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ECONOMIC VIEWPOINT

The Great Resignation: A Distinctly American Phenomenon?

By Joëlle Noreau, Principal Economist and, Florence Jean-Jacobs, Principal Economist

Much has been said about the Great Resignation that swept through the United States in 2021 and 2022. But did we see a wave of resignations north of the border as well? There's no sign of it in the labour market data. While the US and Canadian job markets have a lot of similarities, the Great Resignation is a uniquely American phenomenon. There's also no consensus on what caused it. Canada and Quebec have been hit harder by the Great Retirement. Because of the ongoing labour shortage, workers have the upper hand. As workers remain in short supply, we're unlikely to see massive layoffs or a spike in unemployment during the upcoming recession. We can therefore expect even more changes in the workplace going forward.

An Essentially American Transitory Trend

The Great Resignation got a lot of media attention in 2021, especially in the United States. The term was coined by Texas A&M University management professor Anthony Klotz and first appeared in a May 2021 Bloomberg article.

The United States saw a spike in both the number and the share of workers quitting in 2021 (graph 1). At the time, lockdowns were ending and the economy was gradually reopening. The monthly quit rate, which is the number of voluntary separations[1] as a percentage of total employment, peaked at 3.0% in November and December 2021. It has since fallen. It stood at 2.7% in September, but is still higher than any pre-pandemic reading since the Bureau of Labor Statistics (BLS) survey began in 2000. Why? Consider the following three things.

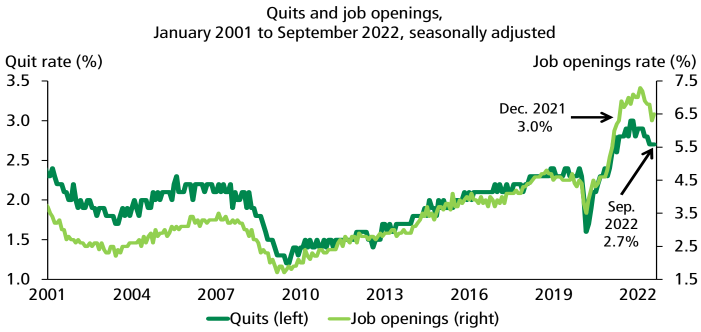
- The quit rate closely tracks job openings, which rose sharply as the economy reopened in 2021.

  This is a trend we've seen since 2000 (graph 1). Quits increased in 2018 and 2019 as well, but not as much as in 2021.

  With so many job openings, it's no surprise that more people were quitting. In fact, according to a 2021 study by Furman and Powell III, quit rates were almost exactly what we'd expect them to be based on the number of job openings.

  Why were job openings so high? The tight labour market is one factor. As lockdowns ended and the economy recovered, demand exceeded supply in several industries, and many sectors faced labour shortages.

GRAPH 1
United States: Quits and job openings move in the same direction



Sources: Datastream and Desjardins Economic Studies

- Workers who normally would have quit in 2020 waited until 2021 during the post-lockdown recovery. We call these pent-up resignations.

  As a result, there were two years' worth of resignations in 2021—the 2020 quits and the 2021 quits.

[1] Quits are tracked by the Bureau of Labor Statistics in the Job Openings and Labor Turnover Survey. They include people who quit to either take another job they have lined up (job change), look for another job (temporarily unemployed) or leave the labour force. They don't include separations due to disability, illness, death or retirement. See the additional methodological note in box 1 on page 2.

Based on these two factors, the quit rate isn't that far off from what we could reasonably expect, making the Great Resignation an essentially transitory phenomenon.

- It's also possible that the quit rate has been this high before.

  According to a study by the U.S. Bureau of Labor Statistics using data from a previous manufacturing survey, the quit rate at the end of the expansion cycles in 1969 and 1973 likely matched the 2021 rate.

Nevertheless, there was a big wave of resignations in the United States recently, and it wasn't entirely due to the tight labour market.

BOX 1
47 Million Quits? Really?

Commentators have added up the monthly quit figures for 2021 and arrived at a staggering figure of 47 million total quits. This seems disproportionate considering the US had a civilian labour force of 161 million people in 2021. But people who quit multiple jobs are counted multiple times. The monthly quit rate is therefore a more reliable indicator.

The Pandemic Accelerated Social Changes That Contributed to the Great Resignation

Many surveys have looked at why workers quit. While these surveys can tell us the reasons workers most commonly cited for quitting, they don't point to a single reason, and the surveys don't agree on all points (box 2).

