Job-to-Job Hires and Separations

By Christopher Bradley, Senior Economist

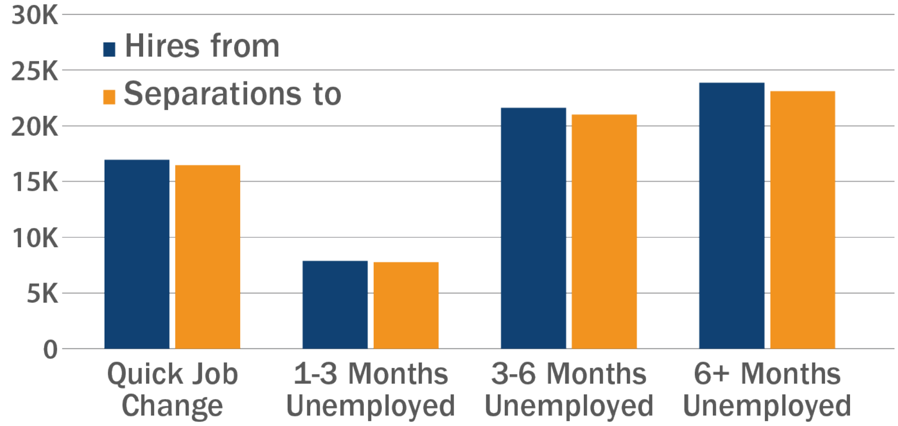
Given that most people hold long-term jobs, many people are surprised to learn that roughly 20% of the workforce has a change in their primary job in any given quarter in Montana. In other words, between 500-1,000 people leave or start a new job each day. The high number of workers starting or ending employment includes seasonal or temporary work starting or ending, business start-ups or closures, and people moving between jobs as both workers and businesses reallocate their skills to new endeavors.

Workforce turnover is an important part of a healthy economy. Turnover allows workers to progress in their careers, change careers, or take time off for training, family, or starting a business. Businesses rely on turnover to more productively allocate their labor supply, moving more jobs into growing areas without having to terminate workers. Despite the high level of churn in the economy and the importance of this churn to effectively allocate labor, the net employment level reported each month simplifies the dynamic churning constantly happening in the labor market. This article dives under the calm surface of net employment growth to highlight the frequency of underlying job changes.

How Can Job Changes be Described?

Depending on the circumstances around an employee's separation, they may become unemployed for various lengths of time. The U.S. Census Bureau's Job-to-Job flows data tracks worker movement in their main jobs, which is defined as their highest earning job. In the most recent year of data available (2016Q3-2017Q2), there were an average of 406,129 main jobs in Montana. Nearly 80% of these main jobs were stable jobs held by the same worker for the full quarter. The remaining 20% of jobs experienced some sort of turnover. Job changes are grouped into those that occur quickly (with a short or no break between jobs) and those that have some duration of unemployment, either one to three months, three to six months, or over 6 months.

FIGURE 1:
Quarterly Job Change from Main Jobs
2016Q3-2017Q2



Source: Job-to-Job Flows, U.S. Census Bureau, 2016Q3 – 2017Q2

A quick job change is generally a voluntary job switch, though workers may have been able to quickly find a new job after an involuntary job loss. Over the past year, about 16,000 Montana workers had a quick job change each quarter. Workers with one to three months of unemployment between jobs probably lost their jobs unexpectedly and took slightly more time to find new employment. Seasonal workers, including students working during semester breaks, have longer breaks in employment and fall into the three to six month category. Combining workers who have 1-3 and 2-6 month spells of unemployment, about 27,000 people leave their jobs each month, while 28,000 workers start a new job after being unemployed.

