How Do People Find Jobs?

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Introduction

- Unemployment rate is low at 4.3%, but one in four unemployed workers have been unemployed longer than six months.

- There is a lot we do not know about job search:
  - How effective is job search among the unemployed, relative to employed workers?
  - How do job offers received by the unemployed compare to those received through on-the-job (OTJ) search?

- How do informal job search methods (e.g. referrals) help people find jobs?
Job Search

• We fielded a special survey on job search (study by Şahin, Faberman, Mueller, Topa):
  • Supplement to NY Fed’s *Survey of Consumer Expectations*
  • Supplement focuses on job search behavior and outcomes for all individuals, regardless of employment status.

• **Questions cover:**
  • Search process (search methods, employer contacts, etc.)
  • Nature, number, and characteristics of job offers
  • Among the employed, search process for current job
Data: *Survey of Consumer Expectations*

- Monthly, nationally representative survey of ~ 1,300 household heads
  - Core questions focus on expectations about the economy and about the household’s own financial situation
  - We also ask questions about credit access, spending plans, job satisfaction, etc.

- Supplemental surveys fielded in October 2013-2015
  - Detailed data on current labor force status, work history
  - Focuses on job search activities and outcomes for all respondents
  - Main sample in analysis: heads of household, 18-64 years old, excluding the self-employed.
Findings

• OTJ search is pervasive
  • Search effort among the employed non-trivial: one in four workers look for new or additional work
  • Informal recruiting common part of OTJ search (unsolicited contacts, referrals)

• Search more efficient OTJ than while unemployed
  • Relative to unemployed, employed spend less time searching, but have higher contact rate, job offer rate
  • Large fraction of employed who are not looking also receive offers
  • Conditional on offer, employed receive higher-quality offers
  • Despite poorer offers, unemployed more likely to accept – usually only option

• Implications
  • Unemployment can have long-lasting consequences
  • Networking, referrals are important
Findings: Search Activities

• One in five employed workers applied to at least one job posting in the 4 weeks prior to survey.

• The unemployed search twice as hard as OTJ job seekers, 7 times more than all employed workers:
  • Send out on average 8 applications in the last 4 weeks vs. 4 applications for OTJ seekers, 1 for all employed.

• OTJ search produces 3 times as many employer contacts, twice as many job offers than search while unemployed.
Findings: Job Offers

- Wage offers received while employed are on average 40% higher than while not employed.

- Even after “controlling for” characteristics of the worker and of the job, wage gap is still about 25%.

- What could explain this gap in offered wages?
  - Stigma (see other research)
  - Unemployment as a signal
  - Skills depreciation
  - Differential access to networks, informal contacts
Note: Figure reports kernel density estimates of distributions. Wages control for observable worker and job offer characteristics and prior work history.
Job search for Current Job

• About 2/3 hired from another job, 1/3 hired from non-employment.

• Workers hired from another job do better than those coming from non-employment:
  • Wages are 28% higher
  • Twice as likely to have benefits (e.g. health insurance)
  • Longer tenure on the job
  • More satisfied with current job
  • Less likely to be searching again for a new job

• Non-employment seems to have lasting effects.
Starting Wage Relative to Previous Wage

Note: Figure reports kernel density estimates of distributions. Wages control for observable worker and job characteristics and prior work history.
Referrals

- Referrals account for about 40% of all offers in our data.

- More generally, between one and two thirds of all new jobs are found through referrals.

- Referrals and informal contacts very effective in generating job offers (study by Brown, Setren, Topa):
  - Internet job boards account for 60% of all applications, but only 24% of all offers;
  - Referrals by current employees and on-campus recruiting account for 8% of all applications, but 38% of all offers.

- Referred workers may receive initial wage advantage, less likely to separate from the employer.
# Offer Outcomes by Method of Applying

<table>
<thead>
<tr>
<th>Method of Applying</th>
<th>Applicant</th>
<th>Interview</th>
<th>Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet job board</td>
<td>60%</td>
<td>40%</td>
<td>24%</td>
</tr>
<tr>
<td>Firm website</td>
<td>15%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Own initiative</td>
<td>10%</td>
<td>8%</td>
<td>7%</td>
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<tr>
<td>Other</td>
<td>7%</td>
<td>14%</td>
<td>21%</td>
</tr>
<tr>
<td>Referred by current employee</td>
<td>6%</td>
<td>21%</td>
<td>27%</td>
</tr>
<tr>
<td>Campus recruitment</td>
<td>2%</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
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THANK YOU!