- Here are some of the most common reasons mentioned.
  - Burnout

  Stress levels were extremely high for many workers during the pandemic, especially those in physical contact with customers or patients. It's no wonder then that those who quit had the highest stress levels: health care, retail, food service and hospitality workers. According to a McKinsey survey, mental health (stress and burnout) factored into the decision of workers who quit their jobs without having another one lined up.

  - Changing Attitudes and Expectations about Work

  After months of overwork, hiring freezes and forced leave, people were left questioning the meaning of their work in 2021. We'll come back to this later, but suffice it to say that workers' expectations have changed. In a September 2022 US Conference Board survey of 1,600 workers, for example, 52% said caring and empathetic leaders are more important to them now than before the pandemic.

BOX 2
Different Situations and Motivations

A food service worker who quit to take a job in an industry with more job security or less physical contact with customers. A health care worker who put their career on hold to take care of a sick loved one or children at home. A digital technology professional who moved to another firm for better pay or better hours. These situations are completely different, both in terms of motivations and impact on labour market indicators (temporarily unemployed, out of labour force, remained employed).

  - Workers Want Flexibility and Work-Life Balance

  There were fewer quits among those who could work from home and those with greater work flexibility (WEF, 2021). Even surveys conducted before the pandemic showed that most knowledge workers preferred having the option to work from home and would even be willing to quit to have this option (Zapier, 2019). That means remote and hybrid work are probably here to stay.

  Family reasons were also a factor for some. In the US, nearly half of workers with children under 18 at home cited child care issues as a reason for quitting in 2021 (#4 reason in a Pew Research Center study).

The Impact Was More Pronounced in Certain Sectors

Table 1 shows the sectors that were the biggest contributors to the increase in the quit rate between April 2020 and November 2021 according to the BLS.

Workloads and stress rose considerably for health care and social assistance workers during the pandemic.

Meanwhile the food service, hospitality and retail sectors were hit hard by social distancing requirements. Workers in these

TABLE 1
United States: Sectors that have pushed the quit rate higher

		Quit rate	
RANK	SECTOR	APRIL 2020	NOVEMBER 2021
1	Retail trade	2.1%	4.6%
2	Professional and business services	2.0%	3.8%
3	Accommodation and food services	3.6%	6.4%
4	Health care and social assistance	1.8%	3.1%

Sources: U.S. Bureau of Labor Statistics and Desjardins Economic Studies industries faced job insecurity, uncertainty and fears over their health and the health of their loved ones. In many US states, lockdowns were less common than in Canada, even during waves of COVID-19. That means more workers were forced to go in to work, and some opted to quit.

According to a study by the MIT Sloan Management Review, professional, scientific and technical services including internet, enterprise software and management consulting companies saw high attrition rates. But these sectors tend to have a high turnover rate anyway. The study also found a higher quit rate in innovation and tech companies, which faced higher workloads during the pandemic. Turnover was lower in the information, finance and insurance sectors.

But according to the MIT Sloan Management Review, sector isn't everything, and churn varied considerably from company to company within the same sector. For example, one automaker's quit rate was 3.8 times higher than that of a competitor.

Did Age Matter?

Although media reports about the Great Resignation have focused on Gen Z workers, turnover rose the most among people in the middle of their career. According to the Harvard Business Review, resignations among 30- to 45-year-olds were up 20% in the first eight months of 2021 compared to the same period in 2020. Why? With people working from home, employers may have been more comfortable relying on experienced employees, making them more in demand and therefore more likely to change jobs.

It's Been a Different Story in Canada and Quebec

The pandemic had similar effects on both sides of the border, so you'd think the Great Resignation would have happened here too. But that's not borne out by the data. Turnover didn't increase in Canada or Quebec. While the number of core working age adults 25 to 54 who said they quit was up in 2021 and 2022, we didn't see a huge spike like in the United States.

