

Consumer Morsel

The Great Hesitation: Job changers start staying put?

27 June 2024

Key takeaways

- Bank of America internal data can help us understand what's happening beneath the surface of the still buoyant US labor market. Focusing on job-to-job (J2J) moves, we find little sign of significant slowdown, and the rate of J2J moves is still above 2019 levels.
- In looking across industry or incomes, we find little evidence of people leaving their current employment, which suggests no incipient rise in unemployment beneath the surface.
- But the median pay raise people are receiving when changing jobs is dropping back. In fact, it's about half the amount that it was at the time of the "Great Resignation" and is below 2019 levels, currently. Middle- and higher-income cohorts have seen the biggest softening.

Does a pause in job changes signal a labor market slowdown?

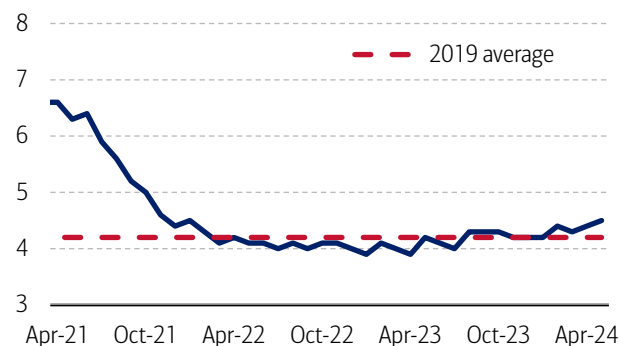
Job hoppers appear to be taking a pause. After an unprecedented number of US workers left their jobs in 2021 and 2022, sparking the Great Resignation, switching employers has become less popular according to Bank of America internal data – and the trend may offer clues about the current labor market.

The strength of the US labor market has been a significant tailwind for consumers over the last few years. In Bank of America internal data this is reflected in solid growth in after-tax wages and salaries data (see: [June Consumer Checkpoint](#)). Discussion of the labor market is also key to the outlook for the Federal Reserve's interest rates.

Currently, there is some evidence of a slowdown taking place in the labor market, but arguably, it is very gradual. Payrolls continue to grow healthily, albeit at a somewhat slower pace than the past year. And while the Bureau of Labor Statistics (BLS) shows that the May unemployment rate was 4.0%, up from the 3.4% low recorded at the start of 2023 (Exhibit 1), this partly reflects a rise in the labor force participation rate. Meanwhile, official BLS data on average hourly earnings growth indicates that some slowdown in pay growth is ongoing, but again, at very gradual rates.

Exhibit 1: Though above the 2019 average, the unemployment rate remains historically low

Civilian unemployment rate (seasonally adjusted, %)

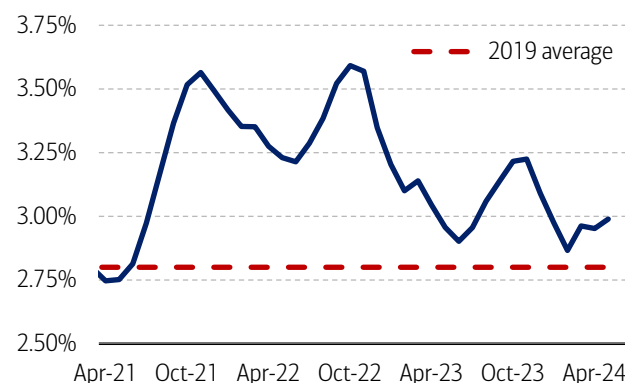


Source: BLS

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Exhibit 2: The job-to-job (J2J) change rate remains above the 2019 average, though appears to have begun to level off over the past few months

Job change rate (% , three-month moving average)



Source: Bank of America internal data

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The takeaway is that the job market seems to remain fairly strong. But are there signs beneath the surface that point to cooler times ahead? Some areas of the labor market are harder to track than people who are moving between employment and unemployment. For example, people making job-to-job (J2J) moves and the pay raises they are getting when they make these moves are an important part of the overall labor market picture. And with official measures of job openings in the US declining, it is important to gauge whether these intra-job moves are also cooling.

