

Success Strategies in an Ever-Changing Labor Market

Lessons from Economic Research

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Falling down, and getting up again

- ★ **Where did my job go?**

- The experience of layoff
- For individuals, for local areas
- The staffing revolution

- ★ **Where do jobs come from?**

- Young firms, non-employer firms
- Complementarities and the local job multiplier

Goals

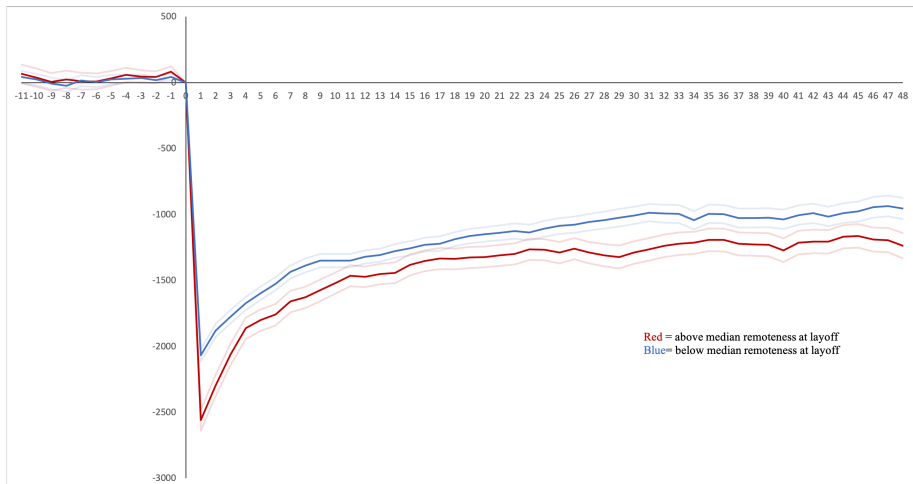
1. Offer knowledge to individuals going through change
2. Offer insights to community decision makers
3. Give a glimpse of what economic research is about, especially for students considering their future plans

Layoff: a traumatic, multi-dimensional event

Decades of studies have shown layoff has severe negative consequences on workers who go through it.

- Earnings losses: -2.5 years of full earnings over 20 years
 - ▶ large, and persistent
 - Health and life satisfaction, marriage rates
 - Death rate: +15%-20% in the next 20 years
- Acknowledging the multi-dimensional pain of layoff helps workers who go through it and their communities
- Preparedness is key, and knowledge is power
- Stare down the beast's eyes

Earnings profiles after layoff



What explains the layoff scar?

- occupational change (Huckfeldt, 2022)
- loss of employer match (Lachowska et al., 2022)
- human capital obsolescence (Jarosch, 2022)

One way to predict the likelihood of these? **Local skill remoteness** of the lost job (Macaluso, 2020)

- explains earnings losses
- predicts probability of changing job and how different next job will be, skills-wise
- predicts out-migration from local area of layoff, and where workers are better-off moving

Local skill remoteness as a helpful tool

Key ideas: **suitability** vs. **local availability**.

$$\mathcal{R}_{oct} = \sum_{o'} \omega_{o'ct} d_{oo't}$$

What's $d_{oo'}$? The skill distance between two occupations (0 for the closest, 1 for the farthest).

Example: welders.

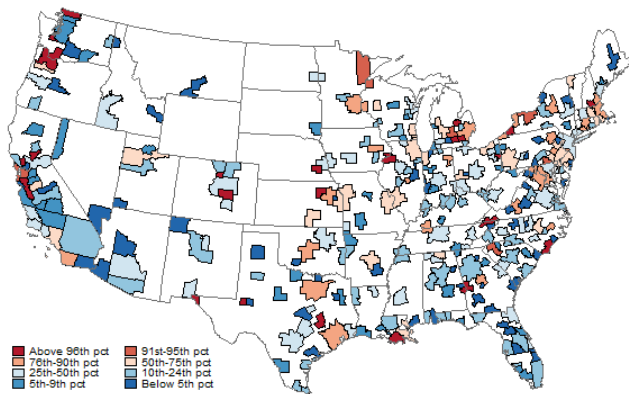
Close in skill space? Electronic equipment assemblers. **Far in skill space?**

Counselors and psychologists.

Skill-remote? Las Vegas, NV. **Skill-central?** Nashville, TN.

