

Montana Job Switching in Good Times and in Bad Times

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Job switching refers to a worker moving between jobs, sometimes with periods of unemployment in between. Although most employers are eager to retain their best workers, job switching plays an important role in helping the economy redistribute labor resources from declining sectors to growing industries with more opportunities for workers.¹ Workers who switch jobs are more likely to experience wage gains than workers who remain with the same employer, partially because job switching allows the worker to continuously develop new job skills and apply those skills in more challenging or rewarding work.² Workers who move from one job and then switch to another job are called job-to-job switchers, which we will abbreviate in this article as J2J. This J2J switching is a sign of a healthy and well-functioning labor market and typically enhances economy-wide wage and productivity growth.

A less-desirable type of job switching occurs when workers experience periods of unemployment, such as what happened to many Montanans during the coronavirus pandemic. This type of job switching is referred to as unemployment-to-job switching (U2J), as the worker moves from having a period without a job (but looking) into a job. However, there are many situations that could fit into the U2J category. A student may have graduated, started looking for a job (therefore becoming unemployed), and then found a job and moved into employment. A seasonal or temporary

worker could have had a job end, then had several months of unemployment before moving back to employment. Or, like many Montanans during the stay-at-home order, had several weeks of not being scheduled for shifts, but returned to the same employer when business activity resumed. U2J job switching often has a negative impact on a worker's wages, and does not always result in greater productivity in the economy, as workers occasionally must accept employment that is not a good fit for their skill set in order to provide for themselves and their families.

1 Mukoyama, Toshihiko. 2013. "The Cyclicalities of Job-to-Job Transitions and Its Implications for Aggregate Productivity" Board of Governors of the Federal Reserve System, International Finance Discussion Papers, February, 2013. <https://www.federalreserve.gov/pubs/ifdp/2013/1074/ifdp1074.htm>.

2 Bradley, Christopher. 2018. "Where Does Wage Growth Come From? Finding Better Pay in Montana" Economy at a Glance, Montana Department of Labor & Industry. October 2018. <http://lmi.mt.gov/Portals/193/Publications/LMI-Pubs/Articles/2018/1018-FindingBetterPay.pdf>.

This article uses the U.S. Census job-to-job origin destination data during a recession and expansion, with data from the 2007 recession compared to job switching during economic expansion to shed light on potential trends in job switching as Montana recovers from the COVID-19 recession.³ In addition, this data source tracks whether Montana's new hires come from in-state or migrate to join our growing economy, and in what industries job switchers were previously employed.

