



Bureau of Labor Market Information & Strategic Initiatives

Job-to-Job Flows:

New Statistics of Workforce Dynamics for Michigan

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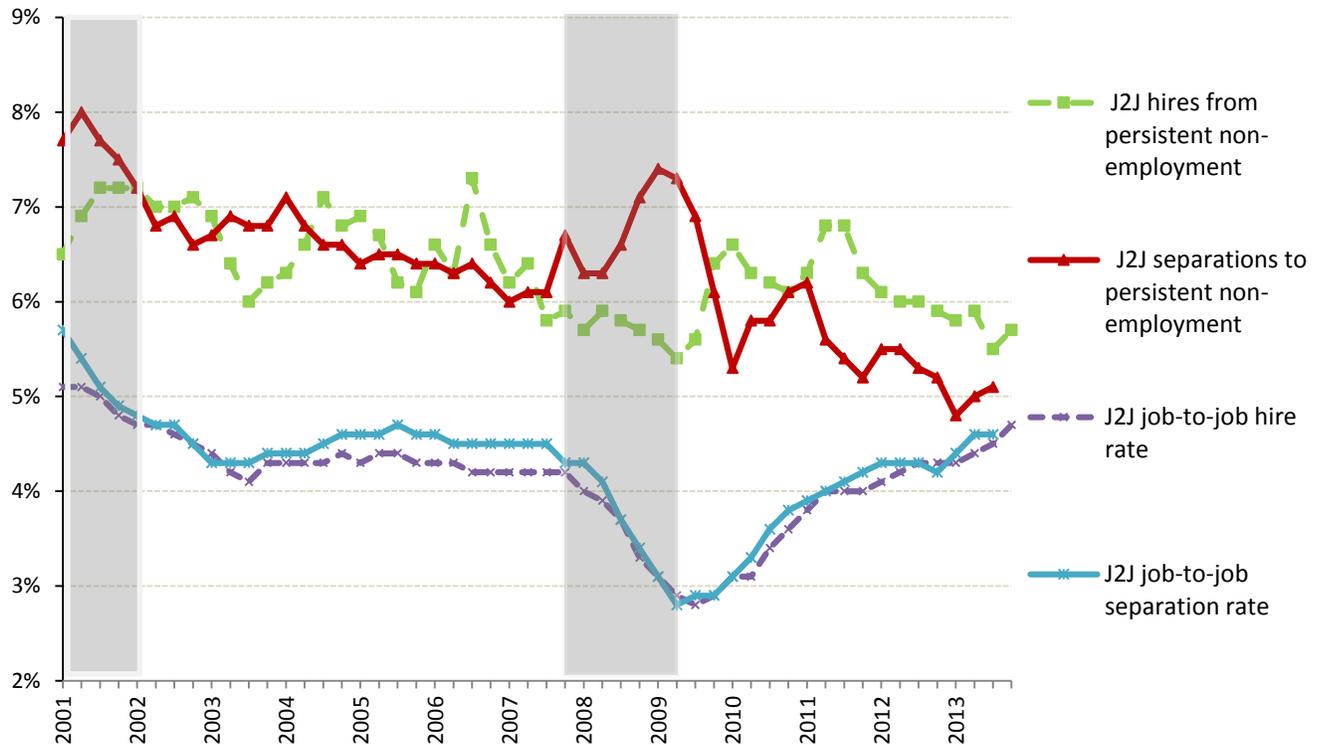
The U.S. Census Bureau in co-operation with state agencies continues to issue more data series from its Longitudinal Employment and Household Dynamics (LEHD) employer-employee linked database. The newest series is the job-to-job (J2J) flows data which provide a better understanding of flows of workers across firms. This series seeks to answer certain vital questions regarding the state of dynamism in the labor market or the rate at which workers change jobs. Labor market mobility or fluidity is a sign of a healthy labor market, indicating that workers are confident in the job search process and are willing to change jobs. Census research shows that these moves often bring higher earnings. The rate of J2J flows has also become a most watched indicator by the Federal Reserve in gauging the health of the economy along with the unemployment rate. The job-to-job flows series attempts to provide insights into a number of unknowns regarding the labor market, especially relating to the Great Recession in 2007. Some of these are:

- At what rate did workers change jobs in the current quarter or adjacent quarter?
- Did workers go into a period of non-employment before they found a job?
- Were job hires due to *poaching*, a term indicating drawing employees away from other firms or states?
- Or were hires from the pool of the non-employed?
- Were workers able to find a job in Michigan after separation, or was it necessary to relocate to another state?
- Did workers find a job in the same industry sector or did they change sectors?
- Were workers able to get higher earnings in their new job?

