

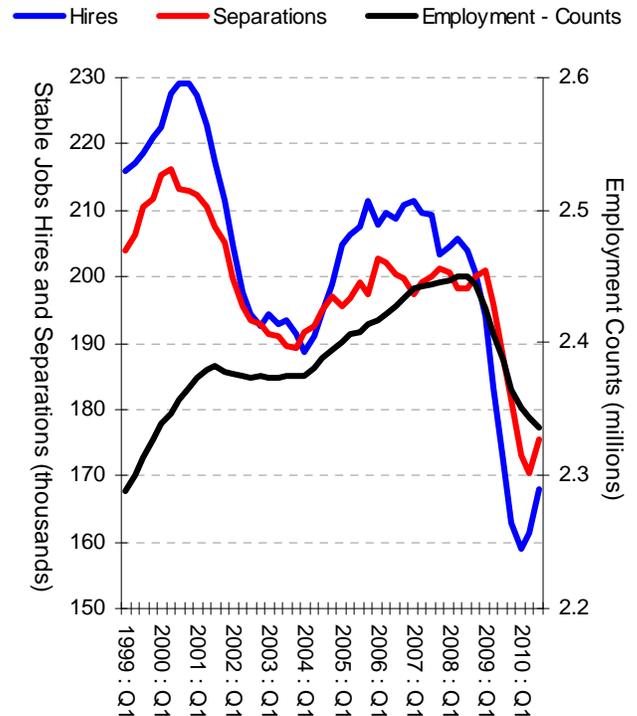
Stable Job Separations and Hires in Wisconsin: A First Glance with Preliminary Insights

This article examines trends relating to stable job hires and stable job separations. For the purposes of this article, a “stable job hire” occurs in the current quarter if two things are true. First, the worker must earn money from the employer in the previous quarter, in the quarter in question, and in the following quarter (this makes the job a stable job). Second, the worker must have earned no money from the employer two quarters ago (this makes the worker a hire rather than a continuing employee). For the purposes of this article, a “stable job separation” occurs if two things are true. First the worker must have earned money from the employer in the quarter in question, in the previous quarter, and in the quarter before the previous quarter (this makes the job a stable job). Second, the worker cannot earn any money from the employer in the following quarter (this means the worker separated from the employer).

Figure 1 shows four-quarter moving averages of stable job hires (in blue), four-quarter moving averages of stable job separations (in red), and four-quarter moving averages of total employment in stable jobs (in black, measured on the right axis). One of the graph’s most striking aspects relates to the concept of “churn” (workers leaving jobs for other jobs). Even during relatively strong segments of the economic cycle, the number of stable job separations is never far below the number of stable job hires. During stronger segments of the economic cycle, stable job hires (the blue line) are higher. During weaker periods, stable job separations (the red line) are higher. In both cases, the gap between them is modest in relation to the absolute level of each line.

The graph shows that the number of stable job separations decreased during the recent recession. During a recession, we might expect involuntary separations, such as firing, layoff, or forced retirement, to increase. We might also expect voluntary separations, such as quitting a job to seek another, to decrease. If involuntary separations were the dominant force, we would expect the overall number of separations to increase during a recession. But, because the overall number of separations decreased during the recession, we may infer that voluntary separations outnumber involuntary separations. Workers who perceive elevated risks of prolonged unemployment and/or taking a less attractive job may take fewer career risks that require quitting their current jobs. This may be especially true of younger workers.

Figure 1: Stable Job Hires, Separations, and Employment In Wisconsin



Source: U.S. Dept. of Commerce, Census Bureau, Local Employment Dynamics, Quarterly Workforce Indicators

When we look at the other side of the equation, we see a sharp decrease in stable job hires. From the first quarter of 2005 through the fourth quarter of 2008, the four-quarter moving average of stable job hires was often roughly 7,000 to 8,000 higher than the four-quarter moving average of stable job separations. From the first quarter of 2009 to the third quarter of 2010, the four-quarter moving average of stable job hires was typically about 12,000 below the four-quarter moving average of stable job separations. The decrease in stable job hires was both steeper than and earlier than the decrease in stable job separations, so it is entirely possible that workers perceived a scarcity of attractive replacement jobs and therefore separated less often than they would have under more optimistic circumstances.

