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## Economy

# The Institute Employment Report: August 2026

03 September 2026

## Key takeaways

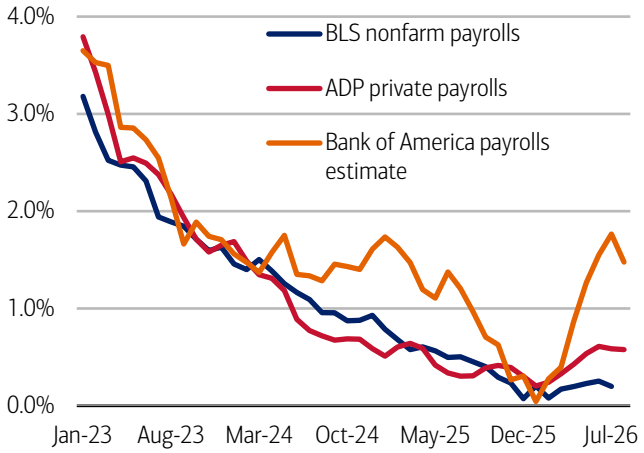
- Bank of America customer deposit account data suggests labor market momentum cooled in August, with estimated payroll growth of 1.5% year-over-year (YoY), down from 1.8% in July.
- The long-standing "K" shape between higher- and lower-income households' after-tax wage growth has reversed: August saw lower-income households' after-tax wage growth of 4.7% YoY, while higher-income households' after-tax wage growth was 3.5% YoY.
- Recently, there has been an increase in job switching, and the pay change associated with a job change reached the highest level in more than three years in July. This acceleration is most notable among weekly-paid employees, suggesting rising mobility among hourly and lower-income workers may be contributing to the narrowing of wage growth differences.

## Jobs growth slowed in August

Our estimate of job growth – which uses Bank of America deposit data to track changes in the number of customer accounts receiving a paycheck (see Methodology) – slowed to 1.5% year-over-year (YoY) in August, down from 1.8% YoY in July. The data can be noisy, partly due to seasonal variation and differences in pay-period timing, but in our view, this suggests labor market momentum may have ebbed a little (Exhibit 1).

Still, the overall picture from the Bank of America jobs estimate is one of a relatively healthy labor market. This is also the case in Bank of America data on unemployment payments into customer accounts, which showed very little YoY change in August (Exhibit 2).

**Exhibit 1: August payroll growth slowed in Bank of America deposit account data**
Payroll estimates from Bank of America customer deposit account data (three-month moving average, % YoY), the Bureau of Labor Statistics (BLS) and Automatic Data Processing (ADP) (monthly, YoY)




**Source:** Bank of America internal data, Haver Analytics
Note: BLS and ADP data are seasonally adjusted, Bank of America data is not seasonally adjusted.

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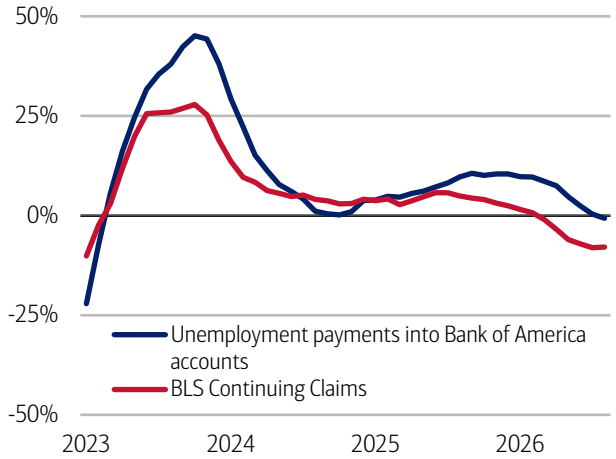
**Exhibit 2: Unemployment payments showed little YoY change in August, according to Bank of America consumer deposit data**
Number of households receiving unemployment payments (three-month moving average, YoY%, not seasonally adjusted (NSA)) and Bureau of Labor Statistics (BLS) Continuing Claims (three-month moving average, YoY%, seasonally adjusted (SA))