Local skill remoteness of destroyed jobs

Post-layoff recovery is more difficult when losing a locally skill-remote job. . .



How would you know?

My Next Move by BLS uses these ideas: here it is for **welders**

<https://www.mynextmove.org/profile/summary/51-4121.00>

Great tool for individuals and decision makers alike!

More tools for communities: who are the workers at risk?

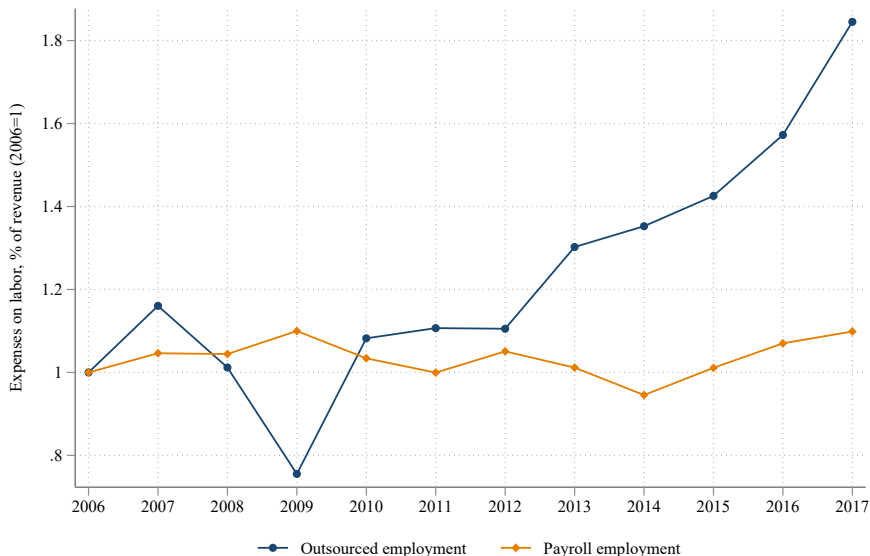
	all	below median remoteness	above median remoteness
Observations	139,633	69,924	69,709
Individuals ^a	2,009	1,196	1,072
Layoff episodes	3,203	1,703	1,500
Layoffs per individual	1.59	1.42	1.40
Layoffs per year	160	85	75
% female	43.93	54.67	31.73
% non-white	37.98	37.58	36.67
% less than high school	11.91	12.62	13.13
% high school but no college	47.46	48.09	46.73
Age at layoff (median)	43	43	42
Tenure at layoff (median, in months)	80	77	86
Earnings at layoff (median, monthly)	2,080	1,888	2,275
Usual hours worked at layoff (median, weekly)	40	40	40
Wage at layoff (median, hourly)	12.75	11.82	14.00
% changed occupation after layoff	35.25	33.70	37.17
% changed CBSA after layoff	4.99	4.05	6.02

^aColumns 2 and 3 do not sum to column 1 because some individuals are above median skill remoteness for one layoff episode and below for another.

Sometimes the job doesn't go, but it changes

- In the last 20 years, **staffing** has taken off → what is it?
Intermediated labor sourcing
- Why? It's skills+technology again!
- Staffing has large implications for workers and communities:
 - ▶ fewer benefits, often lower wages than traditional employment
 - ▶ more flexibility, even day-to-day and week-to-week
 - ▶ for communities: gives firms flexibility to pick up opportunity or scale down *without mass layoffs*
- This last point had been severely understudied, but we show it's very important especially during economic recoveries (Atencio, Macaluso, Yeh 2023)

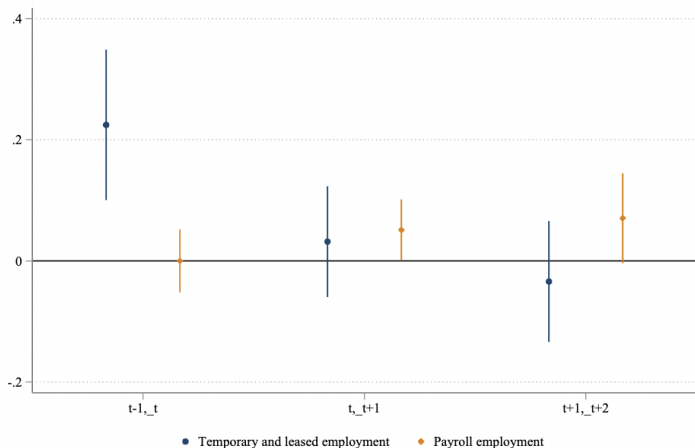
Share of revenue spent on staffing (blue) v. payroll (orange) personnel in manufacturing



Staffing as flexibility to create jobs (not just destroy them)

Businesses respond to shocks by adjusting temp staff

$$\Delta_{\tau} emp_j^c = \alpha_j + \beta \Delta_t productivity_{jt} + controls + \varepsilon_{j\tau}$$



Where do Temporary Workers work?