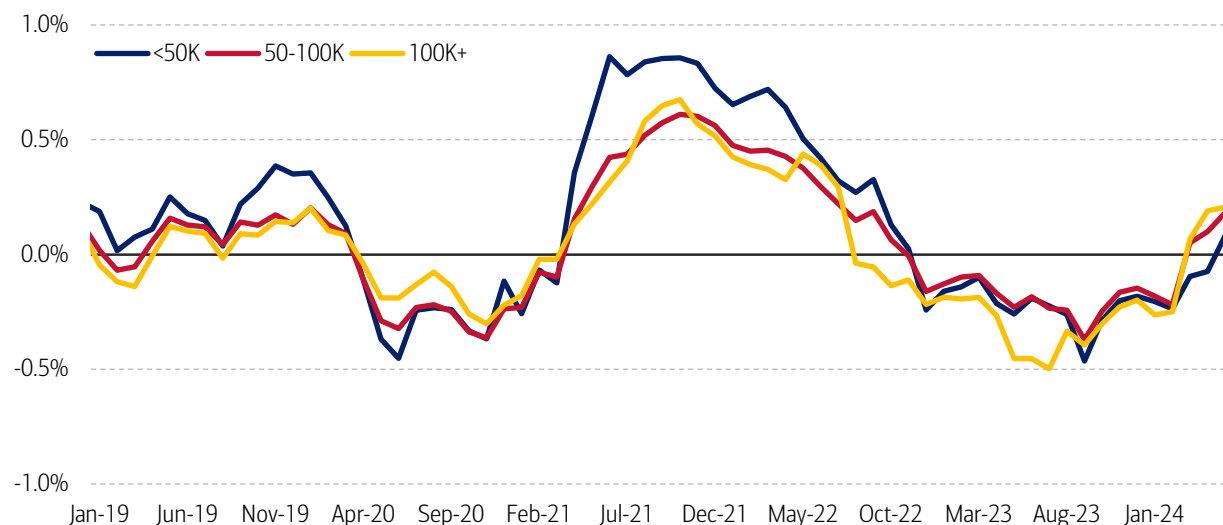
Here we use aggregated and anonymized Bank of America deposit account data across millions of customers to help track J2J moves. We identify the rate at which people are making these J2J changes, essentially by identifying changes in payroll within deposit accounts.

Exhibit 2 shows an estimated J2J change rate from Bank of America data, estimated to be around 3% on average over the period. The rate was significantly higher over the “Great Resignation” timeframe, when, following the post-pandemic reopening of the economy people were changing employers and reportedly receiving large raises when doing so. But while the J2J change rate declined over 2023, it remains above average in the recent data to May 2024.

Interestingly, when we look at the year-over-year (YoY) change in the J2J rate growth by net income, we see that there is something of a rebound in the J2J rate of higher-income customers, with the YoY change surpassing that of lower-income customers, reversing a trend that had widely persisted since April 2021 (Exhibit 3). The earlier, sharper fall in the higher-income job change rate was consistent with the weakening we saw in the higher end of the labor market at that time. Therefore, the current rebound in the data is interesting as it suggests this situation has stabilized.

Exhibit 3: In the last six months, job change growth for middle- and higher-income customers has surpassed that of lower-income

Year-over-year change in the J2J rate by net income (percentage point (pp), monthly)



Source: Bank of America internal data

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Is changing jobs worth what it used to be?

With signs that J2J moves are gradually moderating, we also find that job hoppers are getting a smaller bump in pay at their new employers. Exhibit 4 shows an estimate using Bank of America data of the median pay raises people receive when they make a J2J move. When the Great Resignation was in full swing, this appears to have risen to above 20%, but as of May 2024, median pay raises appear to have moderated to around 10% for J2J moves.

