Mitchell's Musings 8-13-12: Mass Neglect

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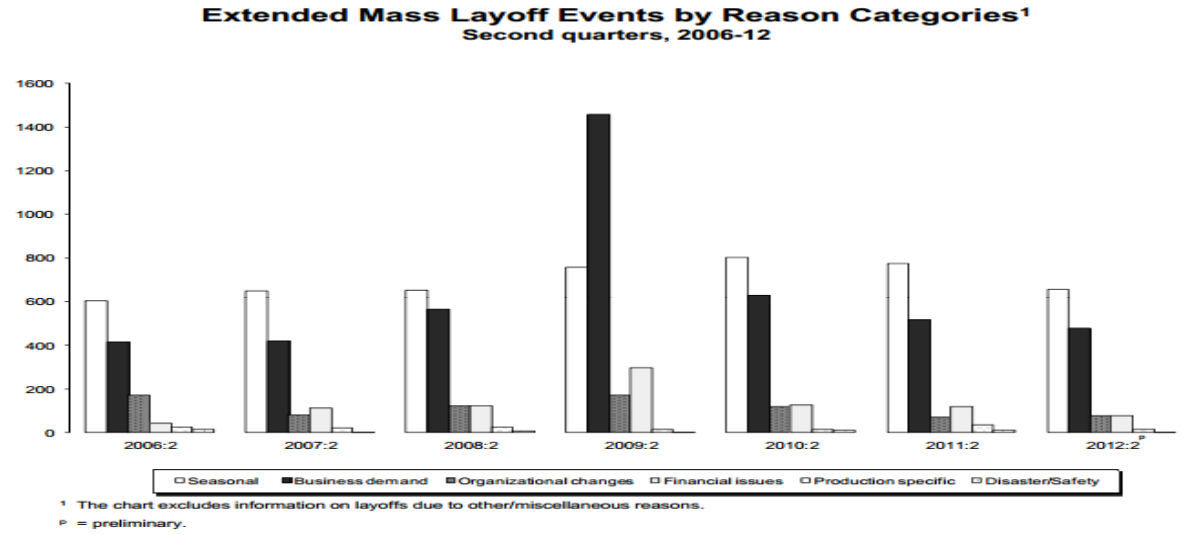
The U.S. Bureau of Labor Statistics (BLS) turns out a large volume of data on the labor market. Undoubtedly, the monthly unemployment rate is the most watched index that the Bureau produces. At the other end of the public attention spectrum – that of neglect - is a series on "mass layoff events" – reported monthly and quarterly - which is developed from unemployment insurance records. Basically, such events involve 50 or more workers from an employer filing unemployment insurance claims within a five-week period.[1]

When such mass layoff events are identified, employers are asked to categorize the reason for the layoffs. The chart below, from the most recent (Aug. 9) quarterly release through 2012-second quarter shows the basic categories. Although there may be some interrelationship between the categories, the one that stands out as particularly a reflection of the business cycle is labeled "business demand."[2]



[1] The definition from BLS: *The Mass Layoff Statistics (MLS) program is a federal-state program which identifies, describes, and tracks the effects of major job cutbacks, using data from each state's unemployment insurance database. Employers which have at least 50 initial claims filed against them during a consecutive 5-week period are contacted by the state agency to determine whether these separations are of at least 31 days duration, and, if so, information is obtained on the total number of persons separated and the reasons for these separations. Employers are identified according to industry classification and location, and unemployment insurance claimants are identified by such demographic factors as age, race, gender, ethnic group, and place of residence. The program yields information on an individual's entire spell of unemployment, to the point when regular unemployment insurance benefits are exhausted.* (See next footnote for source.)

[2] Employers' responses falling into this category are *contract cancellation, contract completion, domestic competition, excess inventory/saturated, import competition, slack work/insufficient demand/non-seasonal business slowdown.* The media releases are posted at http://www.bls.gov/schedule/archives/mslo_nr.htm.

It is not just public attention that is lacking when it comes to the mass layoff data; a quick search using Google-scholar produced few academic references, particular recent references. To the extent that references appeared, most came from the BLS' own publication, the *Monthly Labor Review*. I won't claim to have paid much attention to this data series personally, but a quick eyeballing of charts such as the one on the previous page or those that can be found in the Appendix suggest there is information in the series to be had by forecasters and academics.

The chart shown on the previous page and the three in the Appendix each represent a particular quarter. Since the chart data are not seasonally adjusted, comparisons across time using the same quarter are necessary. For example, fourth quarters will normally have layoffs that represent the end of the Christmas/retail boost in hiring.