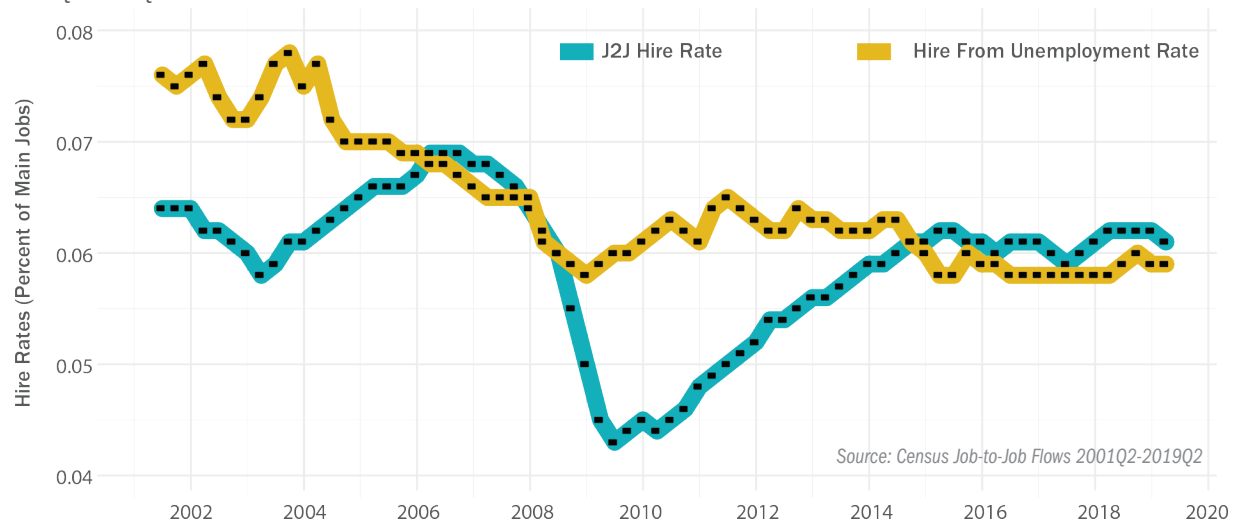
Job Switching Slows in Recessions

During the average quarter in 2019, 93,000 Montanans started a new job, meaning roughly 20% of the workforce was newly hired.⁴ A similar number left their jobs. The seasonal nature of many of Montana's jobs increases the amount of worker churn, but job changes are also affected by economic performance. During the most recent year of data available (2018Q3-2019Q2), Montana was in an economic

expansion with a below-normal unemployment rate of 3.5%. During that year, **103,071 workers** completed a J2J switch, meaning that roughly 24.7% of the workforce completed a J2J switch in that year.⁵ In comparison, J2J switches were less common in the 2009 recession with roughly 21% of the workforce switching jobs.⁶ Lower job switching during recession is likely due to lower job openings and opportunities and also to workers feeling less secure about the inherent instability of job switching.

However, the U2J hire rate is less sensitive to economic downturns. **Figure 1** illustrates the rates of J2J and U2J job switching since quarter two of 2001. The J2J hire rate is sensitive to economic downturns, with the rate increasing during good labor markets and declining during recessions. However, the hiring of U2J workers typically increases in economic downturns. The rate of U2J hires was higher after both the 2001 and 2007 recessions than the J2J hire rate.

FIGURE 1
Job-to-Job vs. Unemployed-to-Job Switching in Montana
2001Q2-2019Q2



3 <https://lehd.ces.census.gov/data/>. The job switching data tracks job hires and separations on a quarterly basis, and covers state government, local government, and roughly 95% of private sector employment. Data excludes Alaska, Arkansas and Mississippi.

4 Quarterly Workforce Indicators, Local Household Employment Dynamics dataset, U.S. Census Bureau. Average for 2019.

5 The 103,071 figure excludes switches where industry of worker was not reported. The 24.7% figure counts switches, not jobs, meaning that a worker holding four jobs throughout the year would be counted as four switches, not one.

6 2009 data covers one year of data from 2008Q3 to 2009Q2.

In times of economic expansion, the J2J hire rate is above the hire from unemployment rate. The slight increase in U2J hires is partially due to more job seekers being unemployed during the downturn period. However, the U2J rate is significantly higher than the J2J rate during periods of recession, raising questions about employer hiring preferences during recessions. Typically, employers view long unemployment periods on a resume as a negative, but the data in **Figure 1** suggests that unemployment becomes more acceptable during recessions, giving the unemployed a higher chance of being hired than someone currently employed in a job.⁷

Although the data from 2020 is not yet available, the patterns evident in **Figure 1** suggest that we can expect J2J hiring to have dropped over the last

few months. However, because this data requires a worker to be unemployed for a full quarter before being included in the U2J category, the pattern may be muted during the COVID-19 recession. As the economy strengthens and workers feeling more confident about job potential, the J2J hire rate will again go above the U2J rate, signaling a rebounding economy.

Hires by Industry

The patterns in hiring also differ by industry.

Figure 2 reports J2J hires by industry for the most recent year of data compared to the last recession. Leisure Activities has the highest number and highest rate of J2J hires, hiring over 23,000 workers during the most recent year for a 41.29% hire rate. The job-to-job hire rate for this industry is ~7% higher than any other industry.

