

WebMemo



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Increasing Job Security in the Workforce

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How secure are American jobs? Conventional wisdom holds that Americans are more likely to be laid off today than they were a generation ago and that globalization and corporate greed are putting an increasing number of jobs at risk. Good jobs are being outsourced to countries where workers earn a fraction of American wages. The era of jobs for life is over; even long-time employees are no longer safe. Today, it seems, no job is secure.

This perception, like so much conventional wisdom, is wrong. The stories filling the media about decreasing job security are heart-wrenching individual examples of Americans in dire situations.¹ But discerning whether American workers' job security in general has changed requires analysis of empirical data.

Facts Based on Data. Understanding how job security has changed over the past generation requires examining data instead of anecdotes. The Heritage Foundation analyzed data from the 1976–2007 Current Population Survey (CPS) and the March supplement to the CPS collected in a joint project of the Census Bureau and the Bureau of Labor Statistics.

The Heritage Foundation adapted a methodology developed by the Bureau of Labor Statistics of using data from the basic CPS and the March supplement to identify workers who changed jobs, became unemployed, or left the labor force over the previous year. Using this method, it is also possible to estimate whether these workers changed jobs voluntarily or not.

Voluntary Versus Involuntary Job Changes. It typically takes workers several weeks or months to find a new job after their employers fire or lay them off. Workers who voluntarily change jobs, on the other hand, typically spend little time unemployed between jobs. They left their old employers because they had a better offer from another employer.

This makes it possible to use CPS data to identify the types of transitions that employees make:

- An employee who changed jobs over the previous year, and at the time of the March survey was either unemployed or was unemployed for more than two weeks between jobs, is classified as an involuntary job-to-unemployment switcher;
- A worker who switched jobs, was employed at the time of the March survey, but experienced two weeks or fewer of unemployment between the job change is classified as a voluntary job-to-job switcher; and
- A worker who was employed in the previous year but left the labor force at the time of the March survey is classified as a worker who leaves the labor force. No assumptions are made about whether the choice to leave the labor force was voluntary or involuntary.

This paper, in its entirety, can be found at:
www.heritage.org/Research/Labor/wm2038.cfm

Produced by the Center for Data Analysis

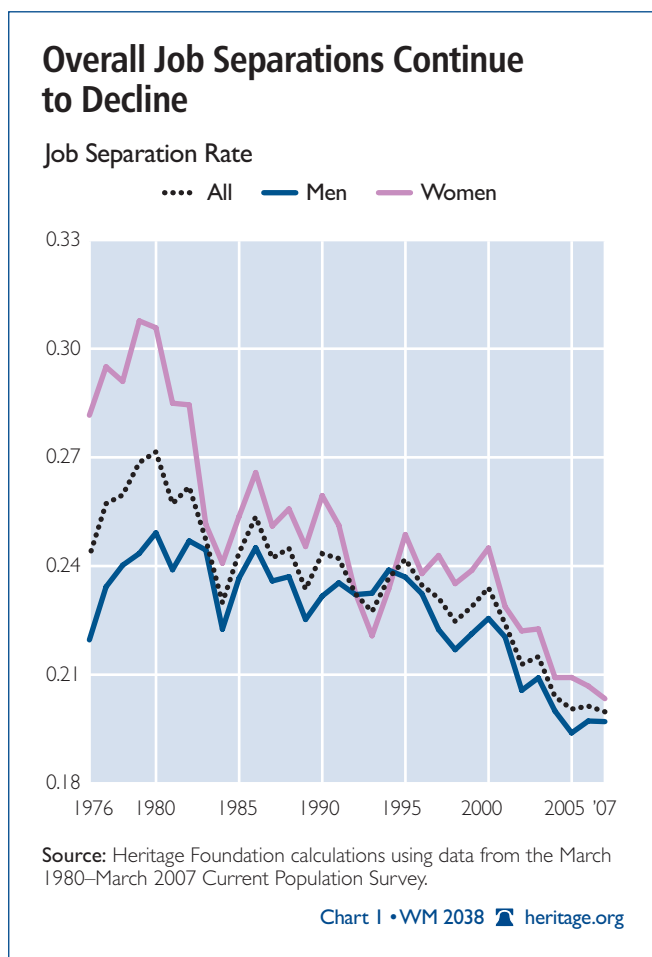
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These definitions are not perfect. Some employees who lose their jobs do find new work immediately, so some workers classified as voluntary job switchers are not. Conversely, some workers who leave their old jobs for new ones spend more than two weeks unemployed before starting their new jobs. However, these definitions do reasonably approximate whether workers chose to leave their employers or not. This allows a factual examination of how job security has changed over time. Further details of the calculations are contained in the forthcoming Center for Data Analysis Report “Job-to-Job Transitions in the Workforce: More Stability and More Security.”

