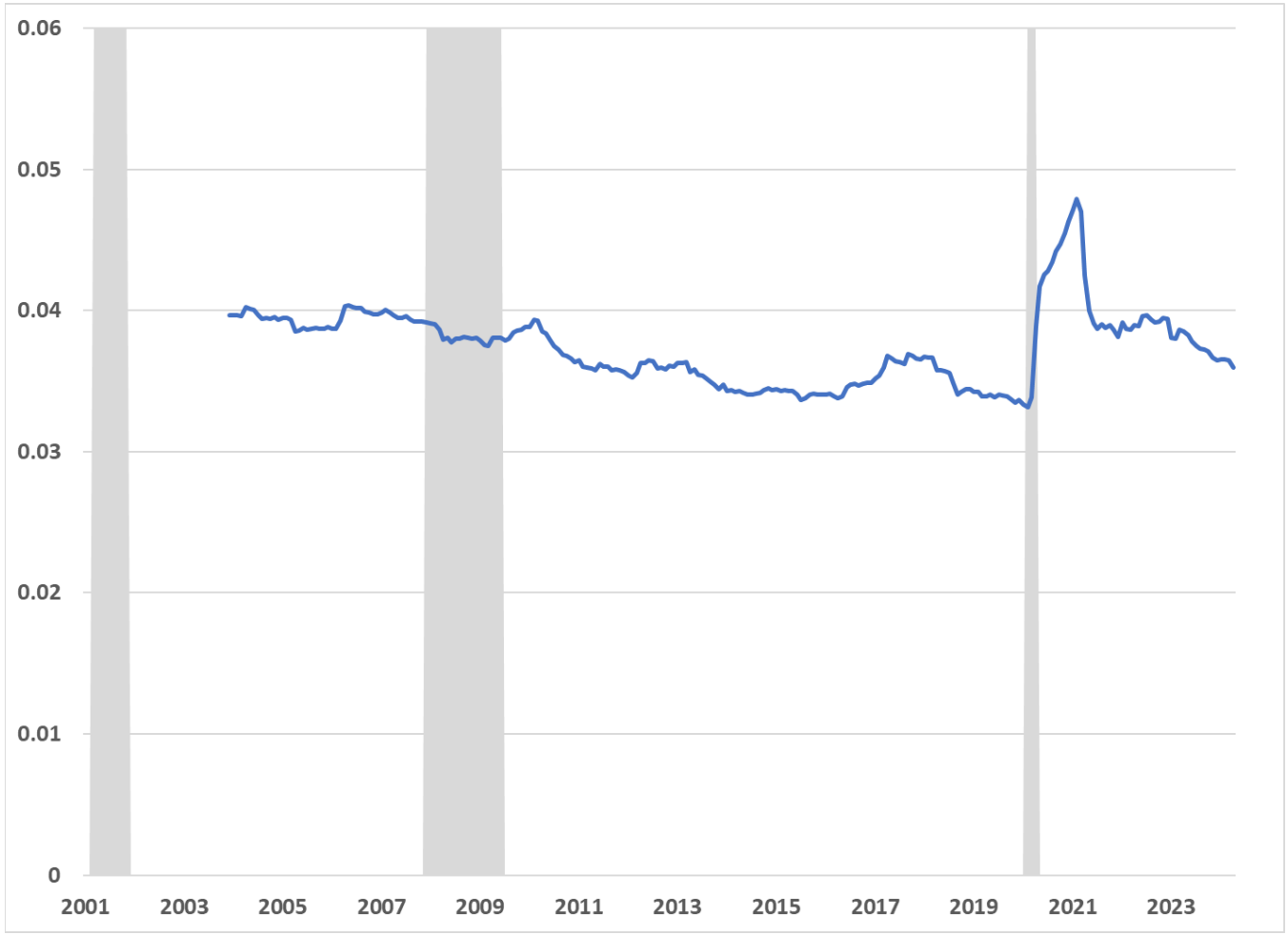
  Marketwatch, May 25, 2024

# Average weekly hours, persons at work, 12-month moving averages, 2001-2024



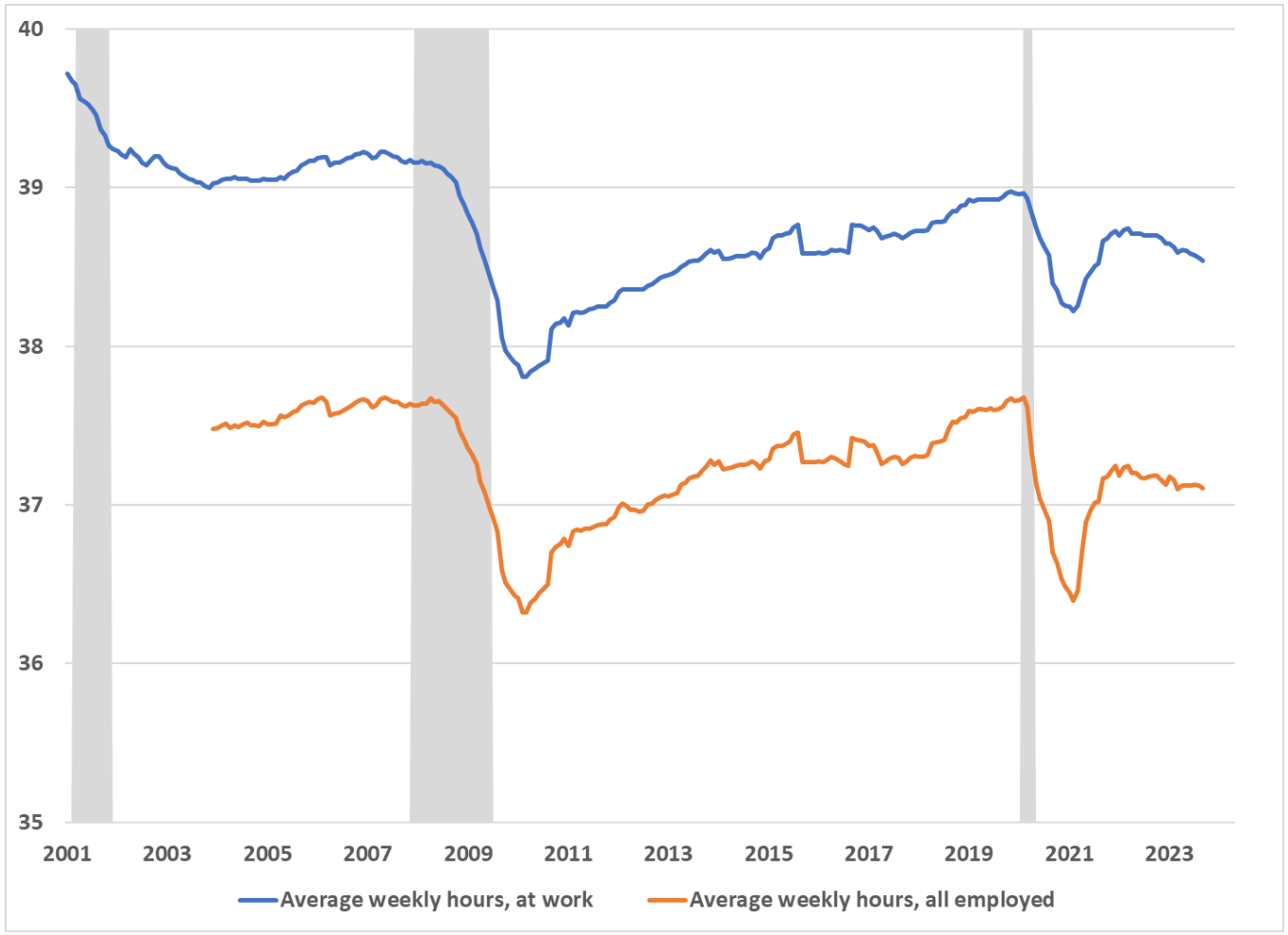

- Instead of continuing to increase as recovery has proceeded, after an initial rebound, average weekly hours for persons at work have been trending downwards

