

Policy Briefing Note: The Great Resignation*

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Research Highlights

The rapid rise in workers resigning their jobs in many advanced countries - the so-called the “Great resignation” - has divided opinion, both in terms of causes and consequences. Suggested causes range from workers re-evaluating their careers and lifestyles after the pandemic to a more mechanical effect of lockdowns and subsequent rebounds in demand. We conclude, in the context of the UK, the latter is closer to the truth; most resignations were among workers moving to a new job in the same occupation and industry rather than taking time out of the labour market or substantially altering the career plans.

Opinion is similarly divided about the likely consequences of rising resignations. From the perspective of workers, some suggest the rise in resignations will lead to a permanent change of culture towards greater job shopping by employees. From the perspective of firms, some suggest it might be causing the labour shortages seen in some sectors. We settle on an intermediate view, concluding that resignations are a symptom rather than cause of labour shortages, and that, while helpful for wages in the short term, there is already evidence that the levels of resignations and wage growth are returning to more historically normal levels.

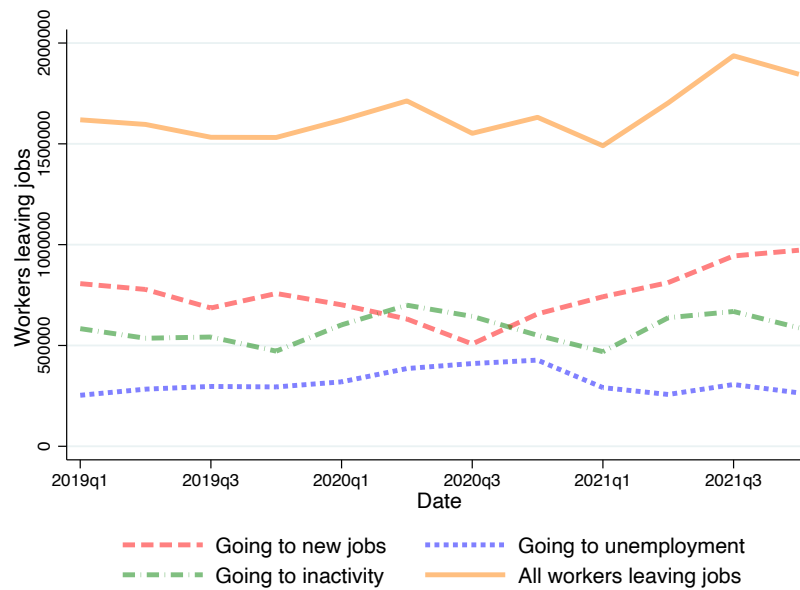
Basic facts:

- The great resignation is a reality - the number of workers resigning their jobs in a given quarter has now reached its highest level since comparable records began.
- Other forms of job quits have risen too e.g. due to early retirement and temporary jobs ending, though these are not the focus of this note.¹
- Overwhelmingly the great resignation has been driven by workers resigning to new jobs rather than resigning to unemployment or inactivity.
- Most of these job moves are to jobs in the same occupation - so ‘sideways’ moves, with some wage gains, rather than career upgrades
- We see both that resignations rose fastest in shortage industries - especially Accommodation and Food. However, most of these rises were again within industry moves, so did not contribute to employment shortages in these sectors.

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¹See accompanying briefing note on early retirements.

Figure 1: Workers leaving their jobs



Note: Data from two-quarter LFS. All series have stable seasonal filter applied

1 Rising Resignations: Aggregate Trends

We first examine the total numbers of workers leaving their jobs for any reason, separating by transitions into unemployment (E2U), into inactivity (E2I) and into another employer (E2E). Figure 1 shows the number of these transitions that occur over the course of two quarters. We see a significant rise in workers leaving their jobs, mostly driven by workers moving to new jobs, though there is an increase in outflows to inactivity too.

