

December 4, 2018

## Defining Job Switchers in the Wage Growth Tracker

Among the questions we receive about the Atlanta Fed's Wage Growth Tracker, one of the most frequent is about the construction of the job switcher and job stayer series. These series are derived from data in the [Current Population Survey](#) (CPS) and are intended to show how median wage growth differs for those who change their job from last year versus those who are in the same job. However, the monthly CPS does not actually ask if the person has the same job as a year ago.

So how to proceed? The CPS does contain information about the person's industry and occupation that we aggregate into consistent categories that can be compared to the person's industry/occupation reported a year earlier. If someone is in a different occupation or industry category, then we can reasonably infer that the person has changed jobs. To illustrate, for 2017, 18.8 percent of people in the Wage Growth Tracker data are in a different industry category than they were in 2016, and 28.6 percent are in a different occupation category. Of those who remain in the same industry, 23.9 percent changed occupation group, and of those in the same occupation group, 13.5 percent are in a different industry. However, this information doesn't allow us to identify all job switchers because being in the same industry and occupation group as a year earlier does not preclude having changed jobs.

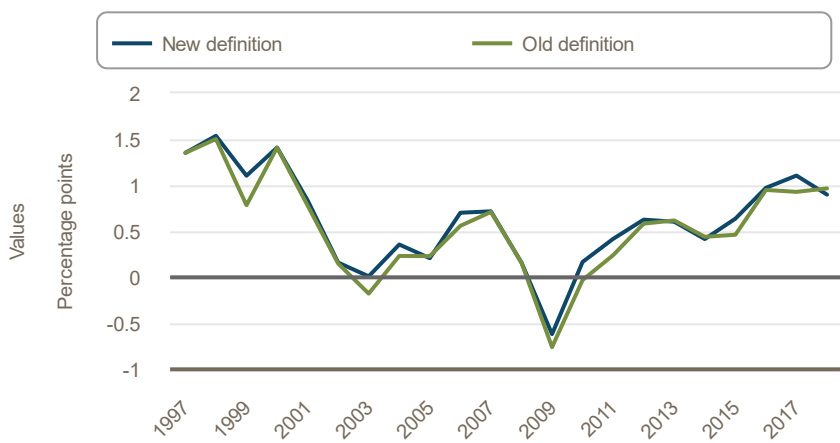
Fortunately, the CPS also has questions based on who a person said their employer was in the prior month. It asks if that person still works there and if the employee's activities and job duties are the same as last month. If someone answers either of these questions in the negative, then it is likely that person is also in a different job than a year earlier. In 2017, 1.5 percent of people in the Wage Growth Tracker data said they have a different employer than in the prior month, and 0.9 percent report having different job responsibilities at the same employer.

Unfortunately, the dynamic structure of the CPS means that the responses to these "same employer/activity" questions can only potentially be matched with an individual's response in the prior two months, and not a year earlier. Moreover, some responses to those questions are blank, even for people whom we identify as being employed in the prior month. For those individuals, we simply don't know if they are in the same job as a month earlier. Of the non-null responses, the vast majority do not change job duties or employer from one month to the next. So if we assume the blank responses are randomly distributed among the employed population, it's reasonable to also treat the blanks as job stayers.

Previously, we had treated the blank "same employer/activity" observations as job switchers, but that approach almost certainly misclassified some actual job stayers as job switchers. Instead, we now define a job switcher as someone in the Wage Growth Tracker data who is in a different occupation or industry group than a year earlier, or someone who says no to either of the "same employer/activity" questions in the current or prior two months. We label everyone else a job stayer.

Does the definition matter for median wage growth? The following chart shows the annual time series of the difference between the median wage growth of job switchers and job stayers based on both the old and new definitions.

### Difference in Median Wage Growth of Job Switchers versus Job Stayers



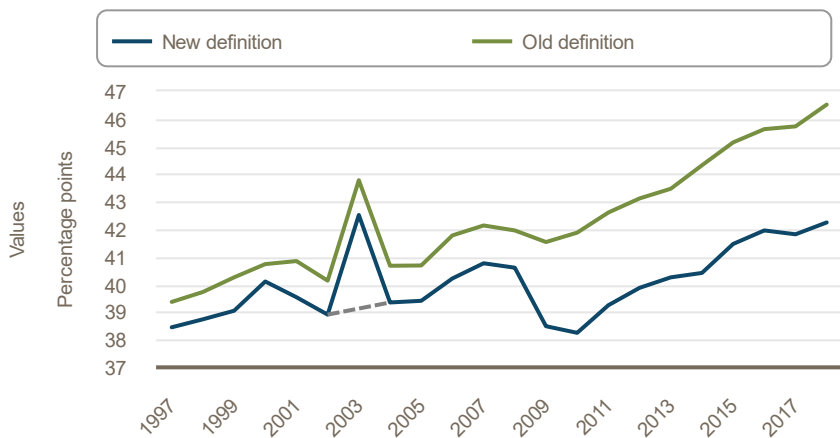
Source: Current Population Survey, author's calculations

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As you can see, the results are not qualitatively different. Job switchers have higher median wage growth during strong labor market conditions and lower growth during bad times. Not surprisingly, the gap in median wage growth is generally lower (more negative) using the old definition.

The next chart shows the annual time series of the share of job switchers in the Wage Growth Tracker data based on the new and old definitions. A caveat: we have been unable to construct occupation and industry groupings for 2003 that are completely consistent with the groupings used in 2002. This results in an erroneous spike in measured job switching for 2003.

### Share of Wage Growth Tracker Sample Classified as Job Switchers



Source: Current Population Survey, author's calculations

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Notice that the share of job switchers under the new definition peaked prior to the last two recessions, declined during the recessions, and then recovered. That share is now at a cyclical high. A discrete jump in the number of blank responses recorded for the "same employer/activity" questions in the CPS starting in 2009 masked this cyclical under the old definition.

In about a week from now, the next update of the [Wage Growth Tracker](#) data will implement the new and improved definition of job switchers—I hope you'll check it out, and I'll be writing about it here as well.



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