Mitchell’s Musings 4-13-15: Must There Be a Story?

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My UCLA office is located in a building constructed in the 1960s that contains four elevators. At least one elevator seems always to be out of service. Although the building now houses the School of Public Affairs, when I first came to UCLA in 1968, it was the home of the business school (where I had my office, too). Even then, the elevators never seemed to behave properly.

Elevator misbehavior gave rise to a kind of mythology. Some in the building believed that if you jumped up and down in an elevator that seemed not to want to go, it would start to move. Others believed that some sequence of button pushing would do the trick. I would sometimes suggest to annoyed riders that if the authorities would only feed the donkey pulling the rope better, service would improve. But that suggestion was always taken as a joke. Actually, it was as good a story as any of the others. There is a human need, apparently, to have explanations for events and situations, even if there aren’t any explanations.

I was reminded of that phenomenon in reading a news account interpreting the April 7 release by the U.S. Bureau of Labor Statistics JOLTS (Job Openings and Labor Turnover Survey) data through February:¹

> A new Labor Department report Tuesday showed that job openings surged 3.4 percent to 5.1 million in February — a 14-year high. That’s a clear sign that companies are willing to boost their staffs... To be sure, there were some negative signs in Tuesday’s report. Total hiring slipped 1.6 percent in February to 4.9 million, the second straight decline. At the same time, layoffs fell sharply. The declines in hiring and layoffs suggest that employers were cautious in the face of a faltering economy but weren’t spooked enough to cut jobs...²

When you look at the actual media release, it’s just a couple of charts, data tables, and text describing the data. There is nothing in the release itself about caution or being insufficiently spooked. In any case, if employers were being cautious, perhaps they would hire at a lower rate. But why would they also reduce separations? Wouldn’t they want to let workers leave their employment voluntarily who wanted to leave if there were reasons for caution about a slowing economy? That is, might they not cut back on efforts at worker retention out of caution? And might they not want to step up their involuntary layoffs?

Perhaps, more pointedly, we are talking about a one-month change in the various rates being tracked and discussed. And the data we are talking about are seasonally-adjusted. So there could be any number of explanations for the one-month changes. Perhaps the seasonal factor – which is based on the past history of seasonality – was wrong for the particular weather that occurred in January-February 2015? Maybe the especially bad weather this winter led to


delayed decision making on both separations and hiring. Or maybe the underlying (unadjusted) data were simply affected by some statistical noise since we are talking about figures from a sample survey. The release footnotes the latest data as “preliminary” so they might well be revised. In short, maybe there is no story here to tell at all.

Let’s put in perspective the data that the news account describes. The job openings rate (job vacancies rate) during January-to-February went from 3.3% to 3.4%. I am not sure that move (if it was more than noise) qualifies as a “surge.” The “slippage” in hiring was in fact so miniscule that it left the hiring rate unchanged at 3.5%. For separations, the supposed slippage was a drop from 3.4% to 3.3%.

If you are looking for a “story” on the job openings rate, you need to focus on long-term trends and not one-month blips. The chart below tells you that story, but it isn’t one that you didn’t already know. Labor markets are generally recovering since the bottom of the Great Recession in 2009. Maybe that isn’t news at all. But as they say, no news is good news. Would you rather have a reverse story of no recovery?

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**Job Openings Rate, seasonally adjusted, 2005-2015**

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3. The job openings rate is computed by dividing the number of job openings by the sum of employment and job openings and multiplying that quotient by 100. (Description taken directly from release.)

4. The hires rate is computed by dividing the number of hires by employment and multiplying that quotient by 100.

5. The separations rate is computed by dividing the number of separations by employment and multiplying that quotient by 100.