November 2021

KENTUCKY LABOR FORCE UPDATE

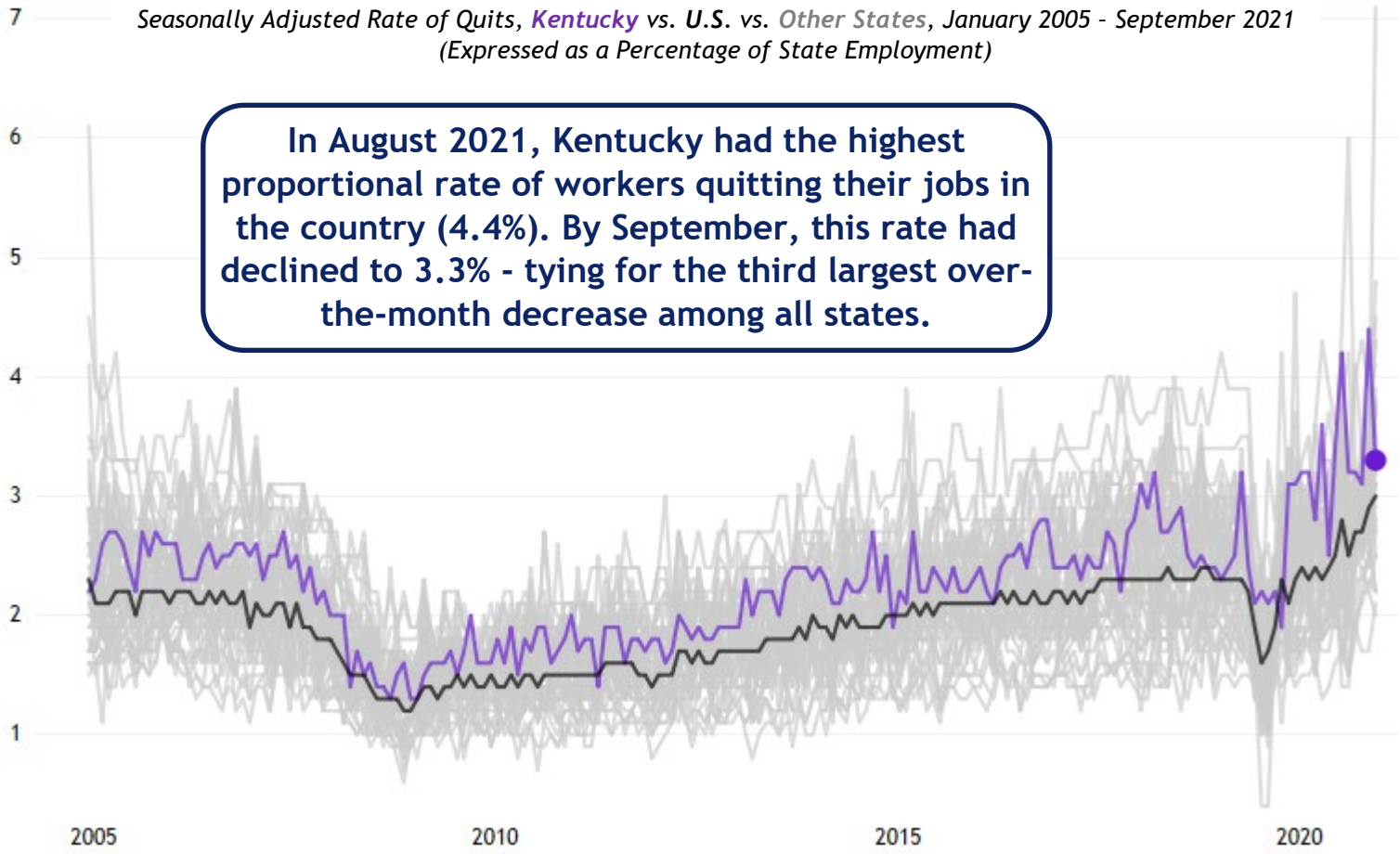
Recent Estimates of Kentucky's Quits and their Context

Last month, Kentucky made headlines in the popular press and in federal agency releases for having the highest rate in the country of workers quitting their jobs as of August 2021, according to a new official data product from the U.S. Bureau of Labor Statistics' (BLS) Job Openings and Labor Turnover Survey (JOLTS) program. These estimates were released at a time when adjacent conversations about Kentucky's labor force participation challenges and the more general national phenomenon colloquaially referred to as "the Great Resignation" were continuing to gain momentum. But what is the context for Kentucky's recent Quits activity, and how might the Quits metric relate to broader economic trends? These questions will be explored here, using additional seasonally adjusted estimates from JOLTS and the broader BLS data ecosystem.