# Share of employed persons with a job but not at work, 12-month moving averages, 2001-2024




- Share of employed absent from work for entire survey reference week has remained high since the pandemic

# Average weekly hours, persons at work and all employed persons, 12-month moving averages, 2001-2024



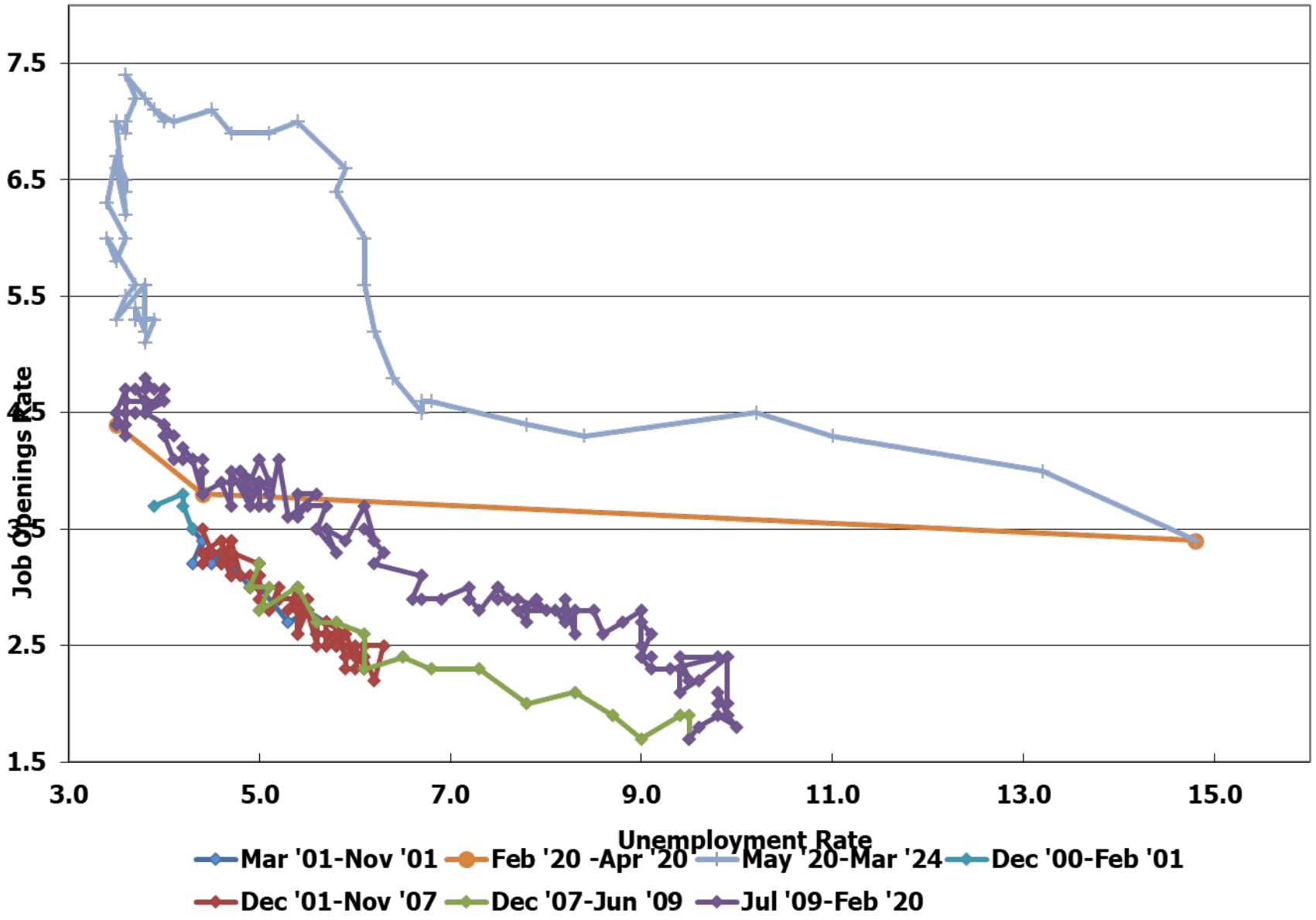