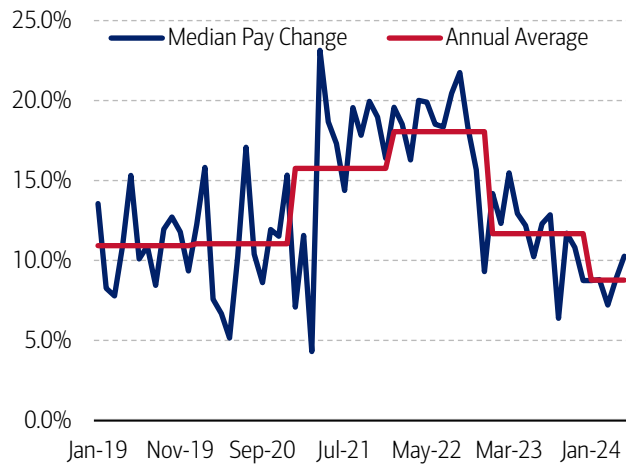
It’s notable that this figure is actually below 2019 levels. This continued downward trend suggests the labor market is no longer as tight, and the balance of power between employer and employee has shifted back towards the hiring firm.

When we look by net income categories, we see the largest slowdown in J2J pay raises versus the 2022 Great Resignation period amongst middle- and higher-income customers (Exhibit 5). The raises for both these cohorts are also somewhat below the 2019 rates. So, it’s possible then that job searchers in these cohorts have somewhat less leverage and bargaining power in negotiating a raise on taking a job.

On the other hand, lower-income customers have maintained the strongest median pay raise from a job change, likely due in part because they work in high-touch service sectors such as retail, which have seen a post-pandemic labor recovery.

Exhibit 4: As of May, median pay raises for J2J movers moderated to 10%

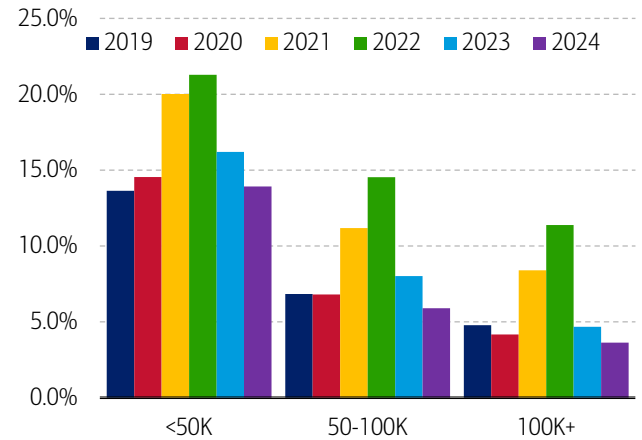
Median pay raise for job-to-job movers (% YoY)*



Source: Bank of America internal data *Calculated as the change in pay in the three months from a job move compared to pay over the same three months a year earlier.
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Exhibit 5: Median pay growth for J2J movers for higher- and middle-income customers is below 2019 levels

Median pay raise for job-to-job movers by net income (% YoY)



Source: Bank of America internal data
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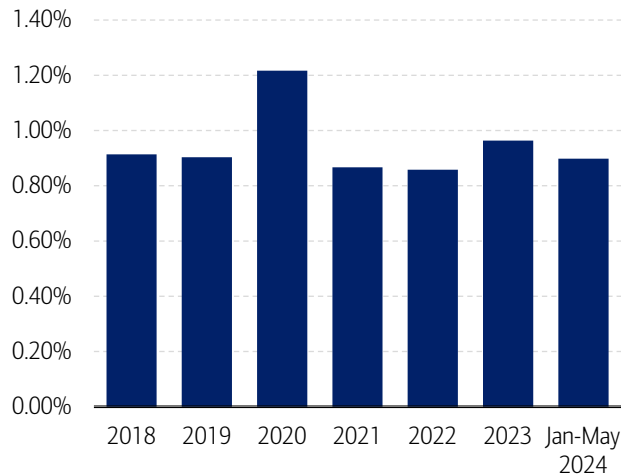
No major sign of distress for unemployment yet