**Source:** Bank of America internal data

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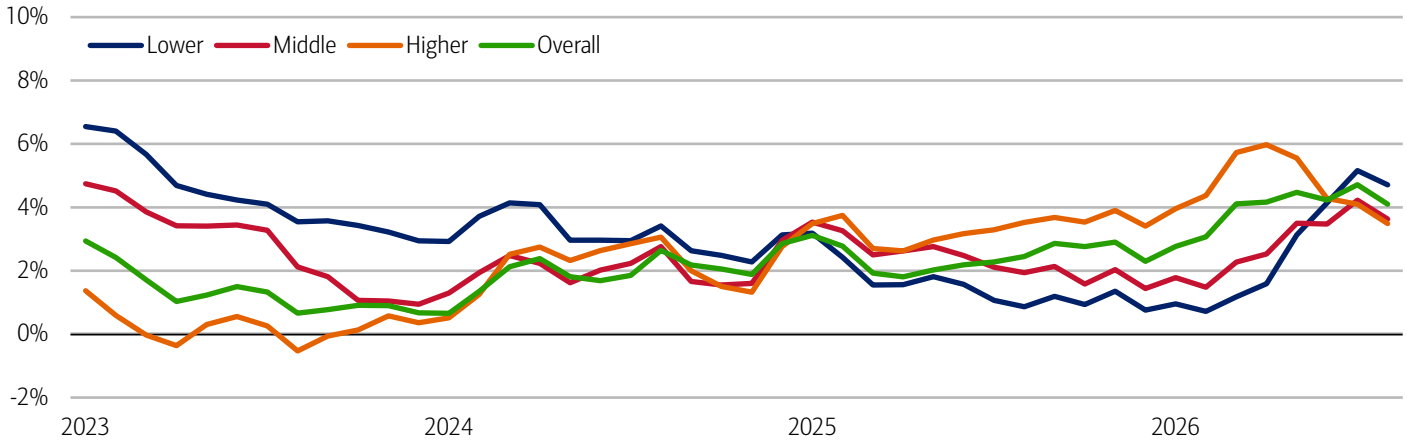
## August wage growth cooled, but lower-income households' relative gains continued

August saw some modest cooling in overall after-tax wage growth, according to Bank of America internal data, but the recent closing of the gap between higher- and lower-income households' wage growth remains. In fact, the long-standing "K" has now reversed: August saw lower-income households' after-tax wage growth of 4.7% YoY, while higher-income households' after-tax wage growth was 3.5% YoY (Exhibit 3).

**Exhibit 3: After-tax wage growth cooled across income cohorts in August**
After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit account data (three-month moving average, YoY%, SA)




**Source:** Bank of America internal data

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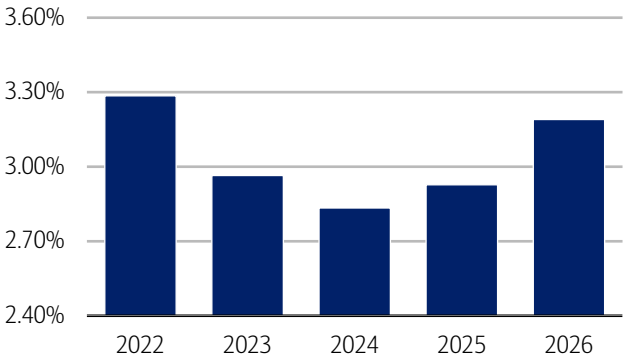
## Job change rates have improved, especially for weekly-paid workers

As we have discussed before, one potential explanation for the reversal in after-tax wage growth is lower tax withholding as a result of the One Big Beautiful Bill Act (OBBBA) stimulus (for more, read The Institute Employment Report: July 2026).

But in our view, a relative improvement in the labor market for lower-income workers may also be part of the story. In particular, Bank of America deposit account data indicates that the job change rate in July 2026 was significantly higher than in 2025, though falling a little short of the Great Resignation period of 2022 (Exhibit 4).

And when we look across customers with different pay frequencies, we find the largest YoY increases in the job change rate have come from those who are paid weekly (Exhibit 5). People paid weekly are often hourly workers and this corresponds with an increase in job switching seen among lower-income households (read more on this in May's Should I stay or should I go? The pay tradeoff).

**Exhibit 4: The job change rate in July has climbed since 2024, although falls short of 2022**
Job change rate in July (%, three-month average)




**Source:** Bank of America internal data

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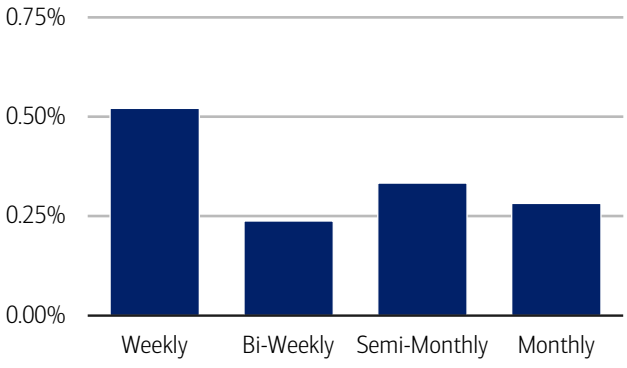
**Exhibit 5: The job change rate has risen the most for weekly-paid customers**
Job change rate by pay frequency in July (three-month average, YoY percentage point change)