Increased Job Security and Mobility. Chart 1 shows the probability that a worker left his or her job for any reason over the preceding year between 1976 and 2007.² Workers are less likely to leave their jobs today than in the past. From 1975 to 1976, almost a quarter—24 percent—of workers separated from their job over the course of the year. By 2006 and 2007 that figure had fallen to 20 percent.

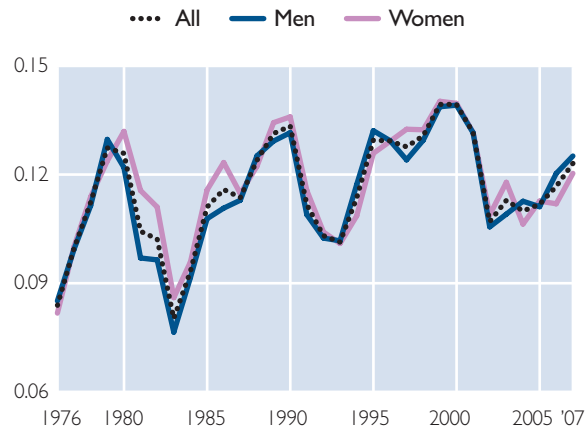
Charts 2 through 4 break down these overall separations into job-to-unemployment, job-to-job, and job-to-outside-the-labor-force switches. They differ strikingly.



- See, for example, Steven Greenhouse, *The Big Squeeze: Tough Times for the American Worker*, (New York: Random House, 2008), Chapter 11.
- The time span is 14.5 months—from January 1 of the previous year to March of the subsequent year—when the respondent answered the CPS survey.

Workers More Likely to Switch Jobs

Job-to-Job Transition Rate



Source: Heritage Foundation calculations using data from the March 1980–March 2007 Current Population Survey.

Chart 3 • WM 2038 heritage.org

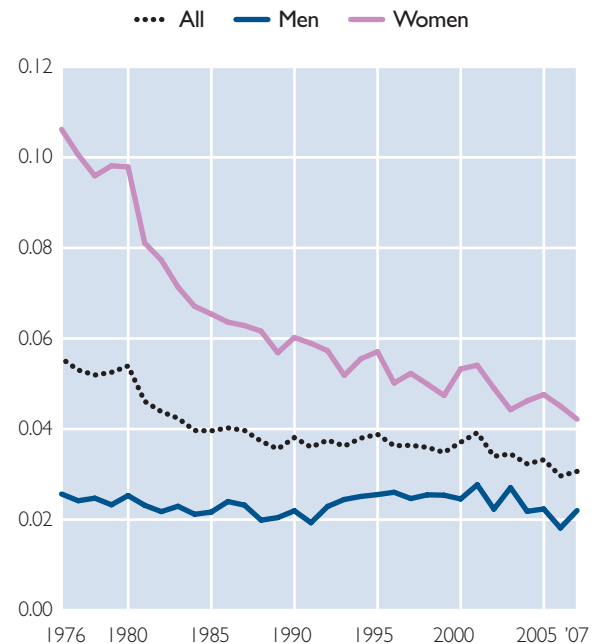
Workers are much less likely to lose their jobs today than they were a generation ago. This probability rises and falls with the business cycle, but the trend is steadily downwards. The typical worker had a 10 percent chance of losing his or her job between 1975 and 1976. Today only 5 percent of workers lose their jobs over the course of a year. Job security has markedly increased over the past generation.

Over that same time period, workers have become more likely to voluntarily move between employers. Unsurprisingly, workers are more likely to make voluntary job changes in good economic times than during recessions. Again, however, the trend is clear. Between 1975 and 1976, only 8 percent of employees stopped working for one employer and promptly started working for another. Fully 12 percent chose to change jobs between 2006 and 2007. The labor market offers workers much more mobility than in the past.

Women have also become much less likely to leave the labor force. Chart 4 shows the percentage of men and women who exited the labor force between 1975–76 and 2006–07. Men are no more or less likely to leave the labor force than in the past.

Women Today Are Less Likely to Leave the Labor Force

Employed-to-Outside Labor Force Transition Rate



Source: Heritage Foundation calculations using data from the March 1980–March 2007 Current Population Survey.

Chart 4 • WM 2038 heritage.org

Women, however, are significantly less likely to leave the labor force than they were a generation ago. Of the women working in 1975, 11 percent left the labor force by the following March. The same was true of only 4 percent of women working in 2006.

Conventional Wisdom Is Wrong. Many Americans are understandably worried about their job security during this current economic downturn. It has become conventional wisdom that Americans have less job security today than a generation ago and that globalization and corporate greed have put the jobs of even the most diligent workers at risk.

But like so much of conventional wisdom, this view is simply wrong. Job security does rise and fall with the business cycle, but American workers are significantly *less* likely to find themselves involuntarily or unexpectedly unemployed than a generation ago. The economy is going through difficult

times, but workers have much less to worry about than 30 years ago.

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tion. The author extends his thanks to Heritage intern Victoria Strokova, who performed the lion's share of the data processing and analysis.