Some thoughts regarding recent labor market trends

Katharine G. Abraham, University of Maryland
Chicago Fed Academic Advisory Committee Meeting
May 31, 2024
Labor supply
Labor force participation rates, 2001-2024

[Graph showing labor force participation rates for different age groups from 2001 to 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
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

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Source: Table 1, Barnichon and Shapiro (2024)

Inflation | core | cyclical | 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   | 95-23| 05-23   |
Adjusted $R^2$ | 0.223| 0.614   | 0.267| 0.755   | 0.265| 0.731   | 0.291| 0.790   |
Estimating the aggregate Phillips curve: Generalized V/U-type measure performs best

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