FIGURE 2:
Hires and Hire Rates by Industry
2018-2019

Industry	Last Recession (2008Q3-2009Q2)		Most Recent Year (2018Q3-2019Q2)		Difference
	Total Job-to-Job Hires	Job-to-Job Hire Rate	Total Job-to-Job Hires	Job-to-Job Hire Rate	Job-to-Job Hire Rate
Agriculture	755	19.98%	1,270	23.33%	-3.36%
Business Services	9,672	26.79%	12,294	30.68%	-3.90%
Construction	7,127	26.28%	10,230	33.95%	-7.66%
Financial Activities	3,259	16.02%	3,739	17.59%	-1.57%
Government	2,877	10.84%	3,424	12.58%	-1.74%
Healthcare & Education	13,377	14.68%	17,315	16.84%	-2.17%
Leisure Activities	18,692	39.57%	23,306	41.29%	-1.73%
Manufacturing	2,306	12.82%	4,294	21.75%	-8.93%
Mining	1,304	19.24%	1,314	20.53%	-1.29%
Other Services	3,835	18.31%	4,327	19.64%	-1.33%
Trade	14,482	21.43%	18,005	25.70%	-4.27%
Transportation & Utilities	2,251	16.99%	3,553	23.27%	-6.28%

Source: Census Job-to-Job Flows Data 2008Q3-2009Q2 and 2018Q3-2019Q2

⁷ A Perspective from Main Street: Long-Term Unemployment and Workforce Development, Board of Governors of the Federal Reserve System, 2012.
www.federalreserve.gov/consumerscommunities/files/Workforce_errata_final2.pdf

Leisure activities was also the top industry during the last recession, suggesting that industry characteristics are the reason for the high hire rate. The leisure activities industry includes hotels, restaurants, museums, and many tourism businesses. Jobs in the leisure activities industry are usually seasonal and offer lower average wages, creating higher rates of turnover. Construction (33.95%) and business services (30.68%) are the only other industries with job-to-job hire rates above 30% during the most recent year. Seasonality and temporary employment firms likely contribute to the higher rates in these sectors.

Comparing the difference in job-to-job hire rates coming out of the 2007 recession with the job-to-job hire rates for the last year of data, all industries have a lower job-to-job hire rate during the last recession than during the most recent year of data. Larger relative swings in the job-to-job hire rate can indicate (1) that the industry in 2018-19 was offering frequent jobs and people were confident in switching positions or (2) workers in these fields were more affected, in terms of job switches and worker confidence to switch jobs in the 2007 recession. COVID-19 has hit the leisure activities industry hard and employment in that industry has been slow to rebound, meaning we could expect the job-to-job hire rate to drop below levels seen coming out of the 2007 recession. On the other hand, the industries with the next two highest job-to-job hire rates (construction and business services) have recovered fairly quickly and could make up the difference in hires lost from the leisure activities industry.

Workers From Outside Montana

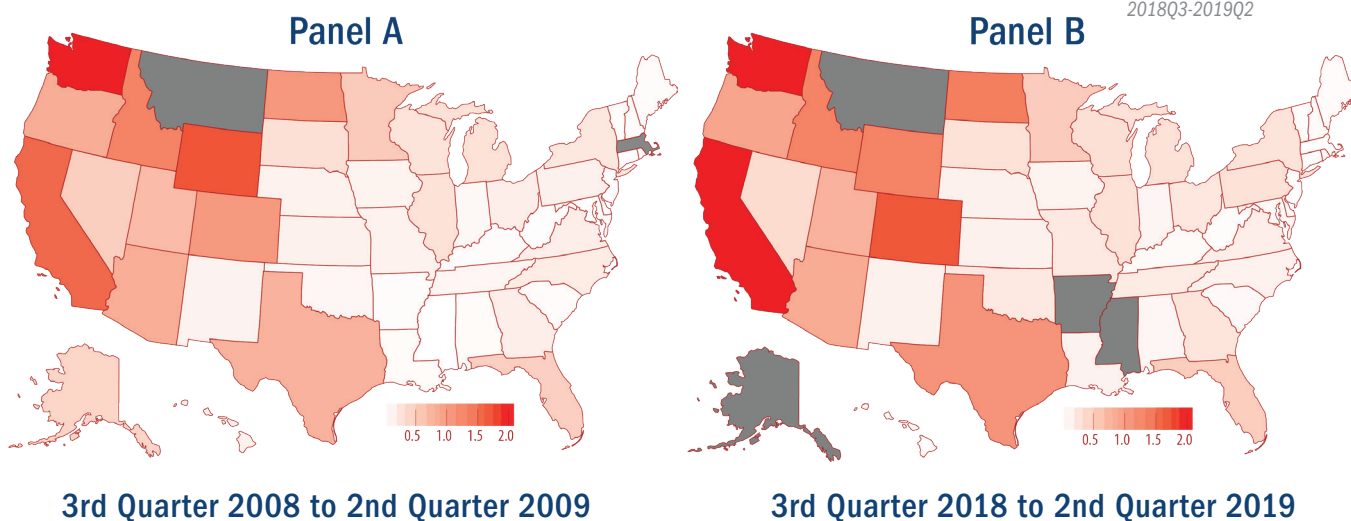
The COVID-19 recession led to high levels of unemployed Montanans. While many of these workers are already back at work, unemployment rates continue to be higher than before the pandemic. Understanding whether employers typically fill positions from within Montana or hire out-of-state workers can help us understand how quickly Montana's unemployment rate will drop as we continue our economic recovery.