The job-to-job flows data provides answers to these questions. It gives a comprehensive look at the reallocation of workers across different sectors and regions of the U.S. economy. It also allows for the decomposition of employment declines to illustrate the shares of workers moving across industries versus those entering persistent non-employment. The term non-employment is not synonymous with unemployment, which means that a person has lost his job and is actively looking for one. Job-to-job flow data cannot identify the unemployed, but can examine those who are out of the labor force for various reasons, such as health reasons, full time students, child care, retired etc. All these categories are considered to be non-employed.

Four Main Measures of Job-to-Job Flows in Michigan

(2001 – 2013) - Seasonally Adjusted



Source: U.S. Census Bureau, Job-to-job flows.
Shaded areas reflect the NBER determined Recessions

The above chart looks at job-to-job flows (J2J) in the Michigan labor market. From the **worker** or employees perspective, job flows refer to hires and separations. From the **firm's** perspective, these measures refer to job creation (new positions) and job destruction (layoffs). This series distinguishes hires and separations associated **with** job change from hires **from** and separations **to** persistent non-employment. The J2J data can also provide important information on how the labor market dynamism has changed over the recession and recovery. In this section we look at trends in four types of main job transitions from 2001 to 2013 for Michigan.

The bottom two lines in the chart show the J2J separations rate and J2J hires rate. Job-to-job hire rates result from job to job moves with short to no non-employment intervals between jobs, possibly within the quarter. The rate is calculated by dividing the number of job-to-job hires by the total number of jobs. Job-to-job separation rates result from J2J moves with short to no non-employment between jobs. These separations can be voluntary or non-voluntary like a layoff. Based on Census Bureau research within quarter moves are predominantly voluntary and are associated with higher earnings at the destination job.

The J2J hire and J2J separation rates were flat prior to the recession and fell steeply during the recession (the shaded portion) with the J2J hire rate falling first. There is a gradual pick up in J2J hires and separations from the fourth quarter 2009. J2J separations and hires have trended closely since the second quarter 2008 to the first quarter 2010. At the national level job-to-job hires and separations move together as worker flows from one employer to another cancel each other and the net employment flows are entirely due to flows to and from non-employment. However, at the state level employment growth can occur as one state may be getting an inflow of workers (*poaching*) from other states. In Michigan the J2J separation rate was higher than the J2J hire rate from 2003 to 2008, even before the Great Recession started, resulting in a net outflow of workers. From the first quarter 2010, J2J separation rates again are trending a little higher than the J2J hire rate indicating an outflow of workers to other states.

The chart also shows two other measures of job flows: **hiring rates from persistent non-employment** and **job separation rates to persistent non-employment**. Persistent non-employment means the worker was most likely to have been without a job for at least three months prior to starting the job. The hiring rate from persistent non-employment averaged 6.7 percent from 2001 to second quarter 2007. It dropped to 5.8 percent in the third quarter 2007, one quarter prior to the Great Recession. From third quarter 2007 to third quarter 2009 hiring from persistent non-employment averaged 5.7 percent. From fourth quarter 2009 to fourth quarter 2013 hiring picked up to 6.2 percent. However, hiring from persistent non-employment in 2013 slowed down, averaging 5.7 percent.

The separation to persistent non-employment rate measures moves from employment to persistent non-employment. Persistent means the worker was more likely to be without employment for at least three months after leaving a job. The separation rate to persistent non-employment average went up from the third quarter 2008 to third quarter 2009 (7.2 percent) after averaging 6.7 percent from first quarter 2001 to second quarter 2008. The rate dropped to 5.5 percent from fourth quarter 2009 to third quarter 2013.

This data shows a marked decline in the rate of job change in Michigan during the recession and after, reflecting a slowing down of labor market dynamism. A decline in the J2J separation rate is the main source of job growth in Michigan, as the J2J hire rate remains sluggish. According to Census Bureau research a declining trend in worker reallocation and J2J flows leads to slower growth up the earnings ladder.

Additional Data: Additional data is also available by industry, firm age and size, worker age, sex and education.

Forthcoming are data on state-to-state and industry-to-industry worker flows. Look for future articles covering these topics.

For an overview of this series please visit the website: http://lehd.ces.census.gov/doc/J2J_quickstart_guide.pdf