- For persons at work, moving average hours 0.5 hour lower in April 2024 than in April 2019
- For all employed persons, 0.6 hour lower
- Equivalent to 0.8 and 1.0 pp declines in LFPR, respectively

# Job matching and labor market tightness

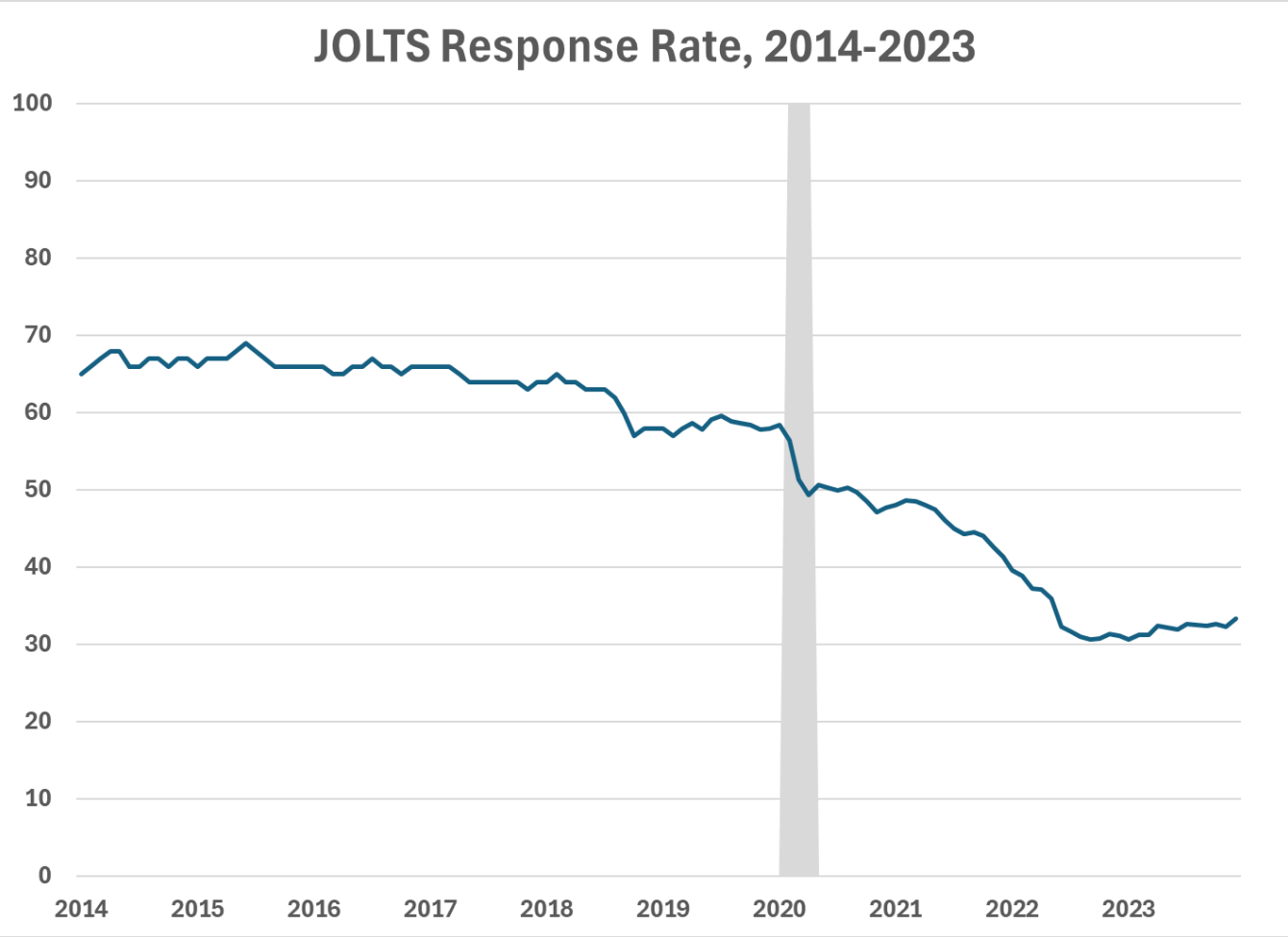
# Employers' experience more relevant than workers' experience for understanding wage and price pressures