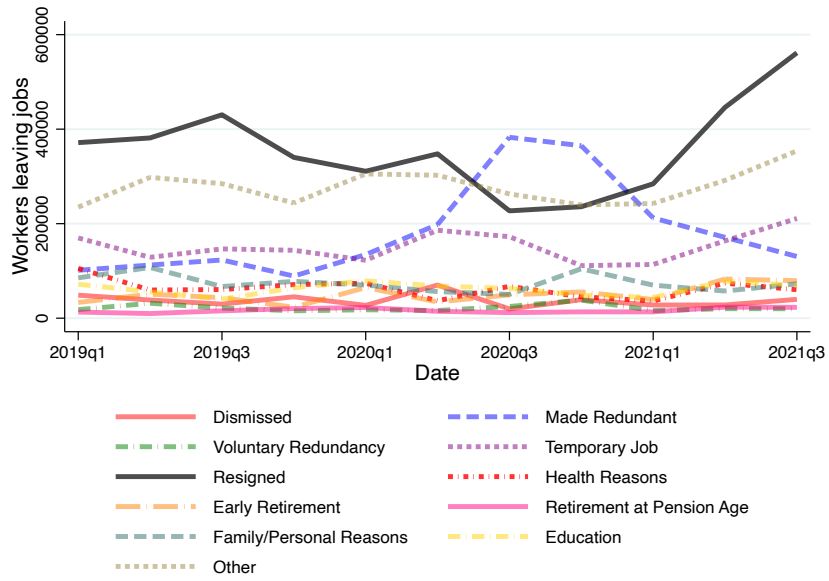
This begs the question: why are workers quitting their jobs. The LFS asks exactly this, with the responses plotted in Figure 2. We see big increases in the numbers of workers listing resignation as a reason, coupled with increases in the numbers of workers leaving temporary jobs and going into early retirement. We focus on this rise in resignations in this note, which Figure 3 shows is driven by workers resigning to new jobs. We will consider this rise in resignations from the perspective of workers and firms.

2 Rising Resignations: Workers' Perspective

In this section, we first examine whether the rise in resignation was concentrated in particular demographic groups (focusing on age, sex and education) before investigating the potential causes and consequences of rising resignations in more detail.

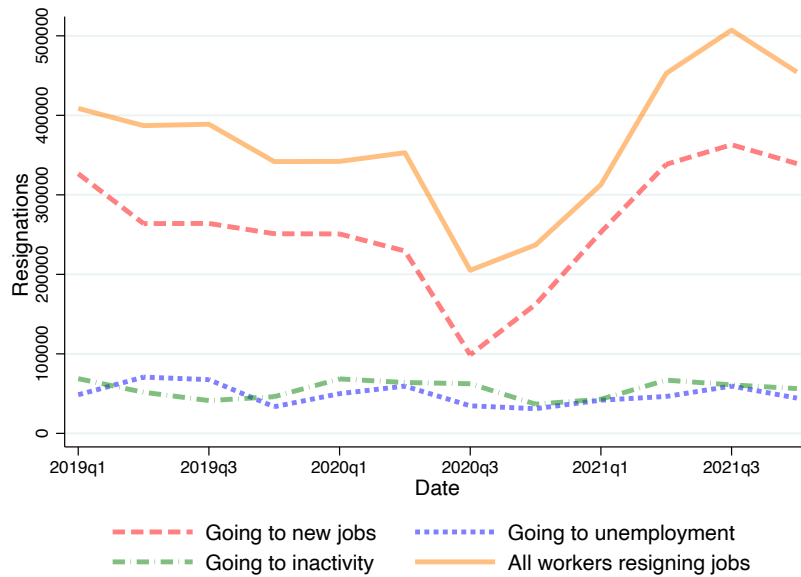
Demographic analysis: In this subsection we look at whether the rise in resignations has been heterogeneous across different demographic groups. Since these groups have heterogeneous employment levels we focus on resignation flows from employment to new jobs as a fraction of employment. The focus on resignation to new jobs, as opposed to resignations to other labour market states, is justified by the analysis above suggesting resignations to new jobs accounted for most of the rise in total resignations.