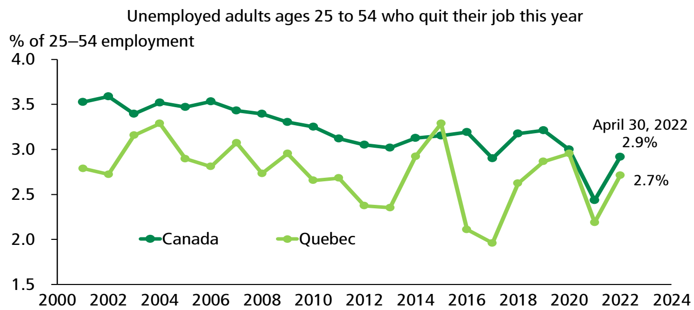
So, are labour markets completely different up here? Not really. If you look at the major labour market indicators, both Quebec and Canada returned to pre-pandemic employment levels in 2022. The unemployment rate is currently below the 20-year average in Quebec and Canada, just like in the United States.

The labour force participation rate for people 15 and older has been declining in Quebec since 2003. It has been trending down since 2009 in Canada, as it has in the US for people 16 and up.

The US job vacancy rate hit a record high this spring before moderating over the summer. In Canada and Quebec, the vacancy rate peaked in the spring before declining, like what happened south of the border. Again, labour market trends are very similar in both countries.

There's no quit rate data for Canada and Quebec like there is for the US. But we can still make some comparisons. If we look at the data from April 2021 and April 2022, there was an increase in the number of core working age adults 25 to 54 who said they quit their job (graph 2).[2] However, we didn't see any spikes here like we did in the United States. Drawing on the methodology used by the BLS, we can make approximations to see if there's a similar trend in Canada's Labour Force Survey (LFS). We simply divide the number of job quitters ages 25 to 54 (to exclude people who retired) by the number of jobs in that age group. From 2008 to 2022, we find an increase in the US but a decline in Canada.[3]

GRAPH 2
Canada and Quebec: The share of people quitting is trending lower despite spiking after the economy reopened



Sources: Statistics Canada and Desjardins Economic Studies

The number of quits declined over the course of 2020 in Canada and Quebec. The pandemic could be why. Labour market stability was especially high among core working age adults 25 to 54, the vast majority of whom remained on the job. But as lockdowns ended in 2021 and 2022, there was a surge in the number of voluntary quits. That figure was still in line with pre-pandemic data in both Quebec and Canada, however. So, we didn't see anything unusual like in the US.

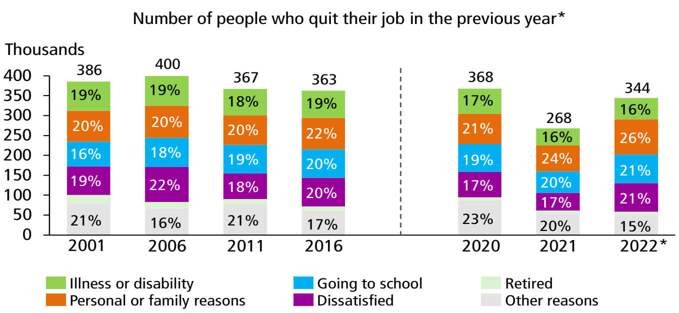
Most 15- to 64-year-olds who quit said they did so to retire or go back to school. The pandemic may have influenced people's decision-making, however. In Canada, the number of respondents ages 25 to 54 saying they quit their job in the

[2] The Canadian data is based on the retrospective question "Have you left your job in the last year?", while the US data provides a snapshot of the current situation. To allow for a comparison with the US data and simplify graph 2, we've based the Canadian data on the assumed quit date. Since the most recent data is as of October 31, the assumed quit date in graph 2 is April 30, the midway point of the 12-month period ending October 31. The numerator is the number of unemployed adults ages 25 to 54 who quit. The denominator is average employment over the previous 12 months as of October 31.

[3] The Canadian rate is based on workers who left their job in the last 12 months. A study by the Institute of Fiscal Studies and Democracy focused on more recent quits (4 weeks or less of unemployment). Using LFS data, the study found that the quit rate followed a downward trend similar to that demonstrated by our measure for the period between 2000 and 2017. This study also noted that the Canadian quit rate was correlated with the business cycle.

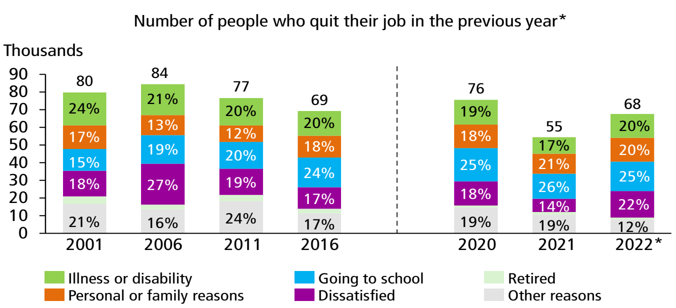
previous year due to job dissatisfaction or personal or family reasons is up in the first 10 months of 2022. But if you compare this figure with the Canadian and Quebec data for the past 20 years (graphs 3 and 4), it doesn't stand out. For adults 55 to 64, COVID-19 doesn't appear to have nudged them into retirement sooner or caused more illness. Instead, job dissatisfaction was the fastest-growing reason for quitting.