Since January 2024, the unemployment rate has risen from 3.7% to 4.0% in May. Is this rise a hint of labor market weakness or a blip? To gain insight into this, we use Bank of America data to look at the ‘Payroll Disruptions Rate,’ (PDR) which we use as a rough proxy for job losses. We define the rate as the proportion of customers who previously had 12 months of regular payroll payments in their accounts, followed by three months without a payment relative to the total number of customers with 12 consecutive months of pay.

These pay disruptions could occur for a number of reasons. Most obviously, if someone loses their job and takes over three months to find another, they will register in the measure. However, if someone exited their job for other reasons, such as the need to take care of children, this would also increase the PDR, as would someone taking over three months to set up a direct payment into their account.

Exhibit 6: Through this year, the average pay disruption rate was 0.9%

Average pay disruption rate (%)

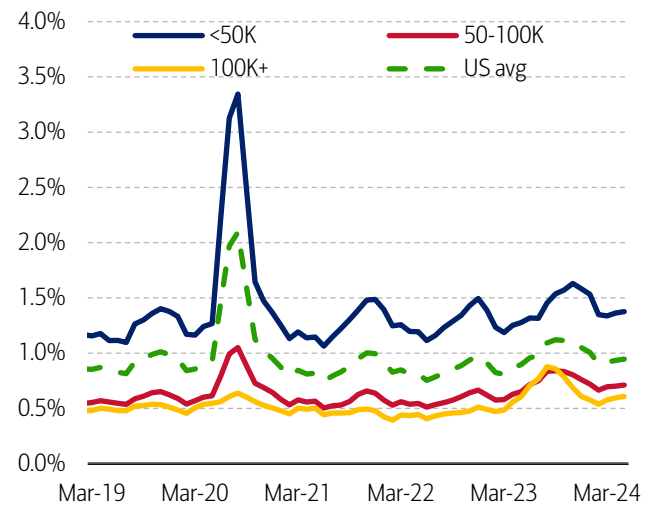


Source: Bank of America internal data
Note: A pay disruption is defined as 12 months of income into a customer account followed by three months of no income

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Exhibit 7: All net income cohorts currently have pay disruption rates below the 2023 levels

Pay disruption rate by net income (three-month moving average, %, monthly)



Source: Bank of America internal data
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Looking at our estimate of the PDR, we find the rate has averaged 0.9% in 2024 so far, in line with the 2019 average (Exhibit 6). In May 2024, we estimate the PDR at 0.8% - suggesting there is no sign here of a deterioration.