Figure 2: Reason Workers Leaving Jobs



Note: Data from two-quarter LFS, showing workers who left job in last quarter by reason for doing so. All series have stable seasonal filter applied

Figure 3: Resignations by Destination



Note: Data from two-quarter LFS, showing workers resigning job in last quarter by destination employment state. All series have stable seasonal filter applied

Figure 4: Demographics and Resignations to New Jobs

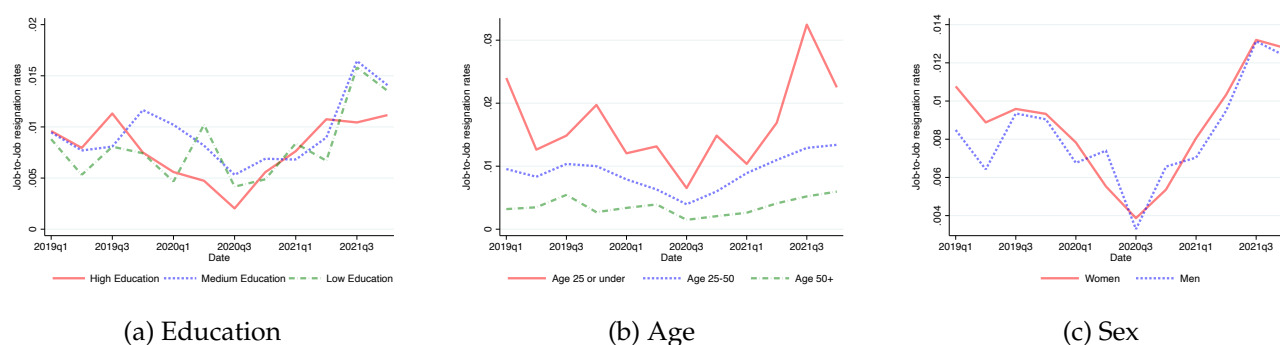


Figure 4 plots resignation rates to new jobs by education levels (left panel), by age (middle panel) and by sex (right panel). In the left panel, see that the rise in resignation rates was relatively even across education groups, with slightly sharper increases for low-middle education levels.² In the middle panel, we see that younger workers saw significantly steeper rises in job-to-job resignation rates than other age categories, perhaps reflecting greater gains to job shopping and greater lifestyle flexibility to do so. Finally, in the right panel, we see the rise in job-to-job resignation rates was very similar for men and women.

Causes: We have seen that most of the rise in resignations was among workers leaving to start new jobs. This leads us to look at why employed workers are searching for new jobs. The LFS asks employed workers who declare they are job searching why they are looking for an additional or replacement job. In Figure 5 we see strong growth in the number of workers looking for jobs for non-pay reasons. There are significant rises in the number of workers unhappy with their present job for reasons other than pay and in the number of workers looking to change occupation. While workers looking for pay improvements have been rising too, it is notable that around the time to the pandemic this stopped being the top reason for looking for a new job, so non-pay job amenities are playing an increasingly important role in job search. This could reflect increased targeting of jobs with the ability to work from home or, relatedly, health concerns becoming more important as a determinant of job search. However, determining the exact cause requires more detailed data than is available in the LFS.

