

Majority of Hires Never Report Looking for a Job

BY CARLOS CARRILLO-TUDELA, BART HOBIJN, PATRYK PERKOWSKI, AND LUDO VISSCHERS

Every month, millions of workers search for new jobs although they already have one. About one-tenth of these searchers switch employers in the following month. However, most of the job switchers in the United States never reported having looked for a job. This implies that, rather than those workers finding jobs, the jobs actually found them.

In conventional models of the labor market, unemployed people search for jobs and respond to job openings posted by employers (as in Mortensen and Pissarides 1994). However, job search is not limited to just those currently without jobs. Each month, millions of employed people also search for new jobs hoping to change employers. While a lot is known about the job-search behaviors of the unemployed, the same is not true for the employed.

In this *Economic Letter*, we investigate active job searching among the employed and its implications for labor market turnover. We find that people on a payroll actively search for jobs at about half the rate as those without jobs. Employed workers who search are much more likely to transition into a new job than those who do not. However, roughly three-quarters of job switchers did not report having looked for a new job, because there are many more nonsearchers than there are job-seekers. Instead, workers who switched jobs seem to have been actively sought out and recruited by their new employers.

Measuring on-the-job search

The most common source of information on U.S. labor market activity is the Census Bureau's Current Population Survey (CPS). It is used to calculate the official unemployment rate. People are classified as unemployed if they do not have a job and are actively searching for one. As a consequence, the CPS primarily contains data on the job-search behavior of the unemployed.

Unfortunately, once people report having a job and are classified as employed, the CPS does not ask them whether they are searching for another job. Surveys similar to the CPS in other countries like the United Kingdom (Fujita 2012 and Carrillo-Tudela et al. 2014) do ask such questions.

The only U.S. data on the search behavior of employed workers is through the Contingent Worker Supplement (CWS) to the CPS. Conducted in February of 1995, 1997, 1999, 2001, and 2005, the CWS covers job-search behavior over the three months before the survey. The CWS asks respondents who started working at their current job within the past three months about their job-search behavior since starting their latest job.

In looking at these data, it is important to be consistent regarding what it means to search for a job in the definition of unemployment. For this study, we classify only those who actively search for work as job searchers. This includes contacting employers, employment agencies, friends, family, or university

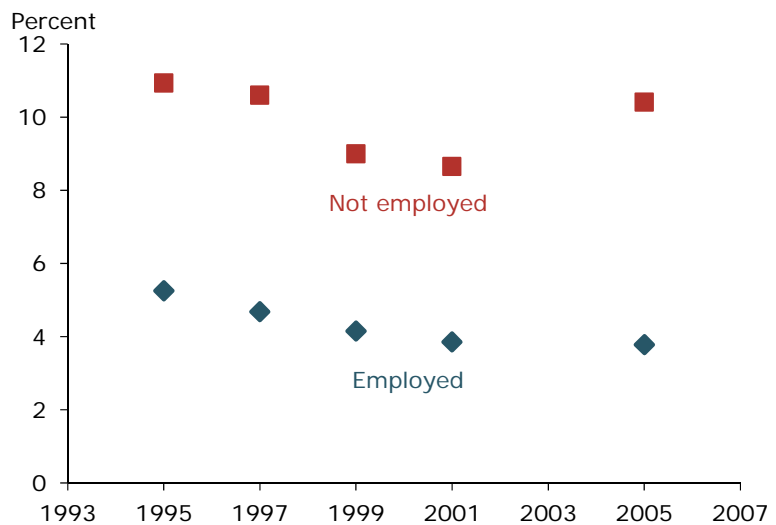
employment centers; sending out resumes; checking professional registers; and placing job ads. We exclude people who exclusively use passive job-search methods such as looking at ads or attending job training programs.

Prevalence of active job search among the employed

Job search among those with a job is not as common as job search among those without one. Figure 1 shows job search rates for people currently with or without jobs. Those who have a job are less than half as likely to search for a new job as those without one. About 4.3% of wage and salary workers reported actively searching for a new job, compared with about 9% of those without a job. Our 4.3% estimate may seem tiny, but active job-searchers constitute a significant labor market force. In February 2005, for example, of the 130 million wage and salary workers in the United States, almost 5 million were actively searching for a new job. Adding these on-the-job searchers to the roughly 8 million unemployed yields a total of 13 million individuals who were searching for new jobs that month.

Figure 1

Active job search rates from February surveys



Source: CPS and Bureau of Labor Statistics.

Job-search rates among the employed vary in terms of demographic characteristics according to the CWS survey. Younger workers are more likely to search on the job than older ones, which could imply they are less tied to their current job and are seeking other possible employment opportunities. Almost 7% of workers age 16 to 24 actively searched on the job compared with just 2.3% of those age 45 or older. College graduates are more likely to search on the job than those without a college education. This trend is especially true for recent college graduates, that is, individuals between ages 22 and 27 with a college degree. About 9.6% of employed recent college graduates actively searched for new jobs, compared with just 4.3% of the general population of workers. This may reflect that recent college graduates are more focused on changing jobs to find a career that matches their skills and interests.