The BLS defines Quits as "Employees who left voluntarily," with the exceptions of retirements and intra-firm transfers. In August, seasonally adjusted estimates indicated that, when expressed as a percentage of total employed persons, Kentucky had the highest rate of quits in the country (4.4%). By September, this rate had declined to 3.3% - tying for the third largest over-the-month decrease among all states. Comparing September's rate to our border states, West Virginia and Indiana were higher (3.8% and 3.4%), Illinois and Tennessee tied with Kentucky, and Missouri, Virginia, and Ohio were lower (3.2% or lower). By volume, Kentucky's level of Quits in September was 62,000 (down from 83,000 in August, and tying its pre-pandemic high from December 2018). Given the size of their respective workforces,

*Seasonally Adjusted Rate of Quits, **Kentucky** vs. **U.S.** vs. Other States, January 2005 – September 2021*
(Expressed as a Percentage of State Employment)

In August 2021, Kentucky had the highest proportional rate of workers quitting their jobs in the country (4.4%). By September, this rate had declined to 3.3% - tying for the third largest over-the-month decrease among all states.



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

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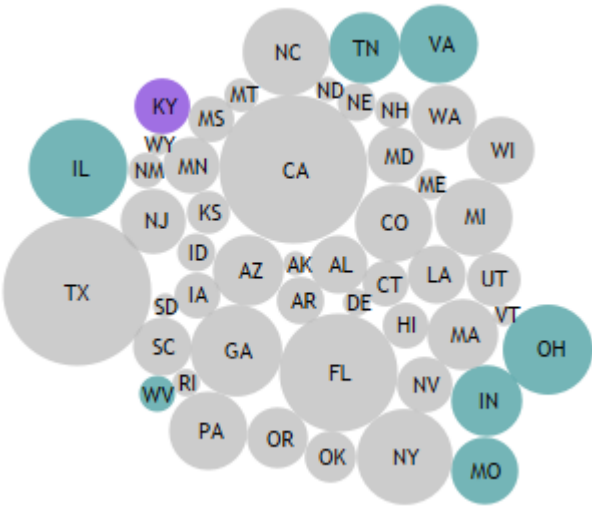
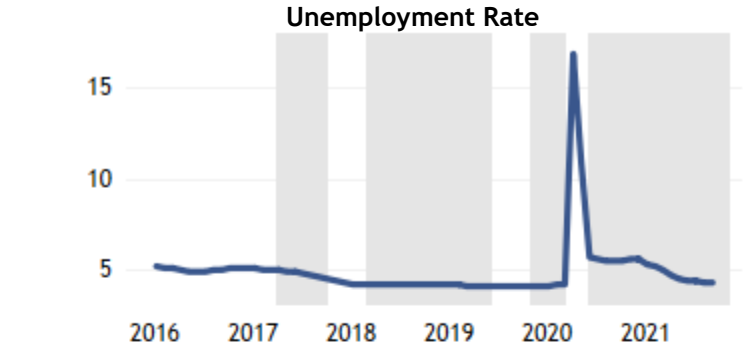
Kentucky's levels are perhaps unsurprising when compared to its border states, each of which (except for West Virginia) exhibited higher levels of September Quits than Kentucky.

Seasonally Adjusted Levels of Quits by State, September 2021
***Kentucky** vs. **Border States** vs. Rest of Country*