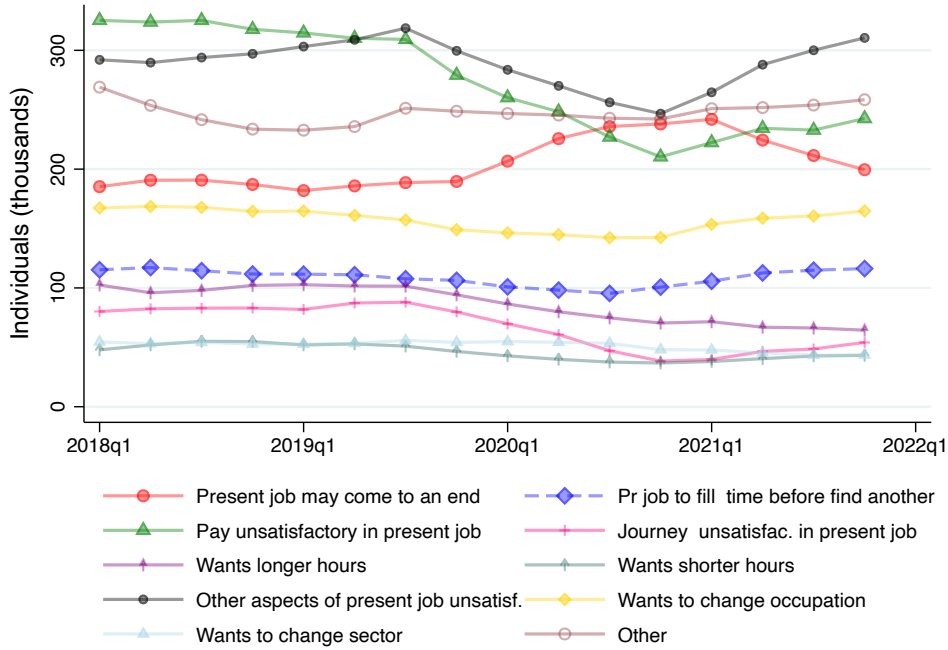
Consequences for workers: We have seen that non-pay reasons have played an important part in the motivation of job searching, and a rise in workers looking to change occupation. However, this need not translate into realised occupational mobility if firms are not willing to hire workers without relevant experience. Evidence in the US suggests that occupational mobility is crucial if job mobility is to translate into large wage gains for workers (Wiczer and Carrillo-Tudela (forthcoming)).

Figure 6 shows resignations that resulted in occupational moves or not. It further distinguishes between occupation moves that are ‘upward’ in the sense of climbing the occupational pay ladder or downward. We see that the rise in resignations to new jobs is overwhelmingly driven by workers moving within the same occupation, so sideways moves rather than up (or down) the occupation ladder.

Figure 7 shows job-to-job resignations according to whether they resulted in a change of industry or not. In contrast to occupation mobility, we see a rise in resignations to new jobs that result in a change in industry. However, the rise in within industry resignations dominates the rise in between

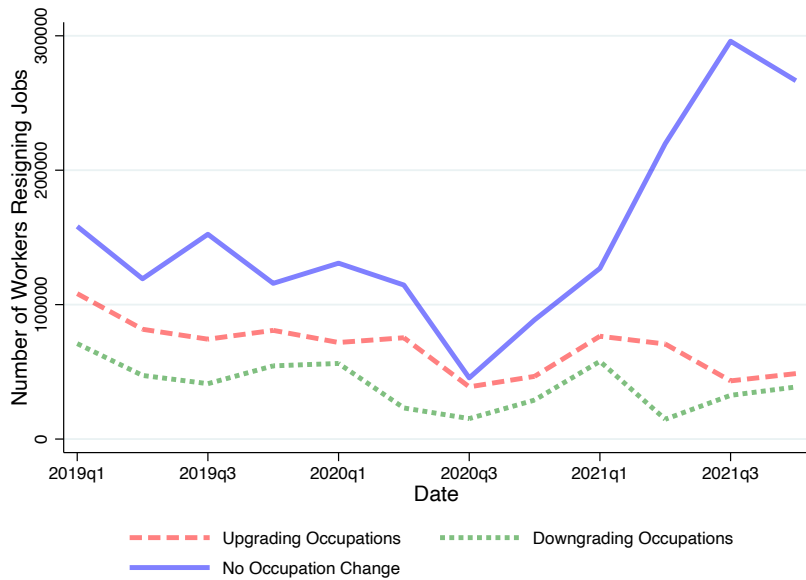
²maximum education attainment for our low, middle and high categories are GCSE (aged 16 qualification), A-level (aged 18 qualification), university degree respectively.

