

Henry Farber 10.2.2008 9:10 am

The primary source of data on displaced workers is the Displaced Workers Survey (DWS), carried out biannually as a supplement to the Current Population Survey (CPS). These data do not show an upward trend in the job loss rate. This suggests that the DWS does not measure all displacement (a distinct possibility) and/or that much of the increased worker mobility across employers is voluntary (also a distinct possibility).

I doubt that all or even most of this increased mobility is due to globalization of product markets. The mobility of capital may well be an important part of the story. The implicit (and explicit union) agreements between workers and employers that ensured loyalty in both directions suffer in a world where capital is mobile globally and owners of capital know no boundaries or national identity. The result is that employers offer less loyalty to their workers and workers offer less loyalty to their employers. There is more churning in the labor market (about 20 percent of workers are in jobs that they have held for less than one year) resulting from both layoffs and, in large measure, quits. Of course, some fraction of these quits are in anticipation of layoffs or poor compensation resulting from market pressures.

It seems to me that, while programs to train displaced workers and ease their transitions are important, thinking of ways the government can encourage and reward continuing employment relationships might be fruitful. Reduction in turnover would reduce the costs of labor market adjustment by reducing the number of workers who need training and aid.

A final point is that I understand the important role that efficient job change plays in our dynamic economy, and I do expect that to continue. But it is not at all clear to me that the level of turnover that we are seeing, particularly among mature workers (older than 35), is efficient.