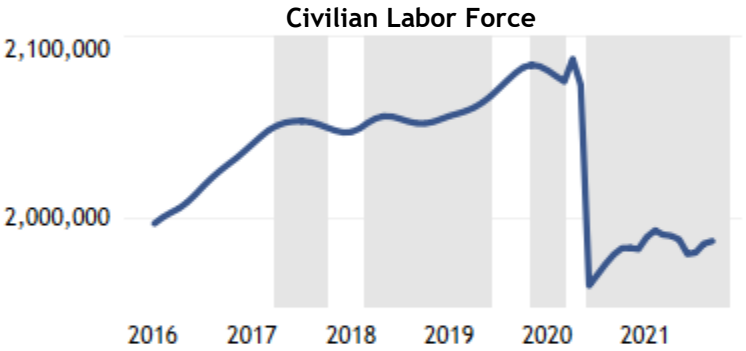


Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

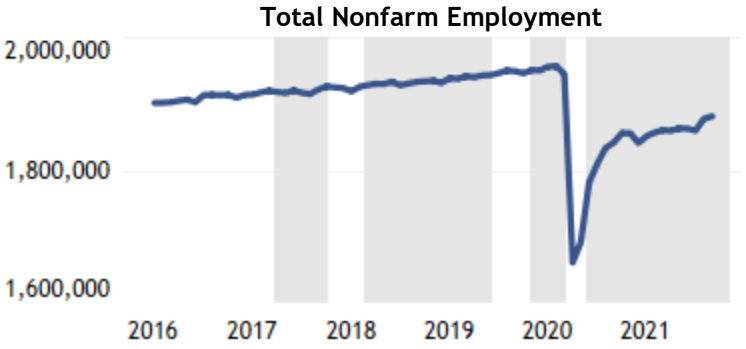
Prominent Labor Market Indicators, January 2016 – September 2021
Periods Shaded in Gray Exhibit Elevated Quits Rates



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS), Seasonally Adjusted Estimates



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS), Seasonally Adjusted Estimates



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES), Seasonally Adjusted Estimates

Prior to the pandemic, Kentucky typically exhibited an elevated rate of Quits during times of relatively strong economic health.

Compared to Quits estimates for previous time periods, 2021's rates appear to be somewhat unprecedented for Kentucky - the Commonwealth's rate had never topped 4.0% prior to April 2021. Elevated levels of quits, however, have historically presented at times of relatively strong economic health as measured by several prominent metrics from other BLS programs. For example, in the same month as Kentucky's most recent pre-pandemic high rate of Quits (3.2% in January 2020), Kentucky logged its fifth highest seasonally adjusted labor force estimate on record (2,081,086), its second highest seasonally adjusted Total Nonfarm employment estimate (1,956,500), and a relatively low seasonally adjusted unemployment rate of 4.1%. Additionally, each of these metrics have commonly exhibited favorable over-the-month changes when the Quits rate has been elevated above its five year average (see left). This includes August 2021, when Kentucky's labor force grew by nearly 5,000 persons, and Total Nonfarm employment grew by 17,900 jobs while its Quits Rate was 4.4%.

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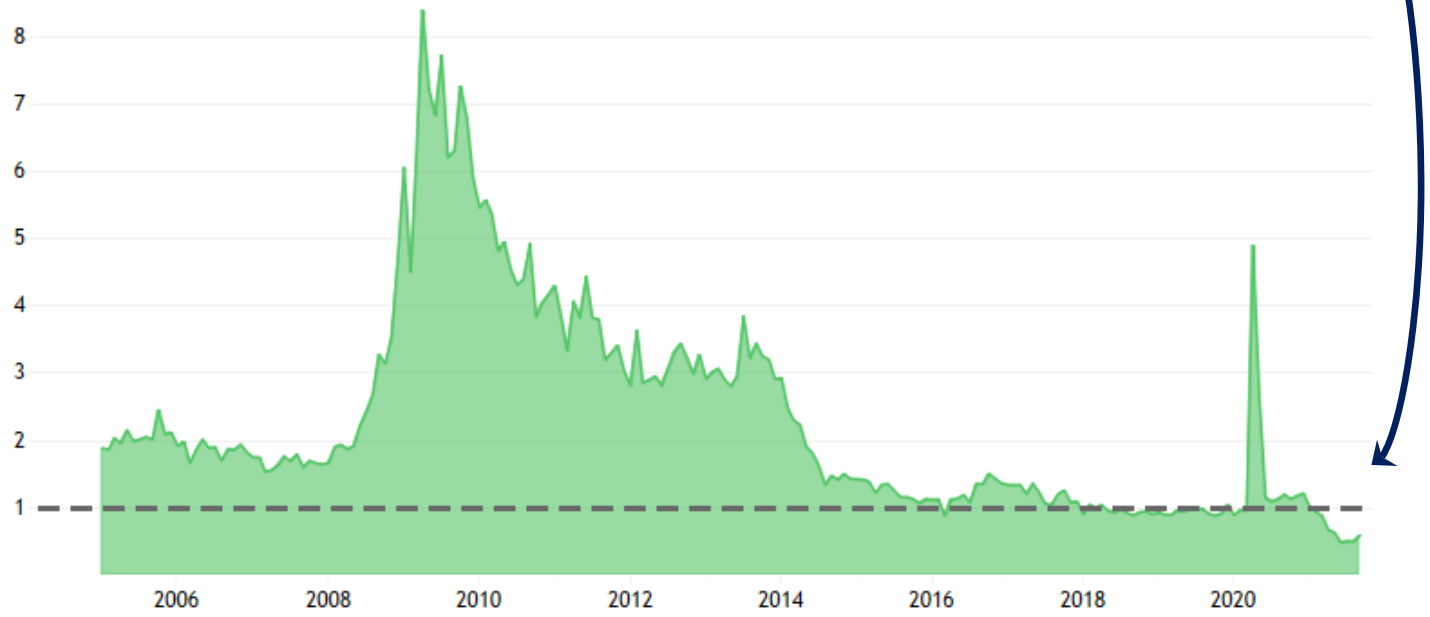
If Quits in Kentucky have historically been elevated during times of relatively strong economic health, then what does it mean for Quits to be elevated while Kentucky's economy is clearly still recovering from the 2020 pandemic-initiated recession? Some answers to this complex question may hinge on the economic concept of labor market *slack*, which was defined by Gilchrist and Hobjin in an Economic Letter for the Federal Reserve Bank of San Francisco earlier this year as "…the shortfall in employers' demand for labor relative to the available supply of workers." When labor is readily available in large quantities, the labor market is considered to have slack; when labor is less available (and employers have a more difficult time filling open jobs), the labor market is considered to be tight. As hiring continues to accelerate in the wake of the pandemic, and as our labor force has yet to return to its pre-pandemic levels (still down more than 92,000 in September 2021 compared to September 2019), many positions that cannot be filled from the pool of unemployed workers may increasingly be filled by those who are already employed. Indeed, Hires are being made in historically high volumes in Kentucky (having exceeded 100,000 in as many as seven individual months since the beginning of the pandemic, when they'd only done so once previously).

