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## Unemployed Job Leavers: A Meaningful Gauge of Confidence in the Job Market?

### Abstract

[Excerpt] The expansion that began in March 1991 is now in its 10th year. Over this period, the unemployment rate has fallen to a 30-year low, and employment growth has been robust. As labor market conditions have tightened, there has been increased interest in the number of unemployed persons who have voluntarily left their jobs. Some analysts consider this series a gauge of workers' confidence about the job market, with an increase in the number of unemployed job leavers, or in their share of total unemployment, indicating rising confidence. The rationale is that workers would not voluntarily leave a job and enter into a job search unless they perceived that prospects for a successful search were quite good. The appropriateness of these measures, either on a month to-month or longer-term basis, as a gauge of workers' confidence in the job market is questionable, however.

This report examines several issues associated with data on unemployed job leavers collected each month in the Current Population Survey (CPS). First and foremost, unemployed job leavers may not be a good proxy for total job leavers, the vast majority of whom may never pass through the interim stage of unemployment.

### Keywords

unemployment, labor market, employment, growth, confidence, Current Population Survey, job leavers, voluntary, trend, quits

### Comments

#### Suggested Citation

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# Issues in Labor Statistics



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Summary 00-17 October 2000

## Unemployed Job Leavers: A Meaningful Gauge of Confidence in the Job Market?

The expansion that began in March 1991 is now in its 10th year. Over this period, the unemployment rate has fallen to a 30-year low, and employment growth has been robust. As labor market conditions have tightened, there has been increased interest in the number of unemployed persons who have voluntarily left their jobs. Some analysts consider this series a gauge of workers' confidence about the job market, with an increase in the number of unemployed job leavers, or in their share of total unemployment, indicating rising confidence. The rationale is that workers would not voluntarily leave a job and enter into a job search unless they perceived that prospects for a successful search were quite good. The appropriateness of these measures, either on a month-to-month or longer-term basis, as a gauge of workers' confidence in the job market is questionable, however.

This report examines several issues associated with data on unemployed job leavers collected each month in the Current Population Survey (CPS).<sup>1</sup> First and foremost, *unemployed* job leavers may not be a good proxy for *total* job leavers, the vast majority of whom may never pass through the interim stage of unemployment. It is likely that most job leavers wait until they have found another job before they leave their old one, or that they leave the labor force altogether. Even among those job leavers who *are* classified in the CPS as unemployed, some may, indeed, have quit their jobs

because they were confident about employment opportunities. Others, however, may have quit because they had short-term personal reasons—family obligations or transportation problems, for example. Still others may have quit because they became dissatisfied with their job. Many of these situations have little to do with their assessment of employment opportunities.

Even more problematic is the use of the trend in *job leavers' share of total unemployment* as a gauge of workers' confidence. That measure is less appropriate than the job leavers level, because it can be less dependent on a change in the number of unemployed job leavers themselves than on a change in the number of persons who are unemployed for other reasons. Job losers, in particular, make up the largest share of the unemployed. In 1999, unemployed job leavers made up only 13.3 percent of the total unemployed, while the number unemployed for the other reasons (which also includes new labor force entrants and reentrants) comprised 86.7 percent. (See chart 1.) Any change in the job leavers' share of the unemployed can reflect, to a large degree, the declines or increases in the other categories of unemployment. Hence, a change in the share of the unemployed made up of job leavers would not appear to be a particularly revealing measure of changes in the willingness of per-

sons to quit their jobs.

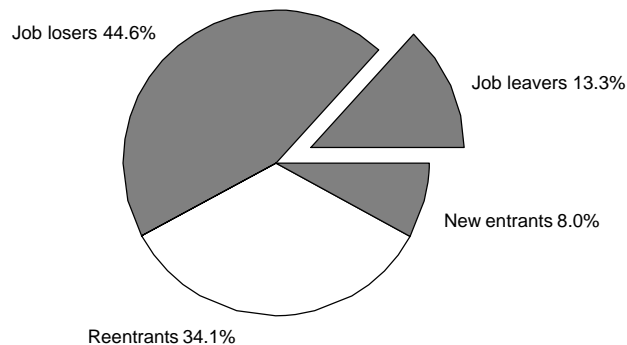
Perhaps a more useful gauge for assessing the trend in job leavers (though not as a job-market confidence measure) is as a share of the labor force. The unemployed job leavers measure, when expressed in this manner, exhibits a pattern more cyclical than countercyclical; this proportion generally rises during recessions and declines during expansions. The cyclical pattern for job leavers is not as pronounced as it is for unemployed job losers (chart 2), although the high correlation coefficient between these two series (0.49) tends to confirm their similarity. This evidence would seem to counter a hypothesis that an increase in unemployed job leavers indicates workers' increased confidence in the labor market.