When stable job hires (the blue line) are well above stable job separations (the red line), we tend to see increasing stable job counts (an upward slope in the black line). The stable job count (the black line) peaks at 2,450,143 in the third quarter of 2008. As of the third quarter of 2010 (the most recent data available at this writing), the stable job count was at 2,335,985,

or 114,159 below the peak. After the recession that went from March of 2001 to November of 2001, it took until the second quarter of 2004 for stable job count to start increasing. When the stable job count started increasing, it did so at a slower rate than it had in the late 1990s. The more recent recession (December 2007 to June of 2009), was over twice as long and included a much steeper decline in stable jobs. The four-quarter moving average of stable jobs was lower in the third quarter of 2009 than it had been at any point since 1999, suggesting that the recent recession subtracted more stable jobs than had been added by the growth period from the second quarter of 2004 to the second quarter of 2008.

The data becomes even more interesting when parsed by age cohort. To the right, Figure 2 shows one dramatic trend and one subtle trend. On the dramatic side, we see the number of stable job holders between the aged 35 to 44 years decline steadily as the number of workers aged 45 to 54 years increases relatively steadily. This reflects baby boomers moving from one age cohort into the next. The more subtle trend is that since 2001 or 2002, the number of stable job holders aged 14 to 24 years and the number of stable job holders aged 25 to 34 years has de-

Figure 2: Stable Job Counts in Wisconsin
(data smoothed using 4-quarter moving averages)

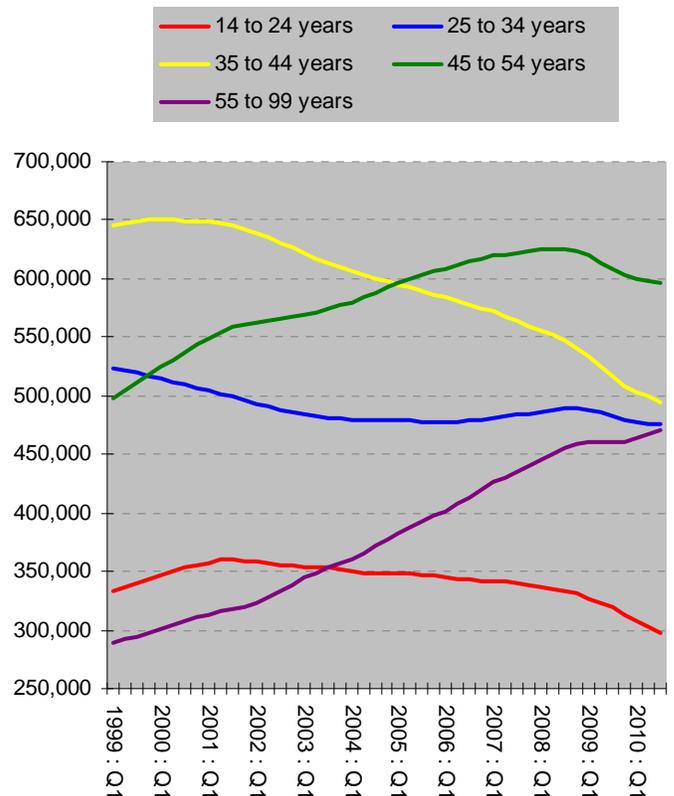
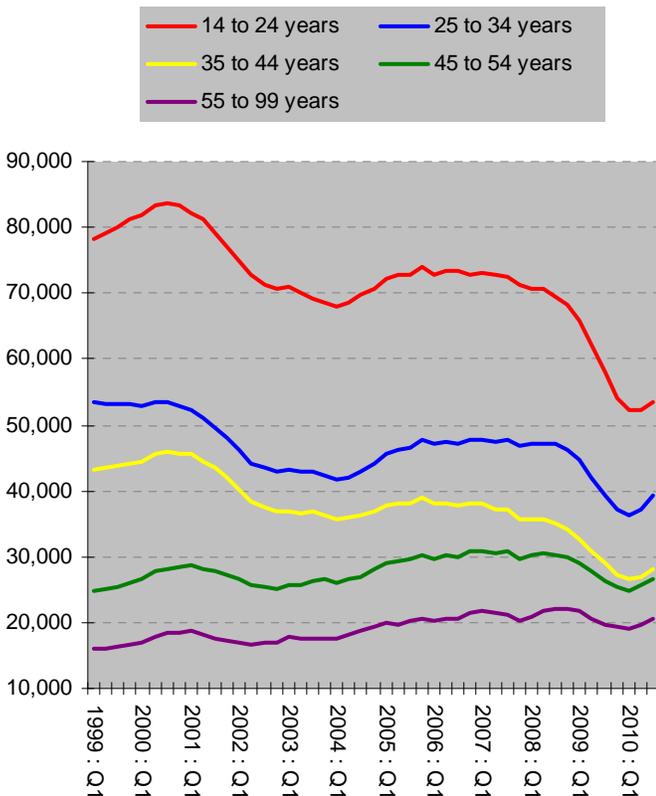


