

A hand holding a white marker in front of a whiteboard. The whiteboard has handwritten text in blue marker: "Students pres", "Lincoln's coura", and "states' celebrat".

THE SWITCH

Wage growth increases for workers who change jobs

Wages for workers have remained either stagnant or tight in recent years—the result of the recession and a sluggish recovery. Economists, however, see signs of improvement, especially among workers who change jobs.

José Mustre-del-Río, an economist with the Federal Reserve Bank of Kansas City, says recent statistics on wages and compensation have showed promising growth in the labor market. Wage growth is often an important gauge of the labor market's strength.

Although the wages of workers who stay in the same job have varied slightly or not at all month to month, workers who have voluntarily

left an employer to take another job have seen significant wage growth in recent quarters.

“With the quits rate rising and returning to pre-recession levels, we should expect to see even greater wage growth for job switchers and ultimately job stayers in the future as competitive pressures take hold,” Mustre-del-Río said.

An unexpected field

For years, Olivia Malone made a good living teaching vocal performance to students ages 13 and older in a Kansas City suburb. Her teaching sessions, typically in the evenings because of



OLIVIA MALONE taught vocal performance privately for 15 years before she changed jobs and became an alternative education aide for the Olathe, Kan., School District.

PHOTO BY BOB GREENSPAN

her students' schedules, pulled her away from her family.

Then five years ago, even though the economy was recovering from the recession, the number of students she was teaching dwindled.

At the same time, the demographics of the industry also changed. Parents encouraged their children to seek college degrees in fields outside of music—decisions most likely influenced by the recession, Malone said. So instead of fostering the careers of young teens and adults, the industry became flooded with parents who wanted their young children—ages 6 to 8—to be trained in musical performance.

Parents pushed for instant results. Instead

of having their children spend years in vocal training, parents enrolled them in music institutions that put students on stage in a performance atmosphere within a few months, not years. Malone, who has taught professionally for more than 15 years, says it doesn't work that way.

"It was becoming more about instant gratification, but the world hasn't changed," she said. "Many of them are not ready for that level."

Malone had graduated with a degree in music education, but she went into private teaching instead of obtaining her teaching certificate for public education. She had a

choice to make: spend the time and money to gain her certification or go into an educational field that didn't require certification.

"I couldn't afford to," she said. "I have a family and needed the income."

Malone became a paraprofessional, working with special needs students. She quickly learned, however, that she could make more money substituting than teaching full time.

"Most full-time paras only make between \$9 and \$11 an hour and I made slightly higher as a sub," she said.

The work was demanding and Malone was on-call, which made it difficult to know how much she would work week to week.

"We work all day without a break and it's one-on-one with a student and you don't know the severity you're walking into—the severity of the student's needs," she said.

After two years in which her wages and the work were little changed, she decided to seek another position. Well-paying jobs were scarce, and other positions for which she was qualified didn't pay enough.

She found a job as an alternative education aide with the Clair Learning Center. The center is the Olathe School District's alternative school for students living in the psychiatric residential treatment center at KidsTLC, a nonprofit organization serving children and families across Kansas.

"It's a much better situation" financially and professionally, Malone said. She works full time for the district, which provides her paid benefits and a solid work schedule. She works flexible hours, giving her more time with her family, and her income is more than when she worked as a paraprofessional.

"I'm working in a field I didn't expect to work in, but it's been very rewarding," she said.

Tracking workers and wages

Mustre-del-Río says many workers like Malone are benefiting from improvements in the jobs market, but the improvement has been slow.

In the recent recession and recovery, many

workers were forced to change jobs through the loss of employment. Although some workers found new jobs, wages either were equal to or less than in their previous employment. Other workers remained unemployed until the economy improved, but the jobs they found didn't necessarily mean better wages. Workers fortunate enough to maintain their employment either saw little or no increase in wages. And workers leaving their jobs for better employment dropped dramatically during that time.

Data, however, show a recent tightening in the labor market, in that workers are voluntarily leaving jobs for better employment opportunities, which economists call the quits rate.

Mustre-del-Río used data from the Survey of Income and Program Participation and Automatic Data Processing's Workforce Vitality Index to gain a historical perspective of wage growth for job changers. He also used the Job Openings and Labor Turnover Survey from the Bureau of Labor Statistics to measure the quits rate within the private sector.

The measure shows significant cyclical in wages—rising during economic expansions and falling sharply in recessions. The data also show that wage growth among job changers comoves with the quits rate.

Looking at data from the third quarter of 2011 to the third quarter of 2014, Mustre-del-Río explained that the quit rates rose beginning in 2013, and switchers' average wage growth rose from roughly 4.3 percent per quarter in the first quarter of 2013 to 5.6 percent in the third quarter of 2014.

Job switchers in the leisure and hospitality industry reached average wage growth of 7.7 percent, while switchers in professional and business services saw wage increases of 6.8 percent by the third quarter of 2014. In contrast, switchers in the education and health sectors observed gains of only 3.9 percent and switchers in the manufacturing sector saw wage gains of 4.2 percent.

Mustre-del-Río says these trends will become more broad-based as the labor market

continues to tighten and worker turnover rises, creating a more competitive environment.

A comfortable position

Andy Marso was a newspaper reporter for most of his career. He chose the profession because he loved the work—it wasn't about the money, he said.

Marso's career advanced modestly after he graduated with a degree in journalism from the University of Kansas. He first worked as a sports reporter and columnist for a weekly newspaper in the northwest suburbs of Kansas City and eventually took a full-time position covering sports at a daily community newspaper in the southern metro area. His tenure there lasted three years before the recession took hold. He lost his job in a mass layoff in 2009.

"The entire market became tight after that," he said.

Newspaper jobs and journalism jobs in general were scarce. The industry shifted toward employers, who reduced average wages, laid off employees and left positions unfilled to cut costs.

Marso taught for a short time for a nonprofit and worked part time at a newspaper in Minnesota before attending graduate school at the University of Maryland. After grad school, he took a job at a Baltimore newspaper, where he barely made ends meet. He eventually moved back to Kansas, landing a job as a state government reporter in Topeka.

"You could see things starting to open up," he said. "Positions that were once left open after someone left were being filled."

The pay was decent, but the hours were long when the Kansas Legislature was in session, he said. And then last year, the Kansas Health Institute News Service offered him a position on its staff and he accepted in August.

Marso's new job has put him in a comfortable position in his career. He has the ability to report on important issues in the healthcare industry while earning a better salary and benefits.



ANDY MARSO has worked in newspapers most of his career, but recently changed jobs to write about the healthcare industry. Marso is one of many workers in the United States who have seen their wages increase by changing jobs.

"It's allowed me to buy a house, given me more (financial) stability and I can pay more into my retirement fund," he said.



KEVIN WRIGHT, EDITOR

FURTHER RESOURCES

"Following the Leaders: Wage Growth of Job Switchers," By José Mustre-del-Río

www.KansasCityFed.org/publicat/research/macro-bulletins/mb14/Mustre-del-Rio.pdf

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.