During the last year of available data, job-to-job hires originating in Montana (this means a person who previously worked in Montana, switching to another employer within Montana) constituted 78.87% (81,290) of total job-to-job hires, while out-of-state hires contributed the remaining 21.13% (21,781). The percent of job-to-job hires originating in Montana is ~2% higher coming out of the 2008 recession than the most recent year of data. The increase in the percent of job-to-job hires originating in Montana during the recession was likely because the higher unemployment rate created a larger in-state worker pool.

Figure 3 shows percentages of job-to-job hires into Montana by origin state of the employee during both 2008Q3-2009Q2 and 2018Q3-2019Q2, excluding Montana and states where data is not available. Comparing the two periods, the origin of out-of-state hires appears similar between both the recession and expansion time periods. States where the most job-to-job hires are originating from include states that are near Montana (Idaho, Wyoming, North Dakota, Utah, etc.) and those with large population centers such as California, Texas, Washington and Colorado.

FIGURE 3
Percent of all Hires into Montana by Origin State - Excluding MT

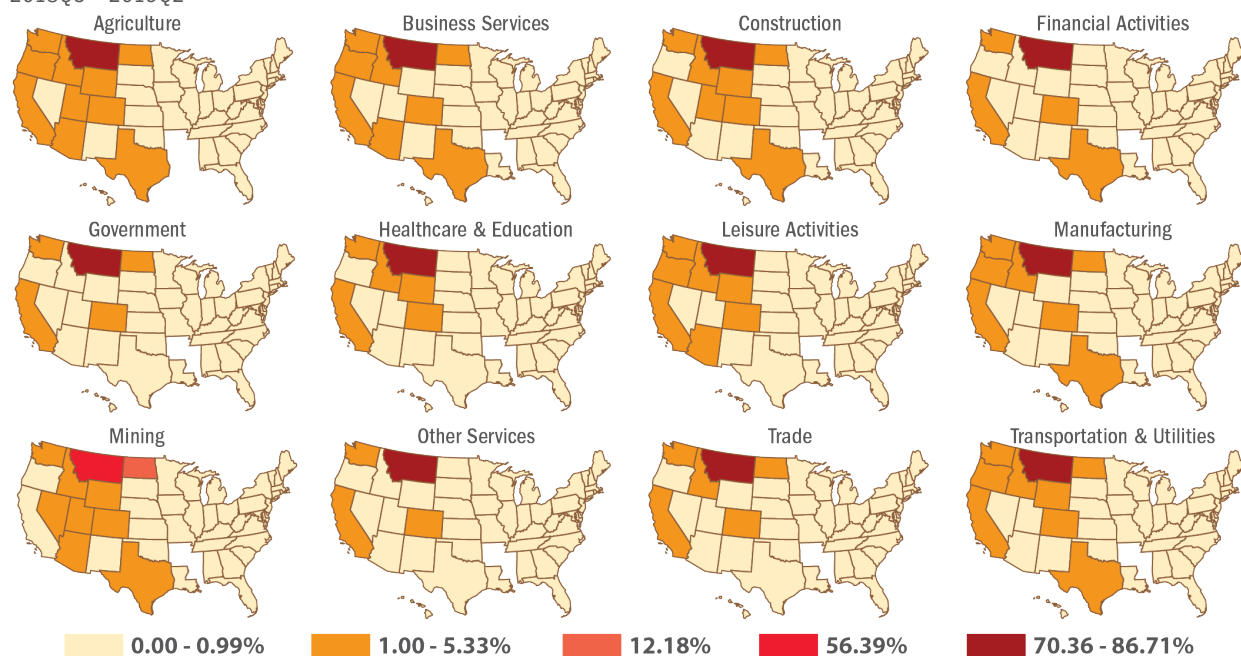
Source: Census Job-to-Job Flows
Data 2008Q3-2009Q2 and
2018Q3-2019Q2