Type of Job Change	Types of Hires and Separations
Quick Job Change	• Voluntary Job Change • Layoff with fast reemployment
1-3 Months Unemployed	• Involuntary Job Changes • Layoffs • Temporary Job Ends
3-6 Months Unemployed	• Seasonal Job Changes • Students
6 + Months Unemployed	• Hires after long work search, separations into long work search (i.e. discouraged workers) • New entrants and retirees • Self-employed workers moving to payroll jobs, and vice versa

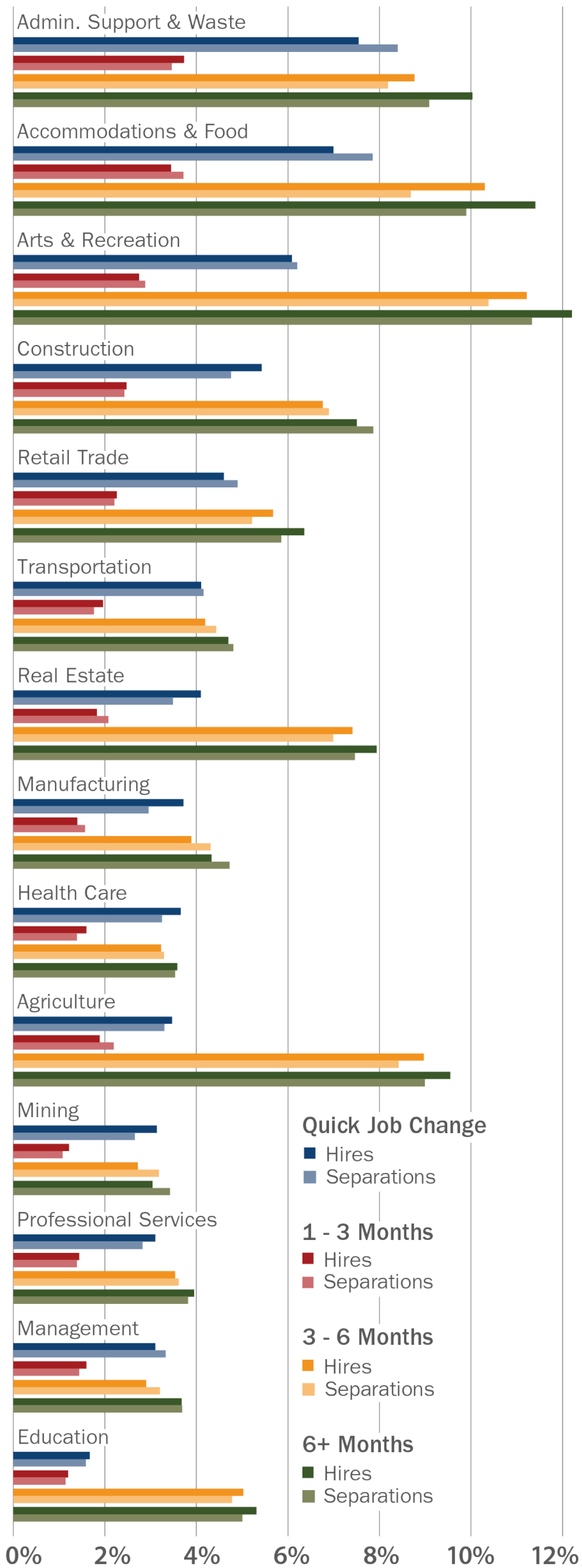
Finally, many workers start a job after not working for over six months, while others leave their jobs to enter extended unemployment. Workers hired from over six months of unemployment are new entrants to the workforce, self-employed workers who switch to payroll employment, or workers who have undergone an extended work-search. Workers that leave the workforce for six or more months are retirees, caregivers, or persons with persistent struggles to find a new job. Every quarter nearly 24,000 workers who had not worked for six or more months are hired with slightly fewer leaving the workforce for six or more months.

Industries' Characteristics of Job Change

Figure 2 illustrates the rates of job change across industries and the unemployment duration of hired workers. Seasonal industries, such as agriculture, arts and recreation, and accommodations and food service, tend to have higher rates of turnover among workers who spend long periods time in unemployment. For example, in the average quarter of the arts and recreation industry, about 23% of workers were hired from 3 or more months of unemployment while about 21% of workers left their job to enter over 3 months of unemployment. On the other end, quick job changes are more common in industries with lower job qualifications, such as retail trade, administrative support, and construction. In industries like these, workers more frequently use employer competition for their labor to change jobs and increase their pay. In the administrative support industry, over 8% of workers have a quick job change.