**Source:** Bank of America internal data

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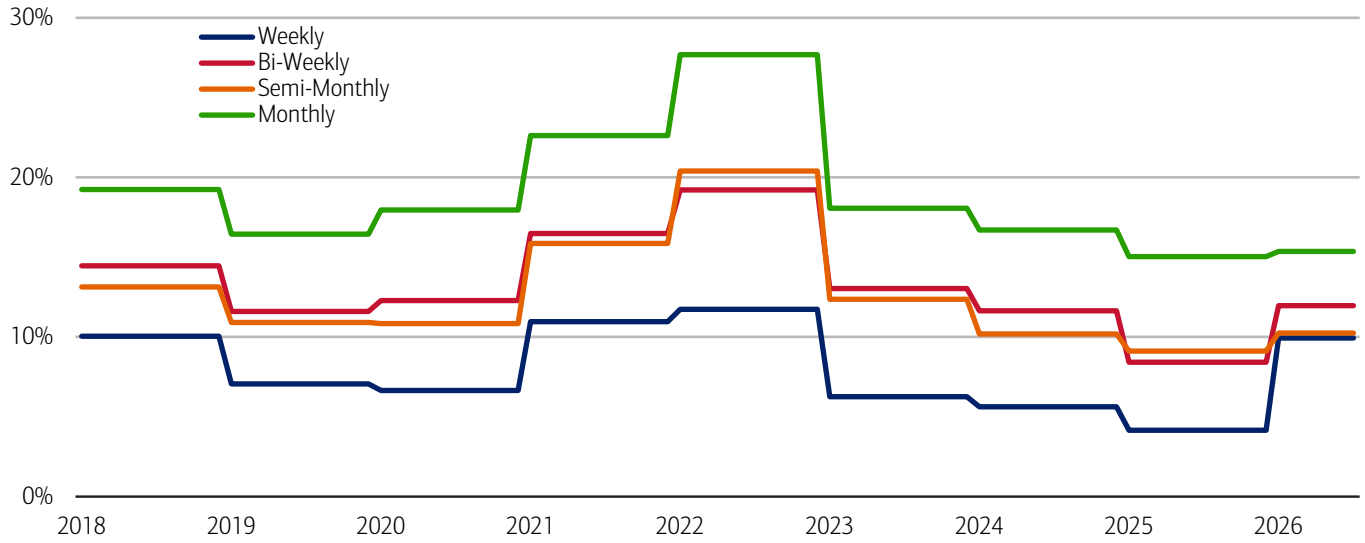
### Raises accelerate for weekly-paid job switchers

Job changes often come with a pay increase and in Bank of America customer account data, the pay change associated with a job change reached the highest level in more than three years in July 2026: 12.5% on a three-month moving average.

Interestingly, we also find a deviation across customers with different pay frequencies in the raises they get as a result of a job move. Those paid weekly have seen the strongest increase compared to last year, consistent with the increase in the rate of this group's job switching. On the other hand, those paid monthly have seen the smallest rate of increase year-to-date, though raises for this group remain at just over 15% (Exhibit 6).

So, in our view, because job switchers generally receive larger pay increases than workers who remain with their current employer, the rising rate of job switching amongst hourly and lower-income workers and the improved raises they get when they make a move is likely contributing to the recent narrowing of wage growth differences across income groups.

**Exhibit 6: The jump in pay associated with a job change has been strongest year-to-date in jobs with weekly paychecks**
Pay change associated with a job change by pay frequency (%, annual average)




**Source:** Bank of America internal data

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## 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.

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.

Lower, middle and higher household income cuts in Bank of America credit and debit card spending per household, and consumer deposit account data are based on quantitative estimates of each households' income. These quantitative estimates are bucketed according to terciles, with a third of households placed in each tercile periodically. The lowest tercile represents 'lower income', the middle tercile represents 'middle income' and the highest tercile 'higher income'. The income thresholds between these terciles will move over time, reflecting any number of factors that impact income, including general wage inflation, changes in social security payments and individual households' income. The income and tercile in which a household is categorised are periodically re-assessed.

Generations, if discussed, are defined as follows: Gen Z, born after 1995; Younger Millennials: born between 1989-1995; Older Millennials: born between 1978-1988; Gen Xers: born between 1965-1977; Baby Boomer: 1946-1964; Traditionalists: pre-1946.

Estimate of payroll growth from Bank of America internal data is based on the change in customer accounts receiving a paycheck in the month. An adjustment is made for the difference between overall population growth and customer account growth. Occasionally historic payments can be reclassified, leading to revisions in the series.

An estimate of bonus growth from Bank of America deposit data is calculated by looking at customers who have received an inbound ACH payroll transaction in the last two years. From this sample an estimate of bonuses is derived by looking for payroll transactions which are over 50% higher than the median regular payroll payments received by the customer. Of these payments only those that were received around the same time in each of the last two years are selected.

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 with employment income. We estimate the median pay rise associated with a j2j change using the pay in the first three months of the new job compared to the same three months a year ago.

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

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