- Intuition: Difficulty in filling vacant jobs may lead employers to raise wages; wage growth leads to price growth
- Candidate labor market tightness measures should do a good job of capturing difficulty of hiring
  - $UR_t$ (with a stable Beveridge curve, U and V move together)
  - $\Theta_t = V_t/U_t$ (captures Beveridge curve shifts; if matching function stable, moves with job filling costs)
  - Generalized versions of $\Theta_t$ may perform better
- Choice of measure unimportant if relationships among them stable, but will matter if relationships shift

# Beveridge curve, 2000-2024



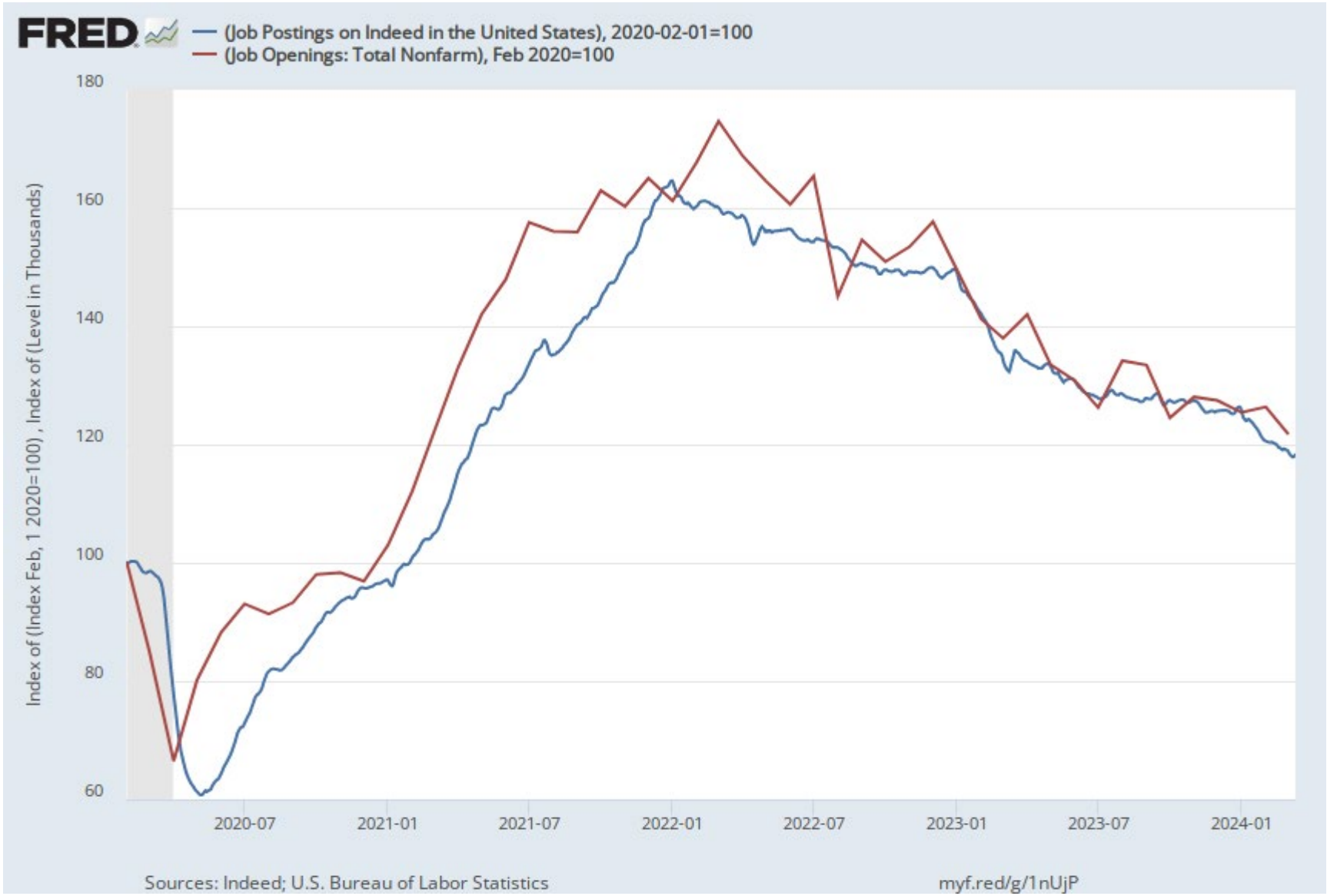
# Declining survey response rates have led some analysts to dismiss JOLTS vacancy data