GRAPH 3
Canada: Quits for personal or family reasons peaked in 2022 for 25- to 54-year-olds



* For 2022: January–October average (not seasonally adjusted)
Sources: Statistics Canada and Desjardins Economic Studies

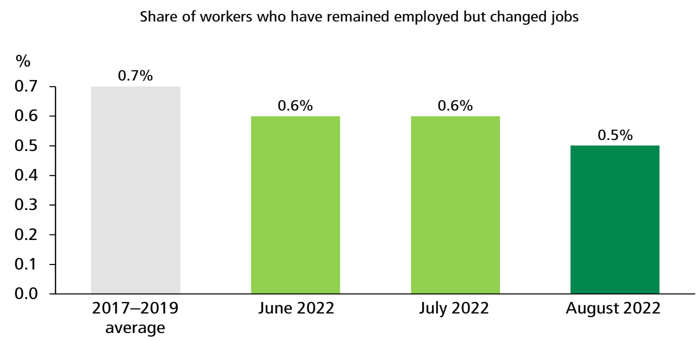
GRAPH 4
Quebec: In 2022, a growing share of 25- to 54-year-olds have cited dissatisfaction as a reason for quitting in the last year



* For 2022: January–October average (not seasonally adjusted)
Sources: Statistics Canada and Desjardins Economic Studies

According to a fall 2021 Bank of Canada (BoC) survey, the average consumer said there was about a 19% chance they would voluntarily quit their job in the coming year. Many respondents said they "would like to switch jobs for higher compensation, greater career opportunities and better hours." But the job-changing rate in the LFS hasn't risen meaningfully in recent months (graph 5). Even if we look at unemployed people who quit without having a new job lined up (about 3% of the 25- to 54-year-olds as indicated in graph 2 on page 3), we're likely far from the number suggested by the BoC survey. That may also mean that labour market conditions haven't been good enough to entice workers to change jobs, especially since many companies have been working to retain their staff.

GRAPH 5
Canada: No clear uptick in the job-changing rate



Sources: Statistics Canada and Desjardins Economic Studies

In short, while Canada doesn't measure quits as precisely as the United States does, the data suggests there's been no mass resignation north of the border. Canada and Quebec do have an aging workforce, though. We're therefore facing more of a Great Retirement here than a Great Resignation.

The Future of the Labour Market

We didn't see a Great Resignation in Canada, but that doesn't mean labour market conditions couldn't change. The pandemic laid bare many challenges, including a faster pace of work in some fields, a worker shortage in others, and a lack of flexible work arrangements.

The reasons behind the Great Resignation in the United States and quit intentions on both sides of the border are all opportunities for employers. As we've seen, pay is not the only source of employee dissatisfaction, interest or motivation. We often see major shifts when the labour market is tight, and workers are scarce. The pandemic and public health measures have changed the workplace as we know it. Longer hours, faster pace, greater risk, job losses and work from home prompted employers and employees to rethink everything.

Workers want better pay (especially with today's high inflation) and more recognition. That recognition can come in the form of salary and benefits, but also more attentive managers, opportunities for advancement or lateral movement, or more flexible work arrangements.

According to a survey of 500 US companies conducted between April and September 2021 published in the MIT Sloan Management Review, a number of factors contributed to attrition during the pandemic, all related to corporate culture. The most frequently cited factors are listed in table 2 on page 5. A toxic corporate culture is number one, followed by job insecurity and reorganization. High levels of innovation (which goes with the first point) comes in third. This corroborates some studies that have found that heavy workloads account for the elevated quit rate in highly innovative companies. Failure