The story is similar when we split hires by industry and state of origin. **Figure 4** shows the percent of all hires in Montana by state of origin and destination industry. While all industries hire the majority of their workers from within the state, agriculture, business services, construction, and mining have higher amounts of out-of-state hiring than other industries. Agriculture likely shares

a migrant farm workforce with other western states. Similarly, mining likely hires a larger share of workers from North Dakota due to the cross-border oil activities within the Bakken formation. However, these larger hiring shares from out-of-state may also indicate a specialized skill set with only certain workers throughout the county to be qualified for these positions. This would require

FIGURE 4
Percent of all hires into Montana by Industry and Origin State
2018Q3 - 2019Q2



Source: Census Job-to-Job Flows Data 2018Q3-2019Q2

FIGURE 5:
Hires Originating in Montana by Industry

Industry	Recession 2008Q3-2009Q2	Expansion, Most Recent Year 2018Q3 – 2019Q2	Change in Hires Originating in MT from Recession to Expansion.
Agriculture	75.50%	70.39%	-5.11%
Business Services	79.11%	75.38%	-3.73%
Construction	76.34%	70.36%	-5.98%
Financial Activities	85.42%	83.20%	-2.22%
Government	86.76%	86.71%	-0.05%
Healthcare & Education	82.40%	82.10%	-0.30%
Leisure Activities	80.74%	79.30%	-1.44%
Manufacturing	83.48%	81.51%	-1.97%
Mining	56.98%	56.39%	-0.59%
Other Services	81.54%	80.59%	-0.95%
Trade	82.01%	82.09%	0.08%
Transportation & Utilities	75.34%	74.47%	-0.87%

Source: Census Job-to-Job Flows Data 2008Q3-2009Q2 and 2018Q3-2019Q2

employers in Montana to look outside the state for employees more frequently regardless if in expansion or recession. Industries with larger shares of hiring from within Montana include trade, government, and financial activities.

Figure 5 reports the percent of job-to-job hires originating in Montana for both the most recent year of data and the year leading out of the 2008 recession. During the expansion, the three industries with the highest rates of hires within Montana were Government (86.71%), Financial Activities (83.20%) and Healthcare & Education (82.10%), while mining was the lowest rate of

hire. Most industries' rate of hiring within state was similar during the expansion and recession. However, agriculture and construction both reduced the rate of in-state hiring by 5% between timeframes. It is not clear why these two industries reduced their rate of in-state hiring more than others. It is possible that industries experiencing larger changes in the percent of job-to-job hires originating in Montana may have been more constrained by the tight labor market during 2018-19 than other industries, and had to look outside Montana for additional workforce.

Conclusion

Job switching is an important part of a healthy labor market, essential for reallocating labor between industries to respond to economic changes. J2J job switches are preferred, and typically increase during good economic conditions. However, during poor economic conditions, the number of hires coming from Montana and the number of U2J hires increases. These trends differ by industry, with some industries experiencing larger swings in job-to-job hire rates and percent of hires originating in Montana between recession and expansion. Overall, job switching will be an important tool for people to regain jobs of similar quality and pay compared to their employment situation before COVID-19. Navigating this landscape with greater knowledge can help employers and employees find even better matches.