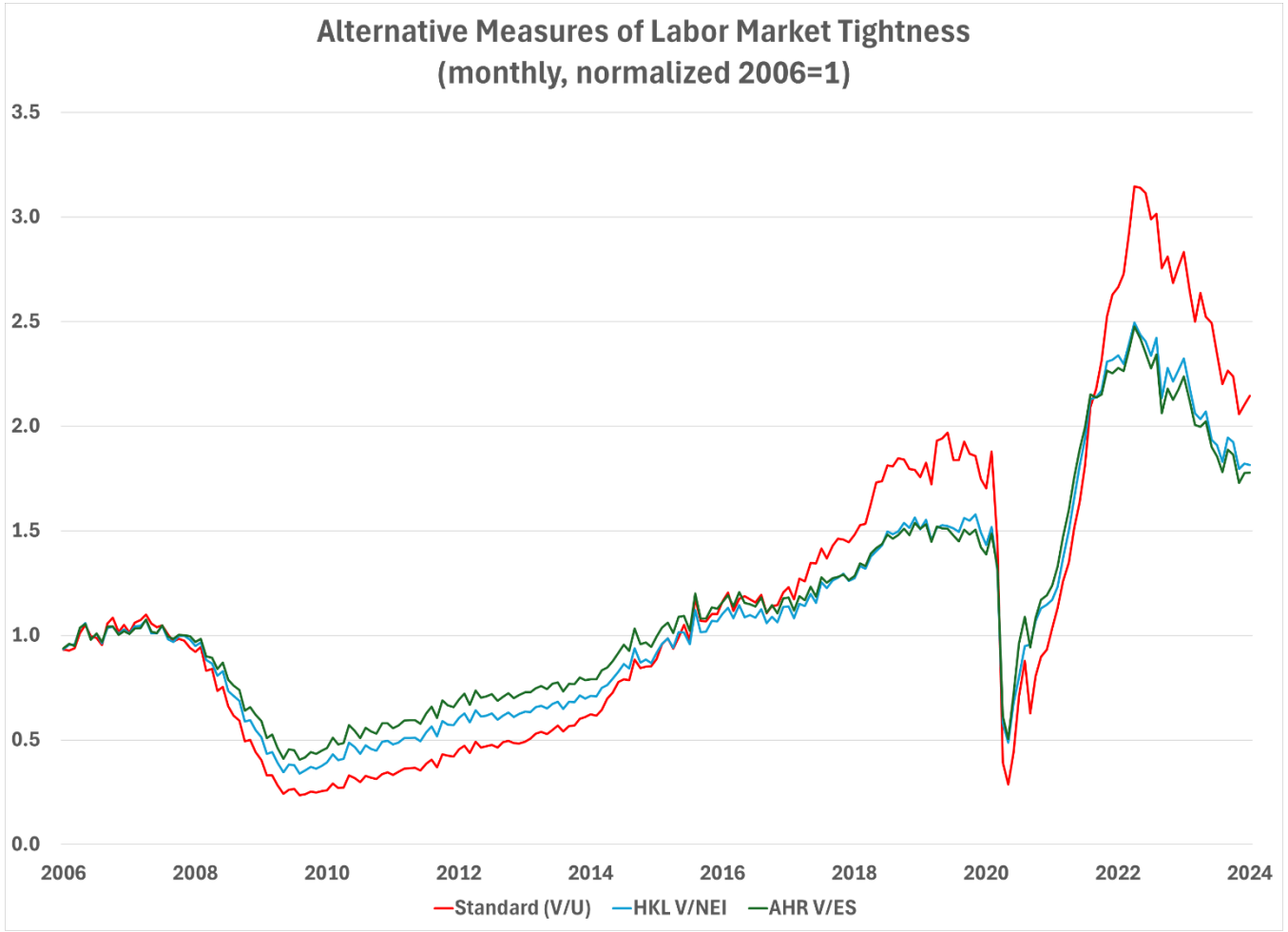

"Good to see Powell subtly downgrading JOLTS. A friendly reminder--this is a voluntary survey of 21k establishments (vs 651k for payrolls) whose response rate was 30% and falling last Sept. From a time series perspective I think the technical term is "basura."