For additional information on job leavers and a technical description of the Current Population Survey from which the data used in this report were derived, contact Randy E. Ilg Office of Employment and Unemployment Statistics, Bureau of Labor Statistics, Washington, DC 20212. Tel: (202) 691-6378; e-mail: [ilg\\_r@bls.gov](mailto:ilg_r@bls.gov)

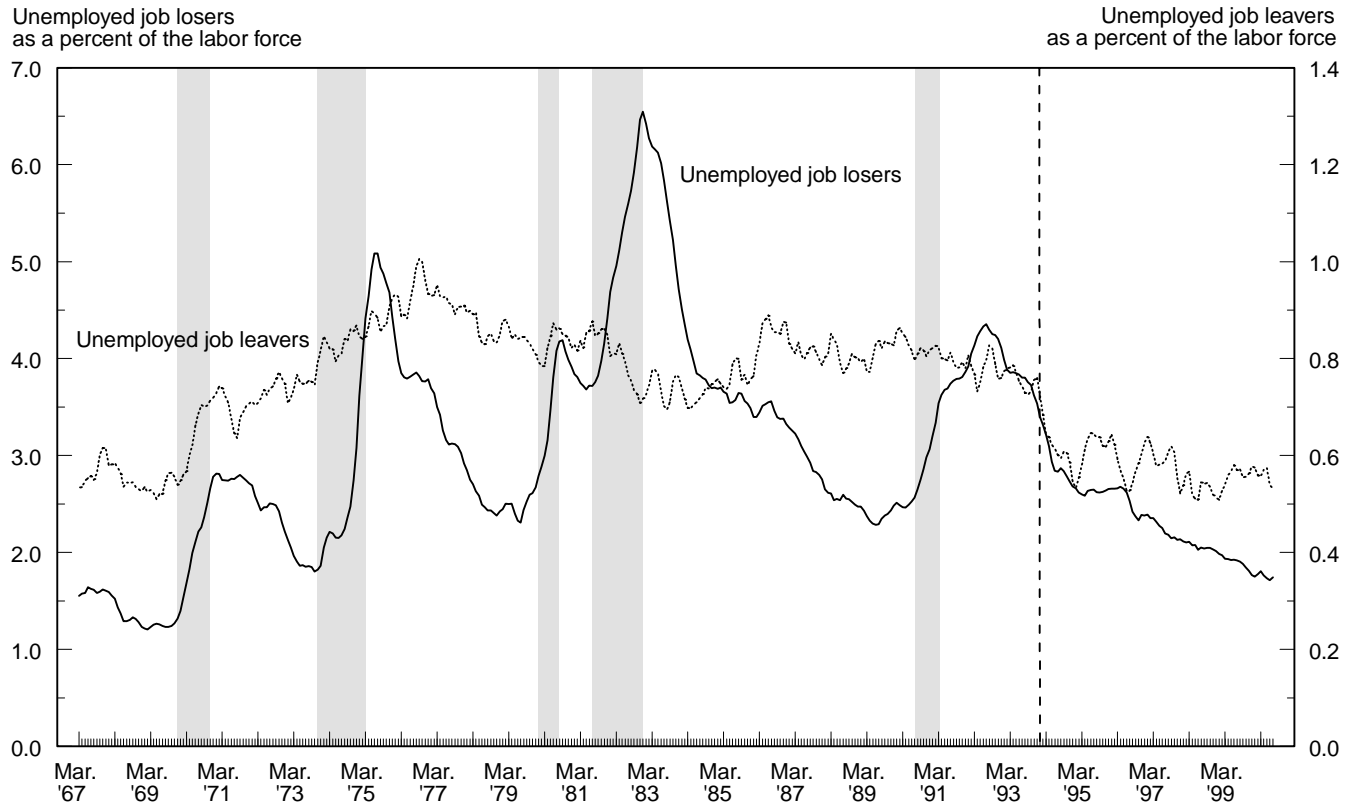
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<sup>1</sup> The historical comparison of the job leavers series was affected by the introduction of a new questionnaire and survey methodology in January 1994. In particular, several changes to the questionnaire—both definitional and operational—resulted in differences in the way the unemployed are distributed among the reason categories. Although the new methodology did not affect the overall unemployment rate, it did affect the overall composition of individuals' reason for unemployment. Research at the Bureau of Labor Statistics has shown that the new methodology significantly increased the proportion of unemployed classified as reentrants and decreased the proportion of unemployed in the other reason categories.

Chart 1. Percent of unemployed persons by reason for unemployment, 1999 annual averages



**Chart 2. Unemployed job losers and leavers as a percent of the labor force, seasonally adjusted 3-month moving average, March 1967-July 2000**



NOTE: Shaded areas represent recessions. Vertical dashed line indicates CPS redesign.

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