Figure 5: Reasons for Employee Job Search



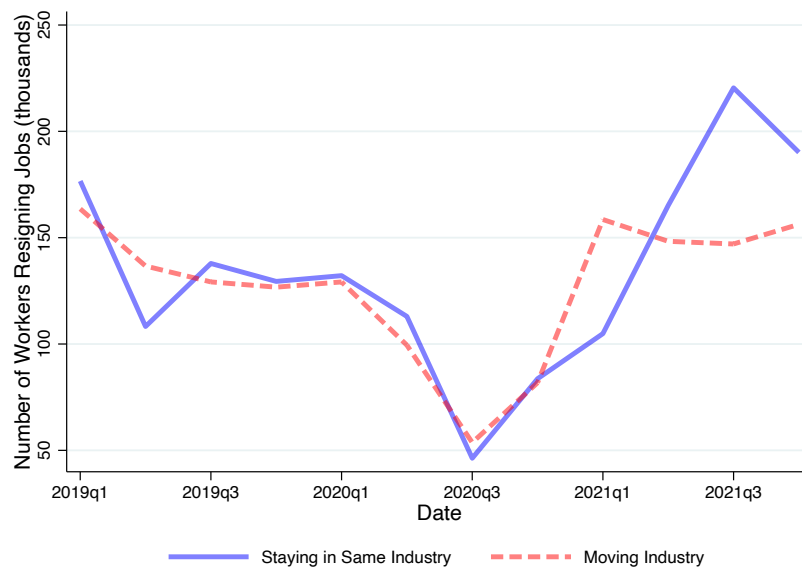
Note: Data from two-quarter LFS, showing workers resigning job in last quarter by destination employment state. All series have stable seasonal filter applied

Figure 6: Resignations and Occupation Mobility



Note: Data from two-quarter LFS, showing workers resigning job in last quarter by occupational change status. All series have stable seasonal filter applied

Figure 7: Resignations and Industry Mobility



Note: Data from two-quarter LFS, showing workers resigning job in last quarter by occupational change status. All series have stable seasonal filter applied

industry resignations.

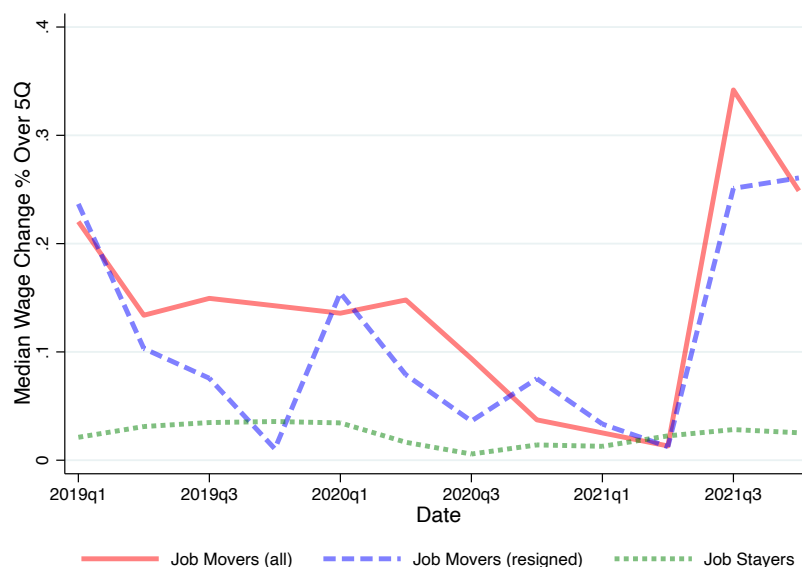
The lack of occupational upgrading associated with the rise in resignations raises the concern that such resignations may not be generating the wage gains we typically associate with job mobility. We look at this using the 5 quarter longitudinal version of the LFS where workers report their wages in the first and fifth quarters. We focus on workers with continuous spells of employment. Some caution should be exercised in interpreting this analysis since self-reported wages are prone to large measurement error. Taken at face value, Figure 8 suggests that wage gains of job movers accelerated over the pandemic despite the lack of occupational upgrading. Resignations do not appear to have a wage premium over other forms of job moves. However, the hypothesis that worker resignations would prompt employers to raise wages for incumbent employees who do not move jobs, in order to lower turnover, is not supported by the data. Wage changes for job stayers (who are the vast majority of employees) have been relatively muted during the period when wage gains for job movers increased sharply.