Julia Coronado on X, February 2, 2023

# JOLTS and Indeed vacancy series show broadly similar patterns



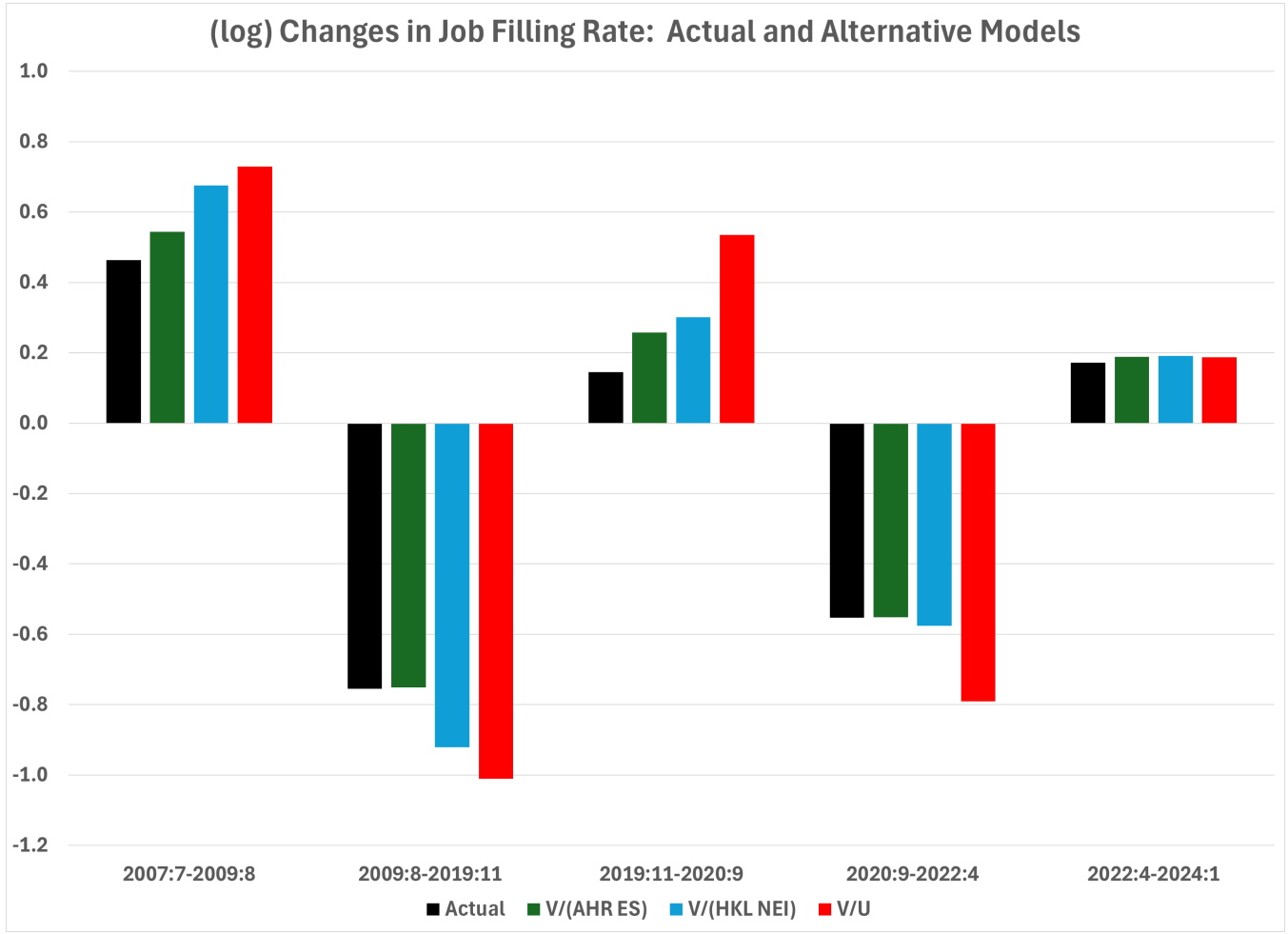
# Generalized measures behave somewhat differently than V/U




- V/NEI (Hornstein, Kudlyak and Lange) and V/ES (Abraham, Haltiwanger and Rendell) considerably less volatile than V/U
- Highly but far from perfectly correlated

Source: Update to Abraham, Haltiwanger and Rendell (2020).

# Generalized measures better predict job filling rate changes




- Fit job matching rate H/V as function of V relative to alternative measures of available labor supply
  - Abraham, Haltiwanger and Rendell effective searchers
  - Hornstein, Kudlyak and Lange non-employment index
  - Unemployment
- Generalized measures better capture peak-trough and trough-peak movements in job filling rate

Source: Update to Abraham, Haltiwanger and Rendell (2020).

# Estimating the aggregate Phillips curve: Generalized V/U-type measure performs best

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|
| $u_t$ | $-0.19^{***}$ (0.08 | $-0.84^{***}$ (0.12) | — | — | — | — | — | |
| $\hat{\theta}_t$ | — | — | $0.28^{***}$ (0.08) | $1.08^{***}$ (0.10) | — | — | — | — |
| $\hat{\chi}_t$ | — | — | — | — | $0.30^{***}$ (0.09) | $1.07^{***}$ (0.11) | — | — |
| $\hat{\theta}_t^*$ | — | — | — | — | — | — | $0.35^{***}$ (0.09) | $1.17^{***}$ (0.10) |
| Inflation | core | cyclical | core | cyclical | core | cyclical | core | cyclical |
| Sample | 95-23 | 05-23 | 95-23 | 05-23 | 95-23 | 05-23 | 95-23 | 05-23 |
| Adjusted $R^2$ | 0.223 | 0.614 | 0.267 | 0.755 | 0.265 | 0.731 | 0.291 | 0.790 |

Source: Table 1, Barnichon and Shapiro (2024)

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