Figure 2 also shows how workers are leaving industries where the rate of quick job change hires is less than that of quick job change separations. The administrative support industry has a higher rate of quick job change separations than hires. In this case, temporarily placed workers are more often finding permanent employment at the businesses they were placed in instead of moving to a different temporary job. The result is a net outflow of workers from the administrative support industry. Similarly, more workers in the accommodations and food service industry leave jobs for other industries, perhaps for higher wages or more regular work schedules. In contrast, the construction industry hires workers through quick job changes than it loses workers straight to another job. The difference implies workers are entering the construction industry from other industries, perhaps for its above average wage opportunities.

FIGURE 2:
Hire and Separation Rates
by Selected Industies



Source: Job-to-Job Flows, U.S. Census Bureau, 2016Q3 – 2017Q2

Worker Characteristics of Job Change

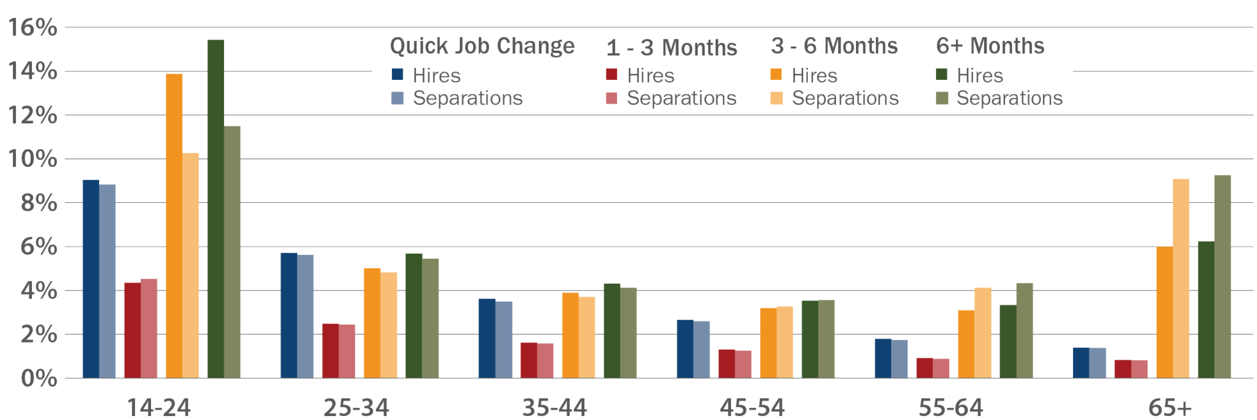
Young workers make up the bulk of all job changers, with workers under 35 making up over 50% of both total hires and total separations. Likewise, young workers also have the highest rates of total hire and separation rates, as seen in **Figure 3**. Young workers include students who work between semesters and new labor force entrants, increasing the rates of longer unemployment job changes. However, young workers make quick job changes more frequently because they are more mobile than older workers. Young workers are less likely to have children, a mortgage, or other things that make spells of unemployment more financially difficult. As such, young workers use that mobility to move between jobs in search of one that meets their skills, interests, and income needs. Each quarter over 8% of workers under 24 and nearly 6% of workers 25 to 34 move quickly between two jobs.

As workers age, job movement generally declines until retirement, when rates of hires and separations to and from longer periods of unemployment increase. Once retired, many workers choose to work in seasonal positions in line with their interests, explaining the increase long-unemployment duration job changes. Movement quickly between jobs is especially low among workers 35 to 64, demonstrating how people eventually stay in jobs for longer, either for the stability or having found the right fit after moving between jobs frequently at younger ages. On top of that, older workers with a job change may be more likely to have experienced a layoff and therefore take longer to find new work due to a lack of familiarity with the job market.

As worker education levels increase, rates of hires and separations decrease, indicating that better educated workers with more specialized skills have more job stability. **Figure 4** shows job turnover by education level. Workers with higher education have more reliable employment, and their income is higher than workers with less education.[1] On the other hand, workers with less education experience higher rates of turnover and longer periods of unemployment between jobs. Each quarter, over 10% of workers with less than a high school diploma separate from their employment and become unemployed for more than three months. Workers with less education more frequently work in seasonal employment,