Figure 3: Hires - Stable Jobs in Wisconsin
(data smoothed using 4-quarter moving averages)



creased while the number of workers aged 55 to 99 years has increased sharply. If job growth is to occur, this trend will probably have to shift. As baby boomers cross thresholds historically associated with retirement, employers will have to find economically viable ways to hire younger workers or make do with fewer workers. (The accelerating pace of change in trade, technology and consumer tastes could push employers a bit toward the latter option.)

To the left, Figure 3 shows four-quarter moving averages of stable job hires by age cohort. Comparing this graph to the other graph on this page reveals a striking dichotomy: workers aged 14 to 24 years (the red lines) are the numerically smallest group in terms of total stable jobs held (in the graph above), but they are the numerically largest group in terms of total stable job hires (in the graph to the left). They rely on new hiring much more than other workers, so the slowdown in stable job hires (seen on page one) affects them more dramatically than it affects other age cohorts. In both of the last recessions, those aged 14 to 24 years saw the steepest declines in stable job hires of any age cohort.

Those aged 55 to 99 years rely the least heavily on stable job hires and are probably least impacted by

the slowdown in stable job hires discussed on page 1. This cohort's rising employment (seen above) combined with the cohort's relatively flat new hires (seen to the left) suggest that its members are staying with current employers, not being hired by other employers.

Below, Figure 4 shows four-quarter moving averages of monthly earnings from stable jobs. Each line represents the trends of one age cohort. It is not surprising that younger age cohorts experience lower average wages. Some commentators have suggested economic shifts have made it harder for employers to use "raw" labor and have increased the value of experience and education. To the extent that this is true, we might expect a widening gap between older workers' monthly earnings and younger workers' monthly earnings. Even if we assume that this is correct and that this is a significant causal agent, the graph below cannot be explained by this alone.

Instead of focusing on the level of each age cohort's income line, it may be more instructive to focus on the slope of each line. Stable job workers aged 45-54

years (the green line) and workers aged 55-64 years (the purple line) saw relatively steady increases in average monthly earnings until the recession caused wages to flatten. Stable job workers aged 22-24 years (the yellow line) and those aged 19-21 years (the blue line) saw comparatively flat average monthly earnings trends for most of the last decade and saw steeper earnings declines during and after the recent recession. For stable job workers aged 14-18 years (the blue line), average monthly earnings have been relatively flat for much of the last decade. These trends are all the more striking because the wage figures were not adjusted for inflation.

During the most recent recession, average monthly earnings for stable job workers aged 14-18 increased more modestly than average monthly earnings for stable job workers aged 19-21 years or workers aged 22-24 years. Some readers may speculate that minimum wage laws prevented steeper average monthly earnings declines among workers aged 14-18 years, but available data does not readily confirm or refute such hypothesis.

Figure 4: Average Monthly Earnings - Stable Jobs in Wisconsin
 (data smoothed using 4-quarter moving average; NOT adjusted for inflation)