TABLE 2
Predictors of attrition during the Great Resignation

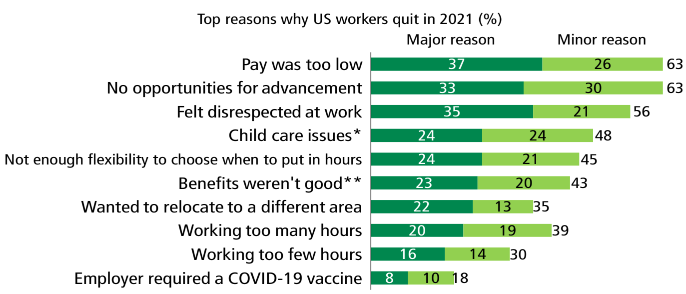
FACTOR
Toxic corporate culture
Job insecurity and reorganization
High levels of innovation
Failure to recognize employee performance
Poor response to COVID-19

Sources: MIT Sloan Management Review (based on a survey of 500 US companies, April/September 2021) and Desjardins Economic Studies

to recognize employee performance ranked fourth, and poor response to COVID-19 came in fifth.

But other studies disagree on some points. According to a 2021 Pew Research Centre survey of job quitters (graph 6), pay was the number one reason workers quit. Lack of opportunities for advancement came in second. Lack of respect was third. In a virtual three-way tie for fourth were childcare issues (remote learning and daycare closures during the pandemic), lack of flexible hours, and benefits.

GRAPH 6
United States: Low pay and limited opportunities for advancement were major factors in 2021



* Among those with children younger than 18 living in the household ** Health insurance, paid time off, etc.
Sources: Pew Research Center (2022) and Desjardins Economic Studies

Table 3 shows how difficult it is to pin down why workers quit. McKinsey compiled its own list of reasons why workers quit and went back to work in 2021. It's based on a survey of about 600 workers who voluntarily quit their job between December 2020 and December 2021 without having another one lined up. Respondents included workers across several industries in Australia, Canada, Ireland, New Zealand, Spain, the UK and the US. In the McKinsey survey, uncaring leaders came in first, followed by unsustainable work performance expectations, which in some ways ties in with toxic corporate culture in table 2.

TABLE 3
Workers had many reasons for quitting and going back to work

	REASONS FOR QUITTING		REASONS FOR GOING BACK TO WORK
1	Uncaring leaders	1	Workplace flexibility
2	Unsustainable work performance expectations	**2**	**Adequate total compensation package**
3	Lack of career development and advancement potential	3	Sustainable work performance expectations
4	Lack of meaningful work	4	Career development and advancement potential
5	Lack of support for employee health and well-being	5	Meaningful work
6	**Inadequate total compensation package**	6	Reliable and supportive people at work
7	Lack of workplace flexibility	7	Support for employee health and well-being
8	Unreliable and unsupportive people at work	8	Caring leaders
9	Unsafe workplace environment	9	Reasonable travel demands
10	Noninclusive, unwelcoming and disconnected community	10	Safe workplace environment
11	Inadequate resource accessibility	11	Inclusive, welcoming and connected community
12	Unreasonable travel demands	12	Adequate resource accessibility

Sources: McKinsey (2022) and Desjardins Economic Studies

Lack of career development and advancement potential and lack of meaningful work came in third and fourth, respectively. Total compensation was sixth. It was first in the Pew Research survey. But it was the number two reason workers went back to work. Given today's rampant inflation, compensation is a key factor.

Based on this research and other data, it appears that flexibility is increasingly important to employees. Flexibility can mean many things, from flexible work hours to flexibility about where the work is done. Work from home was a success during lockdowns and has since become much more than an emergency measure. More and more employees are working from home full- or part-time. Labour shortages in many sectors have given workers power to negotiate for it. These workplace changes are therefore just beginning.

Will the Coming Recession Be a Reality Check for Workers?

The Great Resignation we saw in the US didn't happen in Canada or Quebec. The share of workers quitting hasn't hit record highs, and the number of job changes isn't significantly higher than in previous years. But that doesn't mean labour market conditions won't change in Canada and Quebec. Our aging population means labour shortages could get worse, giving workers and job candidates greater bargaining power over employers.

But recent economic indicators suggest the United States, Canada and Quebec will dip into a recession. Will this slowdown shift the balance of power in the labour market? Due to labour shortages both here and in the States, workers currently have the upper hand. With workers in such short supply, it doesn't look like the coming recession will bring massive layoffs or a spike in unemployment. Workers and job candidates will maintain much of their bargaining power. This will be especially true in Canada and Quebec as the Great Retirement perpetuates the severe imbalance between worker supply and demand. As a result, we'll continue to see even more workplace changes.