In summary for the workers' perspective, rising resignations are primarily driven by workers moving into new jobs, with workers' job search increasingly motivated by non-pay factors. However, despite an increasing desire of workers to move into new occupations, most of the rise in resignations was among workers staying in the same occupation and, to a lesser extent, same industry. Moving workers have enjoyed large wage gains, despite the absence of occupational upgrading. However, the increase in resignations does not seem to have led employers to substantially raise wages for incumbent employees who do not move jobs.

3 Rising Resignations: Firms' Perspective

We look at the impact of rising resignations on firms through the lens of the recent 'labour shortages' debate. We do this by focusing on the four sectors with the highest proportion of firms reporting dif-

Figure 8: Wage Changes of Job Movers



Note: Data from five-quarter LFS, median wage changes by job change status. All series have stable seasonal filter applied

difficulties in hiring.³ These sectors were the Construction, Accommodation and Food, Manufacturing, and Health and Social Work sectors (in decreasing order of hiring difficulties).

We first examine resignations as a fraction of all employees in each sector in Figure 9. It is clear that some of the shortage sectors, like Accommodation and Food and Manufacturing, have seen large increases in resignation rates relative to pre-pandemic levels. Figure 10 additionally shows that, when aggregated, shortage sectors experienced a greater increase in resignations than non-shortage sectors.

At first sight, Figure 10 appears to support the idea that rising resignations have contributed to labour shortages in the sectors most affected by these issues. However, given that most resignations are to another job, it is important to distinguish between resignations that lead to employees leaving an industry and those where the employee stays within the same industry. Figure 11 does exactly that and shows that the rise in workers resigning to new jobs in shortage sectors has been driven by workers staying in the same sector. We therefore conclude that these resignations are not causing labour shortages in the sector as a whole. However, in so far as firms need to replace resigning workers, they may well be exacerbating the recruitment difficulties reported by firms.

4 Conclusion

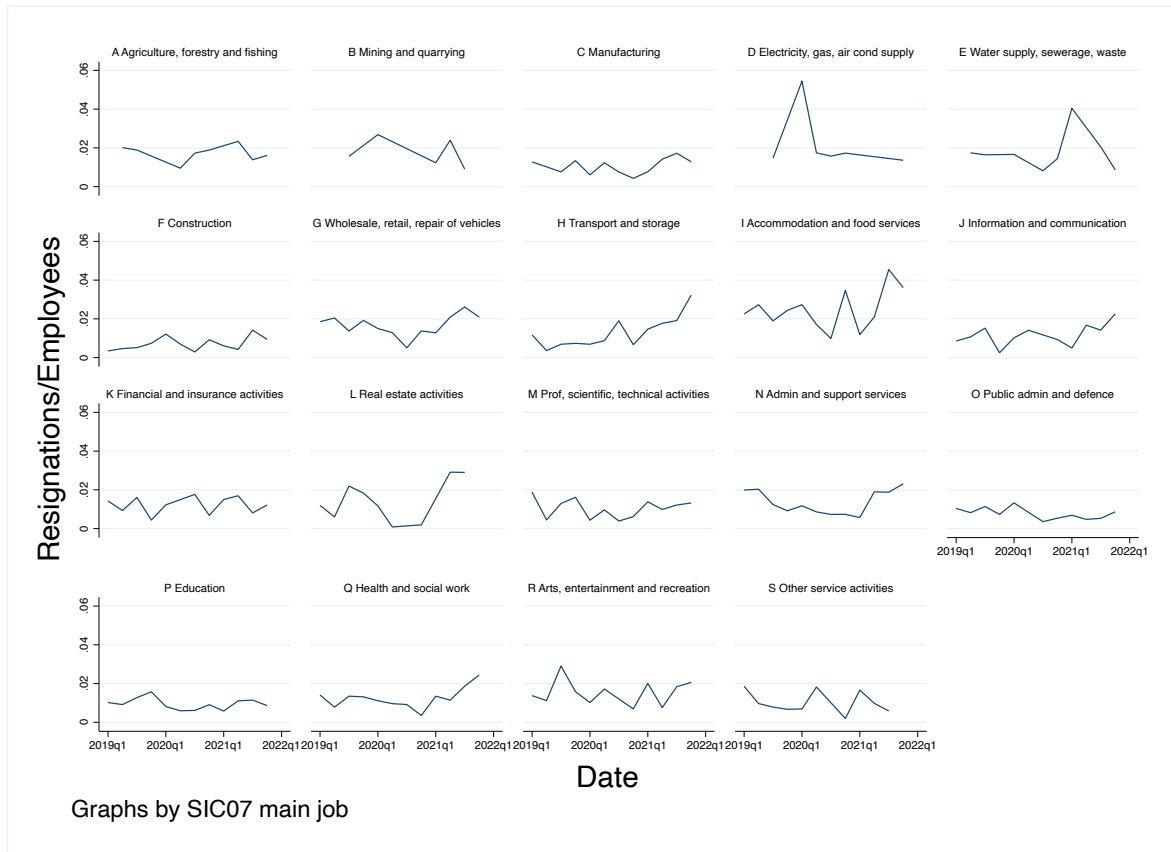
The rise in resignations in the UK over 2021 - the so called “Great Resignation” - has not significantly improved the career paths of workers as some have hoped. Resigning workers are not quitting to leave the labour force, or even to drastically change career.

