# THE RESEARCH ROOM

Brought to you by Forward Analytics

# THE GREAT RESIGNATION

## Record Numbers of Workers Quitting

*–Dale Knapp, Director of Research & Analytics, Wisconsin Counties Association*

It seems that "Help Wanted" signs are everywhere these days, and not only because it is the holiday season. As the nation's economy has climbed back from the unprecedented number of layoffs during the spring of 2020, businesses ranging from restaurants to manufacturers to retailers have struggled for months to fill open positions.

Recent figures from the federal Bureau of Labor Statistics (BLS) quantifies what we are seeing. At the end of September, there were 10.4 million job openings in the U.S., the third highest number on record, surpassed only by the 10.6 million and 11.1 million in the prior two months.

The job openings record comes at a time when wages are rising rather rapidly. Private sector wages for non-supervisory jobs nationally in 2021 are up 9.3% over two years. Average pay is up more in many industries. At clothing stores, pay is 35% higher than in 2019, from under $14 per hour to almost $19 per hour. At grocery stores, hourly wages have increased almost 14% over two years. Hourly pay at machine shops now averages more than $20 per hour, nearly 16% higher than in 2019. Wages at full-service restaurants have risen almost 14%.

Prior to the pandemic, labor shortages due largely to baby boomer retirements were well documented. Retirements from that generation continue to create challenges for companies looking to hire. But a second, less well-known factor is now in play. More U.S. workers are quitting their jobs than ever before.

### RECORD QUIT RATES

According to BLS, 4.4 million U.S. workers quit their public or private sector jobs in September. Over the first nine months of 2021, more than 34 million quit. These numbers are record breakers dating back to 2001 when BLS began tracking this data.


While it has garnered little attention over the past five years or so, the rate at which Americans are quitting their jobs has been rising steadily since the end of the Great Recession (2010). By 2015, the monthly quit rate consistently exceeded the 2.0% average from 2001 through 2007. In February 2019, 2.4% of workers quit, matching the all-time high last recorded in January 2001.

As would be expected, the rate at which workers voluntarily left their jobs dropped during March through June of 2020 as COVID-19 took hold and many businesses closed temporarily. However, by July 2020 the rate was back above 2%. It reached 2.8% in April 2021 and then, after pulling back slightly, the rate rose to 2.7% in June and 3.0% in September.

THESE record number of job openings and workers voluntarily leaving their jobs indicates a labor market in which employees increasingly have more leverage on employers.

Quit rates in the private sector are more than three times higher than those in the public sector. In September, the private sector quit rate was 3.4% compared to 1.0% in government.

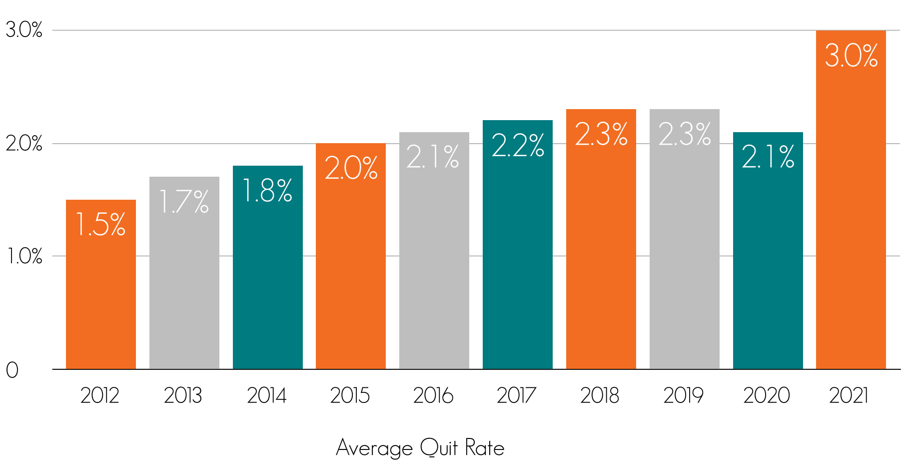
## QUIT RATES BY INDUSTRY

During 2015-2019, two industries had average quit rates above 3%—Accommodation and Food Services (4.4%) and Retail Trade (3.1%). In 2021 through September, rates in these two industries jumped to 5.7% and 4.1%, respectively. Two characteristics of these industries are (1) significant numbers of relatively low-paying jobs; and (2) employee interaction with large numbers of people. Record job openings allows many workers in these industries to leave their current employment for higher paying jobs in industries that require less public interaction.

Since 2015, the largest increases in quit rates have been in manufacturing. At nondurable goods (goods that last less than three years) manufacturing companies, the rate at which employees quit more than doubled between 2015 and 2021, from 1.3% to 2.8%. For durable goods manufacturers, the rate doubled from 1.0% to 2.0%.

### QUIT RATES SOARING

Average Monthly Job Quit Rate, 2012-2021




These record numbers of job openings and workers voluntarily leaving their jobs indicates a labor market in which employees increasingly have more leverage on employers.

## FUTURE IMPLICATIONS

This current state of the labor market may give us hints as to what the future holds. Demographics in both Wisconsin and the nation indicate that labor shortages are likely to continue for the foreseeable future. With more employment options for workers, quit rates are likely to continue increasing.

Rising wages to attract workers will likely continue, particularly at the lower end of the pay scale. This will benefit the employee. At the same time, as competition for workers heats up and labor costs continue to rise, companies will increasingly turn to technology. Low-skill jobs are often the most vulnerable to technological replacement. How these competing forces play out will determine if these workers benefit in this environment or if many will lose ground. ♦