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EVERYDAY ECONOMICS

A Higher Quit Rate Among Employees Actually Offers Hope

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Over recent months, Janet Yellen, the Federal Reserve chairwoman, has suggested that it is worth focusing on the quit rate, which is the proportion of workers who quit their jobs in any given month. By her telling, the willingness of workers to quit will rise only when they become more confident that they are likely to be rehired.

From the Fed's perspective, this is important. A higher quit rate suggests that the labor market is recovering, but it bears watching because confident workers are more likely to push for wage increases, which might translate into inflation.

Thursday morning the Bureau of Labor Statistics reported that the quit rate went up sharply in September, to 2 percent, returning to its level at the onset of the recession. It is worth putting this latest data point in context, though. The quit rate had been stuck at 1.8 percent over the previous seven months, even though firms were hiring rapidly and the unemployment rate was falling sharply.

Far from suggesting a sharp improvement in labor market conditions, today's report suggests that the quit rate is now roughly where you might expect it to be, given the unemployment rate.

Both the quit rate and unemployment remain at levels that suggest the labor market recovery remains unfinished work. With so many people still out of work, and those working still feeling their situation is precarious, it's little surprise that employers are not feeling pressured to increase wages.

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