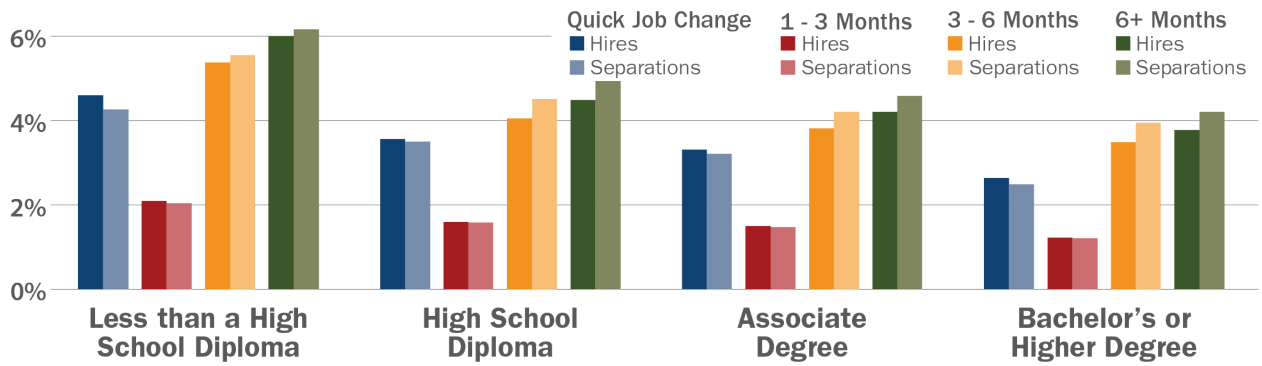
1 *http://lmi.mt.gov/Portals/193/Publications/LMI-Pubs/Articles/2019/0219-Not-So-RichAndFamous.pdf*

FIGURE 3:
Hires and Separation Rates by Age



Source: Job-to-Job Flows, U.S. Census Bureau, 2016Q3 – 2017Q2

FIGURE 4:
Job Changing Rates by Education Level



Source: Job-to-Job Flows, U.S. Census Bureau, 2016Q3 – 2017Q2. Please note: In the Job-to-Job flows dataset, only workers over 24 are used in statistics of education levels to exclude younger people who are more likely to be in the process of working towards what will eventually be their highest education level. As a result, the job changing rates in Figure 5 are only for people 25 and older therefore much lower because they exclude the very high rate of job change population under 25.

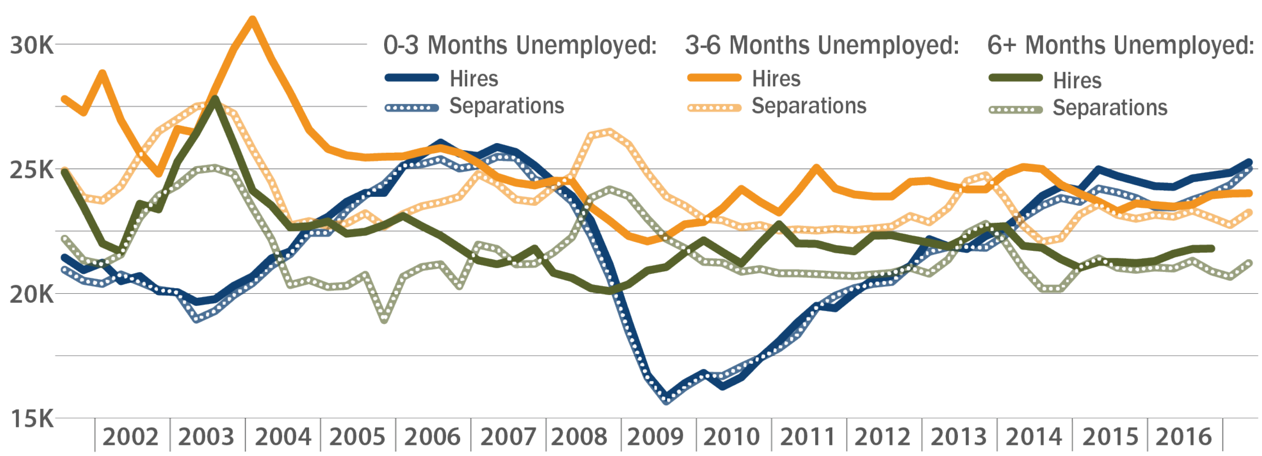
contributing to the longer unemployment duration. These workers may also have a need for more job training opportunities that improve job stability and the ability to find new work.