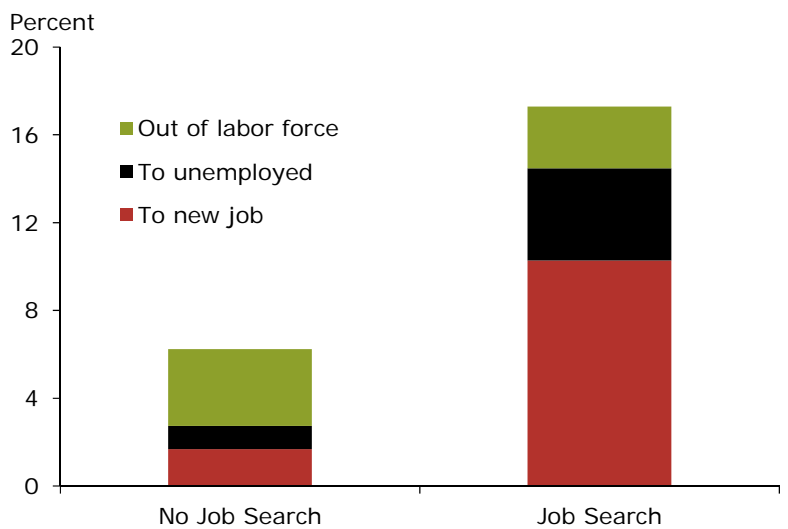
Active job search and labor status transitions

People who actively search on the job are much more likely to switch employers than those who do not. Figure 2 shows February's employed CWS respondents who reported a job status change in March broken down according to their job search activity. For both groups, over 90% of wage and salary workers reported still being employed in March, whether in their former jobs (not shown) or in new jobs. However, those who reported actively searching for a job were more than six times as likely to transition into a new job than those who did not report active job search (11.3% versus 1.8%), as denoted by the red bars in Figure 2. Job search affects transitions into employment in a similar way for those without a job: Jobless people who searched for a job are also six times as likely to transition into a job as the jobless who do not report job search. All of this falls in line with the traditional view of the labor market: People who actively search for jobs are more likely to transition into a job than those who do not.

However, Figure 2 shows that about 2% of nonsearchers also find new jobs. Though their chances of finding a job are smaller, nonsearchers actually make up the majority of new hires because there are many more people who do not search than there are who search. Table 1 summarizes these numbers. It shows that *more than three-quarters of workers who switched employers did not report active job search in the previous three months*. Thus the bulk of job-to-job transitions does not adhere to the usual interpretation of the labor market matching process in which employees actively seek out job openings posted by employers.

The story is not much different for those who are jobless. Fallick and Fleischman (2004) find that only about one-third of the moves from non-employment into employment come from those who actively searched in the previous month. Table 1 shows the same for our sample: Two-thirds of those who move from non-employment in February to employment in March do not report active job search.

Figure 2
Transitions from employment by search effort



Source: CPS.

Table 1
Hiring probability, hires by job status and search effort

Job status	Search activity	Percent hired	Hires, by job status	Hires, overall
Employed	No search	1.8%	77.6%	25.7%
	Search	11.3%	22.4%	7.4%
Not employed	Not in labor force (no search)	4.9%	63.1%	42.2%
	Unemployed (search)	29.1%	36.9%	24.7%

Note: Hires in March of survey years by February employment and search status.

Part of the phenomenon of nonseekers finding jobs might be explained as workers who search only briefly and find a job quickly such that their search activity is never reported in the CPS and CWS. However, Elsby, Hobijn, and Şahin (2015) show that this measurement issue only partly accounts for the flows from nonparticipation to unemployment; instead, a substantial part of these flows appears to be people who did not actively search but who seem to have been recruited by employers. Our evidence here suggests the same is true for job-to-job switchers.

Employer recruitment activity

Because of this, recruitment by employers through activities such as referrals or directly contacting applicants appears to be important for understanding a substantial part of labor turnover in the United States. Indeed a large literature emphasizes the importance of informal contacts for worker job mobility (see Ioannides and Loury 2004). Unfortunately, there is no obvious data source on recruitment activities by U.S. firms. The most common source is the Job Openings and Labor Turnover Survey (JOLTS) by the Bureau of Labor Statistics, which measures the number of people hired by firms and the number of job openings posted. A job opening could be interpreted as an active search effort from the business's side.

However, Davis, Faberman, and Haltiwanger (2013) point out that 42% of hires each month occur at firms that did not report vacancies.

Some specific labor markets, like those for construction workers, do not rely on hiring through vacancies. These might account for part of the hires without vacancies in the data. Potentially more important, regardless of whether a vacancy is posted or not, employers may reach out to employees at other firms directly even if the employee is not searching for a new job. This practice of employee poaching may explain both why job search accounts for just 20% of employer-to-employer transitions and why job search matters less for those with jobs than those without jobs. First, workers may be poached and switch employers even if they were not looking for new employment. Second, people are more likely to be recruited if they have a current job and an established network and track record. Unfortunately, there is no direct evidence on employee poaching in the labor market. However, if one assumes that employers are more likely to poach from competitors in the same industry, then this implies that job-to-job switches by nonseekers are more often within the same industry than switches by job seekers. This turns out to be true. According to the CWS, about 60% of workers who experienced an employer transition without active job search—and were thus more likely to have been poached—remained in the same industry, compared with just 40% of those who experienced an employer transition while actively searching for a job.

Conclusion

Many people find jobs without ever reporting actively looking for one. This implies that, rather than them finding jobs, the jobs actually find them. Analysis of data on workers' search behavior suggests that this is the case for a majority of the people who get hired. Unfortunately, evidence on the recruitment activities of businesses is very limited. Additional data on businesses' hiring efforts beyond job openings could substantially improve our understanding of U.S. labor market dynamics.

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