So, in examining the potential sources of these Hires, what does the relative pool of available *unemployed* labor look like in Kentucky? Keeping within the BLS data ecosystem, we can answer this question with an approach taken by McCarthy and Akinyooye (2020) in a recent edition of the BLS' Monthly Labor Review. Constructing a ratio of the number of unemployed workers (available from LAUS) to the number of job openings in the state (available from JOLTS), it's the case that, since April 2021, Kentucky has experienced the lowest number of unemployed persons per job opening in the history of these metrics (0.7 or lower).

Beginning in April 2021, the pool of available unemployed workers in Kentucky has become historically insufficient to fill the state's job openings.

Number of Unemployed Persons per Job Opening in Kentucky, January 2005 – September 2021, Calculated from Seasonally Adjusted Estimates



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS) & Job Openings and Labor Turnover Survey (JOLTS)

This constructed metric remaining below one (the dotted line above) suggests that the pool of available unemployed labor is more insufficient than ever for filling open positions, and that, returning to the proposed relationship between these metrics, currently employed people may increasingly be filling these open positions and thereby contributing to Quits levels as they separate from their previous employers.

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Having established what BLS explicitly measures with the Quits metric, as well as some context for Kentucky's recent Quits estimates, it is worth noting the limitations of the metric as it is currently published. For one, the BLS itself points out that the nature of JOLTS as an establishment *survey* implies an inherent degree of sampling error. Consequently, BLS publishes the median standard errors for state and national JOLTS estimates for interested users. Non-sampling error can also occur, for reasons such as the inability to obtain data from all units in the sample. As of June 2021, the overall JOLTS response rate was the second lowest among all establishment surveys administered by the BLS.

More generally, BLS does not currently publish state-level estimates of any JOLTS metrics with any degree of industry granularity (i.e. they are all presented at the Total Nonfarm level). With increased industry specificity, analyses like this one could potentially shed light on questions regarding the specific segments of the economy that heavily contribute to Quits levels. Finally, there is no worker-level longitudinal component to JOLTS; sampled employers do not provide information about the destination or future situations of workers who have quit (i.e. their re-employment status or their potential exit from the labor force). In addition to our prior work on the topic, KYSTATS currently plans to publish future research on worker separations using data from the Kentucky Longitudinal Data System (KLDS).

Summary

JOLTS' Quits metric, which measures the raw and proportional volume of workers who voluntarily leave their jobs, indicates that workers have been doing so at historically high levels in Kentucky and across the country. Prior to the pandemic, Kentucky typically exhibited elevated levels of Quits during times of relatively strong economic health. Pre- and post-pandemic, elevated levels of Quits could partially be explained by a tight labor market. Finally, JOLTS data users are encouraged to keep in mind the limtations of JOLTS estimates, both programmatic and conceptual.

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