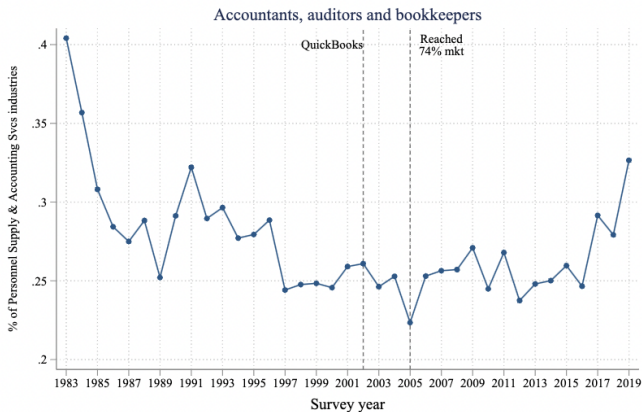
Industry of Assignment of Temporary Help Workers

	1995	1997	1999	2001	2005	2017
Agriculture, forestry, fishing	0.30	0.00	0.40	0.90	0.80	0.80
Mining	0.20	0.70	0.10	0.90	0.50	0.70
Construction	2.90	2.60	2.70	3.50	3.50	3.40
Manufacturing	34.10	32.10	31.20	22.70	29.50	34.90
Transportation	7.40	6.40	6.30	8.00	3.80	5.30
Wholesale trade	2.90	4.40	4.10	3.10	5.70	4.00
Retail trade	5.30	3.30	4.10	4.10	3.30	2.90
FIRE	6.90	8.40	7.10	7.00	3.80	4.30
Business & repair	22.60	25.90	25.60	30.30	29.20	23.20
Personal services	2.70	1.90	3.40	1.00	3.30	0.90
Entertainment & recreation	0.70	0.90	0.50	1.90	0.00	0.60
Professional services	12.60	13.20	13.20	14.10	13.80	18.10
Public administration	1.30	0.00	1.20	2.40	2.90	1.00

Calculations based on major industry of assignment (1990 codification) reported by those in the CWS who indicate being paid by a temporary help agency. CWS weights used.

What puts a job at risk?

Outsourcing and technology



Note: QuickBooks is an accounting software package widely used by firms. According to Bloomberg, in September 2005, QuickBooks had 74% of the market in the US.

Source: Author's calculation based on CPS-ACES data.

Summing up

When jobs go . . .

- assessing skills of laid-off workers is crucial
- levels, yes, but also how they related to labor demand and other local jobs
- migration is often a good idea for the individual (but for communities, not so much)
- staffing can boost firms ability to create jobs in the short run
- pros and cons for workers, careful community oversight seems helpful in minimizing social costs
- technology is ever-disruptive (both in good and bad ways)
- communities and individuals would do well to be tech-savvy!

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- Myths and truths
 - ▶ Small firms create the most jobs

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TRUTH and MYTH *Only 5% of high-growth young firms start off as non-employers, but employer firms with a non-employer history grow faster on average and have lower exit rates in their first year of activity*
- So what?
 - ▶ Support young firms in the first years of activity is crucial
 - ▶ Employment growth in first years of activity often predicts long-run success

The multiplier in the WFH era

- Moretti (2001) introduces concept of local multiplier
- Practical implementation in terms of high-tech college jobs and high-contact service jobs
- Pandemic has upended all that: high-tech workers stay home now!
- Research preliminary, but some insights still available:
 - ▶ harness the multipliers in the suburbs (Bloom's donut effect)
 - ▶ WFH means more inclusivity for workers with care duties and people with disabilities → worth our policy support
 - ▶ decay of downtown buildings is the real threat
- Great source of data: wfhresearch.com

Thank you!

Comments or questions:
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