Instead, most of the rise in resignations is “sideways” moves, with workers quitting to move to similar jobs at new firms. But the sharp rise in the competition to fill vacant positions has at least led firms to improve the pay of these workers who are willing to move firm. For most workers, who don’t change jobs, wage growth will be slower and insufficient to offset large increases in the cost of living.

Our findings also suggest rising resignations are a symptom rather than cause of labour shortages,

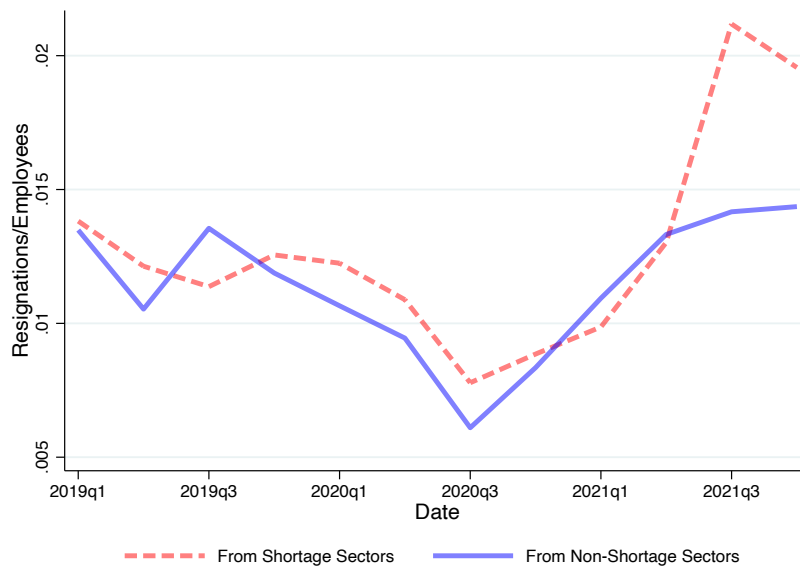
³As reported in Office for National Statistics’ Business Impact of COVID-19 Survey.

Figure 9: Resignations by Sector



Note: Data from two-quarter LFS, showing number of workers resigning their job in the last quarter by sector they previously worked in. This includes resignations to unemployment, inactivity and employment. All series have stable seasonal filter applied

Figure 10: Resignations in Shortage vs Non-Shortage Sectors



Note: Data from two-quarter LFS, showing number of workers resigning their job in the last quarter grouped by shortage vs non-shortage sectors. This includes resignations to unemployment, inactivity and employment. All series have stable seasonal filter applied

Figure 11: Resignations by Destination: Shortage vs Non-shortage



Note: Data from two-quarter LFS, showing number of workers resigning their job to start new jobs in the last quarter grouped by shortage vs non-shortage sectors, and whether resignations are to different sectors or not. This includes resignations new jobs only. All series have stable seasonal filter applied

with most of the rise occurring among workers staying in the same industry. The rise in resignations reflects a rebound in labour demand, and this rebound already shows signs of fading with resignation and wage growth all slowing in Q4 2021.