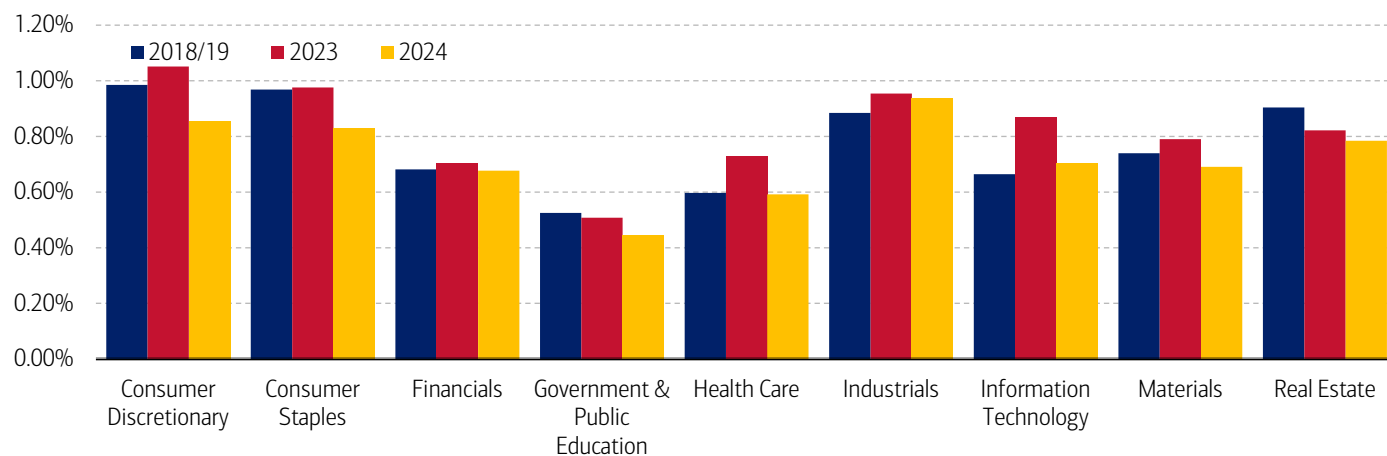
When we look at the PDR by net income, it appears that all income cohorts currently have pay disruption rates below the 2023 average. Comparing to 2019, the largest rises in the PDR are for lower- and middle-income customers, though these overall increases appear small (Exhibit 7).

Looking by industry, Exhibit 8 shows a fairly consistent story across sectors: the average pay disruption rate so far this year has fallen compared to last year, with the biggest fall in Information Technology. That dovetails with our recent report that showed employment in the tech sector (a large component of Information) is recovering, perhaps due to a boost in artificial intelligence hiring, especially in the West (see: [Regional Roundup](#)).

Compared to 2018/19, the PDR is higher in Industrials and Information Technology and lowest in Consumer Discretionary and Staples. These latter industries likely reflect the strength of consumer spending following the post-pandemic rebound.

Exhibit 8: There were noticeable decreases in the average pay disruption rate so far this year in Information Technology and Consumer sectors

Average pay disruption rate by industry by year (%)



Source: Bank of America internal data

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The labor market slowdown

What does our parsing of Bank of America internal data tell us about the health of the labor market? Overall, we think the story is one of continued strength. J2J moves remain at levels above 2019 rates and we see no sign of a sharp rise in pay disruptions across any industries, which could potentially indicate some incipient weakness in one sector.

One caveat is that the pay raises people are getting for job changes has slipped a little below 2019 levels, which might suggest the balance of bargaining power has shifted somewhat away from workers, particularly for middle- and higher-income job changers. That might indicate that overall pay growth in the economy can soften, even without a particularly significant rise in the unemployment rate, which is likely good news for consumers and the Fed.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit

account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under \$5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.
2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.
3. Overall total card spending includes small business card spending while per household card spending does not.
4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).
5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995
2. Younger Millennials: born between 1989-1995
3. Older Millennials: born between 1978-1988
4. Gen Xers: born between 1965-1977
5. Baby Boomer: 1946-1964
6. Traditionalists: pre-1946

The Pay Disruptions Rate is defined as the proportion of customers who previously had 12 months of regular payroll payments into their accounts, but then had three months of no payments, relative to the total number of customers with 12 consecutive months of payroll.

The job-to-job change rate (J2J rate) is defined as the proportion of customers with an identified change in their employer as a proportion of the total number of customers. Net income is defined as the net direct deposit income after deductions.

We estimate the median pay rise associated with a J2J change using the pay in the latest three-month period compared to the same three months a year ago.

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

Additional information about the methodology used to aggregate the data is available upon request.

Contributors

Taylor Bowley

Economist, Bank of America Institute

David Michael Tinsley

Senior Economist, Bank of America Institute

Sources

Adam Zeid

Assistant Vice President, Global Risk Analytics

Dale Lin

Director, Global Risk Analytics

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