Impact of the Great Recession is clearly shown on the charts in 2008 and 2009, depending on which quarter is being compared. However, although the beginning of the Great Recession is officially tagged by the National Bureau of Economic Research as occurring at the tail end of 2007, the charts make it evident that a weakening in labor demand occurred as early as the third quarter of 2006. The shock of the financial crisis becomes evident in the third quarter of 2007. That observation suggests that absent the financial crisis that became severe just before that quarter, the economy might have had at most a mild recession or perhaps just a growth slowdown. Apart from the business demand category, as might be expected, "financial issues" as a cause of mass layoff events pop up during the period of the financial crisis.[3]

A final observation is that on the most recent chart (previous page) going through the second quarter of this year, the business demand cause of mass layoff events has fallen back – not all the way – toward where it was before the demand weakening episode began to occur.[4] Yet unemployment remains substantially higher. That observation suggests that at present, the unemployment problem is more related to a reluctance of employers to hire than it is due to abnormal rates of worker displacement.

The bottom line of this musing is that the mass layoff series potentially contains more information than is generally recognized. It was implemented in the mid-1990s at a time when BLS was under pressure from Congress to report on layoffs. At the time, mainly as a result of the recession of the early 1990s, layoffs were much in the news – particularly those layoffs which had extended into white collar and managerial occupations. Plant closings and deindustrialization were also popular topics. The mass layoff series may well have been developed as a quick response to that pressure. But its history should not be taken to mean that it doesn't provide useful information.

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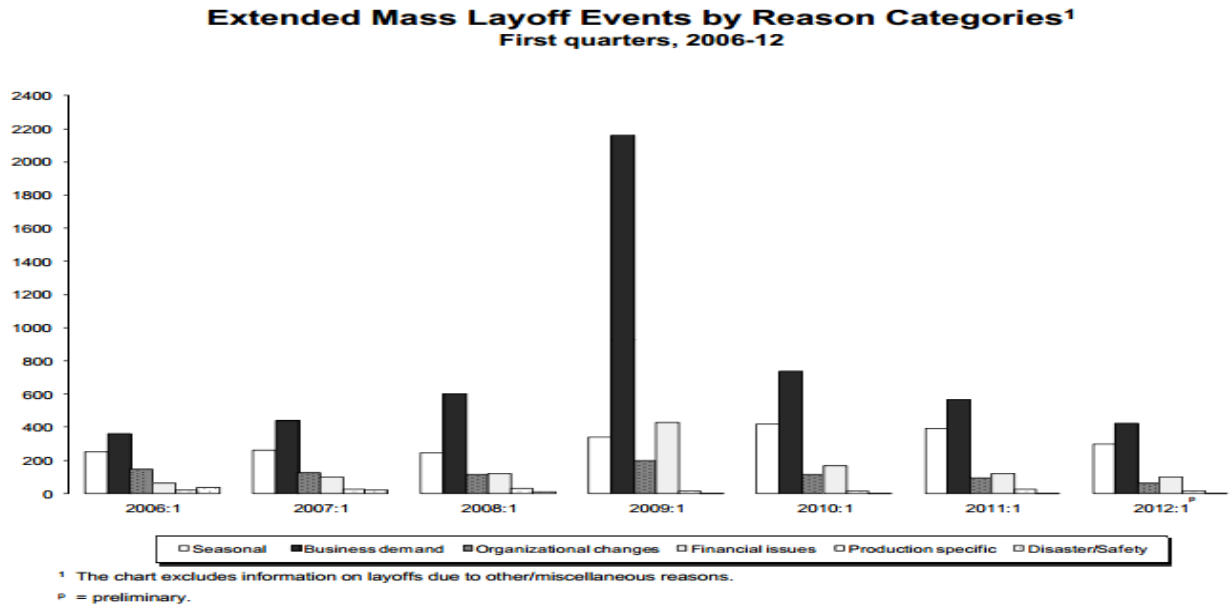
[3] Financial issues are defined as *bankruptcy*, *cost control/cost cutting/increase profitability*, *financial difficulty*. As the definition indicates, the broad definition only partly relates to external financial issues. However, in the mass layoff database, it is possible to examine each of the components separately.