In **Figure 4**, a higher rate of quick job hires than separations within an education group implies workers at that education level are coming to Montana for a new job. At all education levels, there is a net inflow of workers to Montana through quick job changes. However, the net inflow is highest among workers with less than a high school education. This suggests workers from other states who find employment in Montana are slightly more likely to have lower levels of education, perhaps due to Montana's large seasonal economy.

Economic Conditions Affecting Job Changing

Economic conditions affect how many workers move between jobs and to and from unemployment. During periods of economic expansion, hires from long-term unemployment exceed separations to long-term unemployment. In **Figure 5**, expansion can be seen in the years

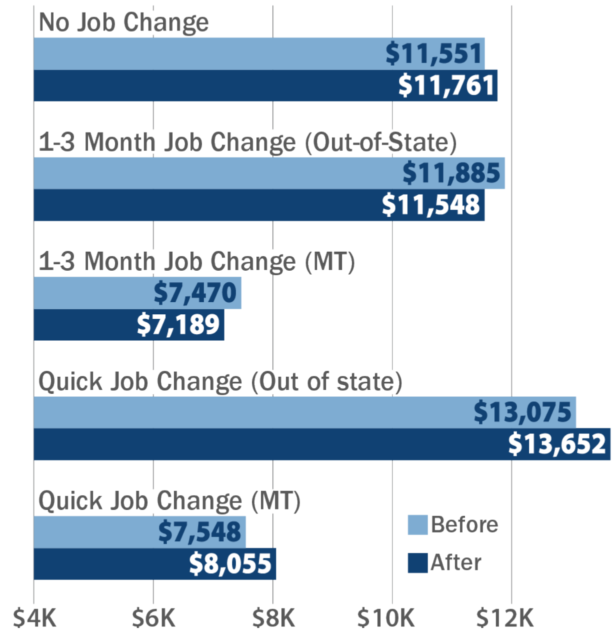
FIGURE 5:
Short-Term Job Changes and Long-Term Unemployment Spells Over Time



Source: Job-to-Job Flows, U.S. Census Bureau running up to the 2008 recession and the years following as the economy recovered. Also during expansion, unemployment rates decline, and workers have more opportunity to switch between jobs. During the current expansion, the number of workers moving between jobs has increased to the point where more workers are switching between jobs than being hired from long-term unemployment. Furthermore, the number of workers being hired straight from other jobs is above the number of separations straight to other jobs, indicating employers in Montana are hiring workers employed in other states to address Montana's worker shortage. In the past year, an average net of 600 workers per quarter were gained from workers moving to Montana from other states.

Workers moving quickly between jobs are obtaining better wages, including workers in Montana switching jobs and workers moving to Montana from jobs out of state. Every quarter, about 7,300 Montanans switch jobs and increase their quarterly average wages by $500 (**Figure 6**), while another 1,700 workers who were working in other states are hired and increase their quarterly earnings by an average of $600. Businesses are hiring workers from out of state because of the limited labor supply in Montana. In contrast, workers with a somewhat longer spell between employment (up to 3 months) tend to have lower wages when finding a new job. These workers are more likely to have been laid off and had unexpected unemployment, which makes it difficult to immediately move into a higher paying job. Workers who stayed in their jobs in Montana experienced quarterly wage gains of about $200 per quarter, reinforcing the value of a job change for increased worker pay. Quarterly average pay gains are $300 greater for workers in Montana who switch jobs than those who stay in the same job.

FIGURE 6:
Wage Gains by Job Change Type



Source: Job-to-Job Flows, U.S. Census Bureau, 2016Q3 – 2017Q2

Conclusion

Even though many workers in Montana have job stability, about one in five jobs experience turnover every quarter. Montana's job market offers many seasonal jobs in agriculture, tourism, and recreation that contribute to this churn, and turnover is a feature of any dynamic labor market that can help improve worker pay and employer-worker matches for productivity. Increasingly, Montana employers are hiring workers from out of state while workers in Montana are switching between jobs to achieve wage gains. Strategic recruiting, on-the-job training, and other workforce development programs can be used to help workers who experience significant turnover find more stable employment, which provides the income and job security that many Montana workers enjoy.