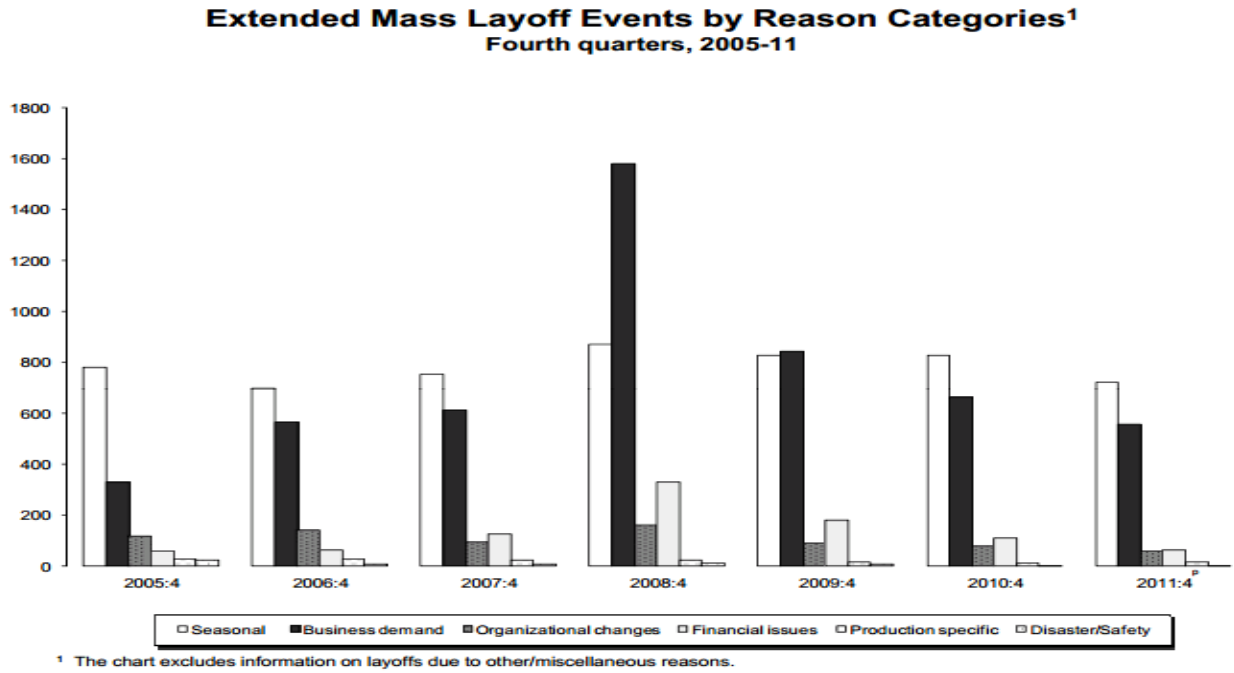
[4] In 2012-II, there were 477 mass layoff events related to business demand (and 71.095 workers involved in those events. In 2006-II, there were 413 mass layoff events (and 73,626 workers involved in those events).

Appendix



¹ The chart excludes information on layoffs due to other/miscellaneous reasons.

p = preliminary.

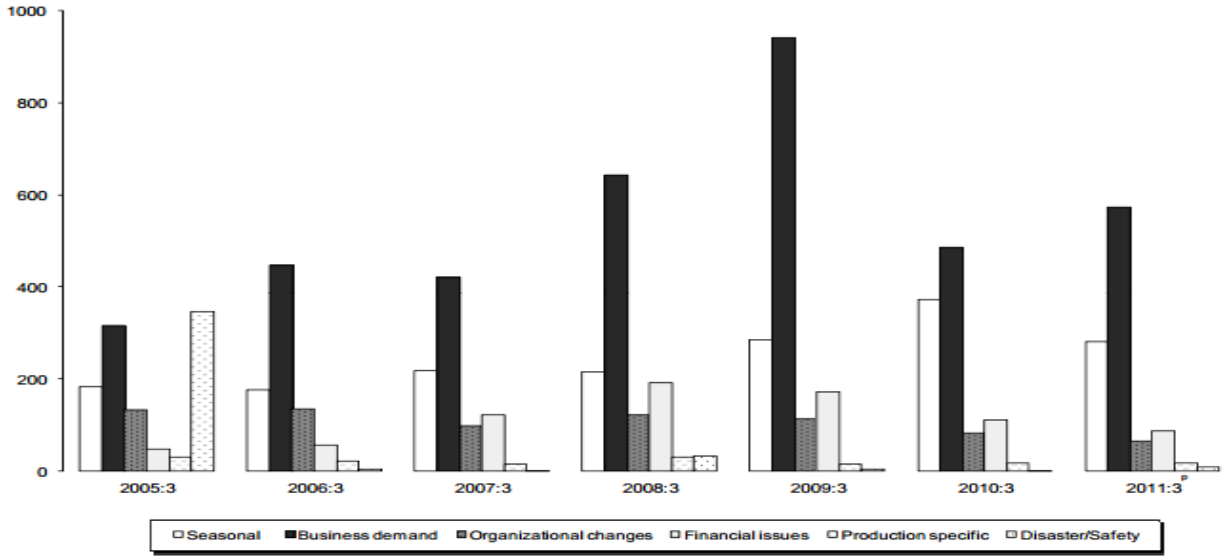


¹ The chart excludes information on layoffs due to other/miscellaneous reasons.

p = preliminary.

Extended Mass Layoff Events by Reason Categories[1]

Third quarters, 2005-11



[1] The chart excludes information on layoffs due to other/miscellaneous reasons.

p = preliminary.