The "Great Resignation" and Worker Earnings Growth

INSIDE THIS ISSUE:

Early 2021 was the beginning of the “Great Resignation,” a period of high labor turnover caused by high demand for workers, combined with a relatively low labor supply. High labor demand and low supply created opportunities that made changing jobs attractive to workers, and many did, looking for better wages and working conditions. The separation rate for New Hampshire workers (the percentage of workers leaving an employer) began to increase in March 2021, and remained well above pre-pandemic levels through June 2022. Data from the U.S. Census Bureau’s Quarterly Workforce Indicators (QWI) show the impact turnover had on worker earnings, and which workers received the greatest benefits from changing jobs.

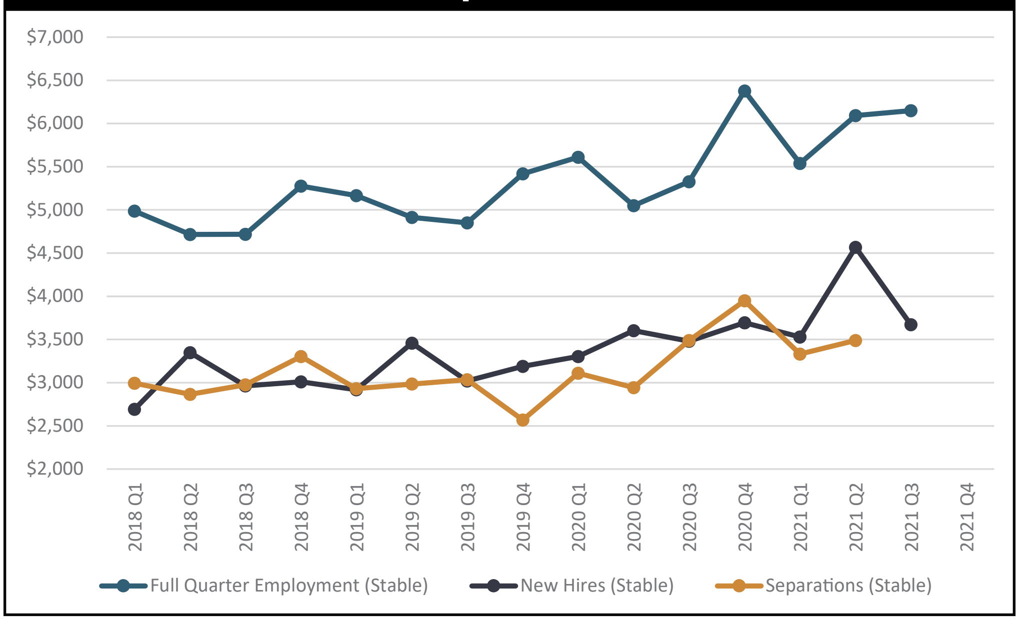
Workers in stable employment, those who worked at the same firm for the entire reference quarter, had average monthly earnings of $6,091 ($73,092 annually) in the second quarter of 2021, higher than workers who either separated from stable employment ($3,490 per month) and those who were hired to stable employment ($4,567 per month).[1] This is partially due to the age of workers changing jobs; younger workers typically earn less than older workers and have higher turnover rates, so it is likely that earnings for new hires and separations include a disproportionately large share of younger (and lower-earning) workers.

Workers hired to stable employment generally earned more than workers separating from stable employment, suggesting that workers changing employers typically received higher earnings from their new employer.[2] The earnings difference between separating and newly hired workers increased dramatically during the Great Resignation, from approximately four percent ($125 per month) between 2018 and 2020 to 31 percent ($1,077 per month) in the second quarter of 2021.

Average earnings growth increased over-the-quarter for all workers during the second quarter of 2021, although workers hired to stable employment experienced larger earnings gains than other workers. Average earnings for workers hired to stable employment increased 29 percent ($1,038 per month) over first quarter 2021 earnings, compared to ten percent ($553 per month) for workers in stable employment or five percent ($158 per month) for workers separating from stable employment.

Earnings for workers hired to stable employment declined in the third quarter, although seasonal summer hiring in accommodation and food services, retail trade, and arts, entertainment, and recreation, three industries with low average wages, likely affected new hire pay during

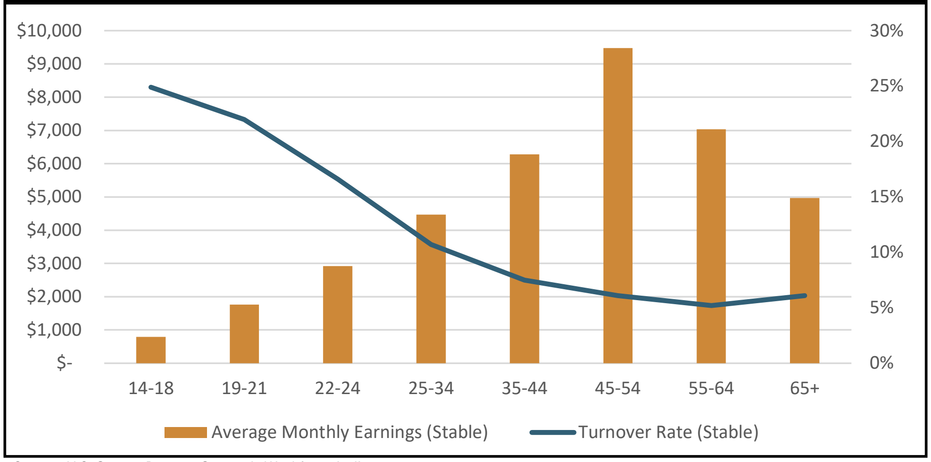
Average Monthly Earnings for New Hampshire Workers



Source: U.S. Census Bureau, Quarterly Workforce Indicators

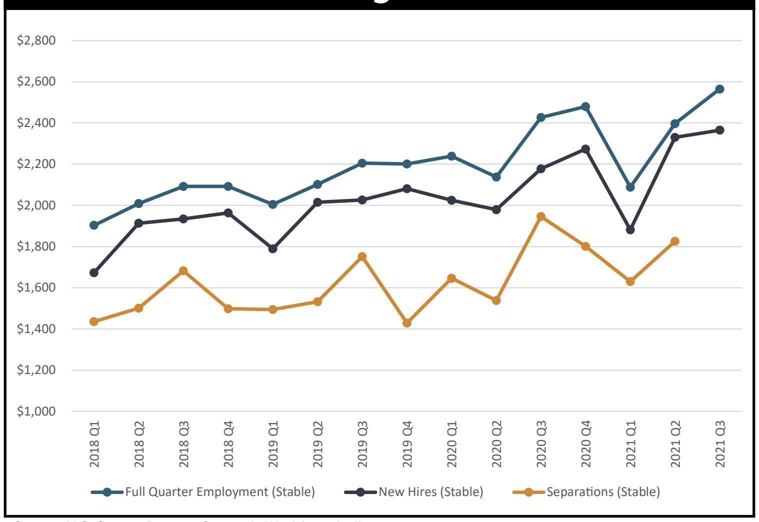
1 The earnings for workers separating from stable employment metric measures earnings in the quarter prior to separating, to ensure earnings from a full quarter of employment are measured. Earnings for workers hired to stable employment measure earnings in the quarter after hire.
2 Not all workers hired to stable employment separated from a previous employer, and not all separating workers start stable employment at a new employer. Some leave/enter the workforce, while others are hired to/separate from non-stable employment.

2021 Q2 Turnover and Earnings by Age



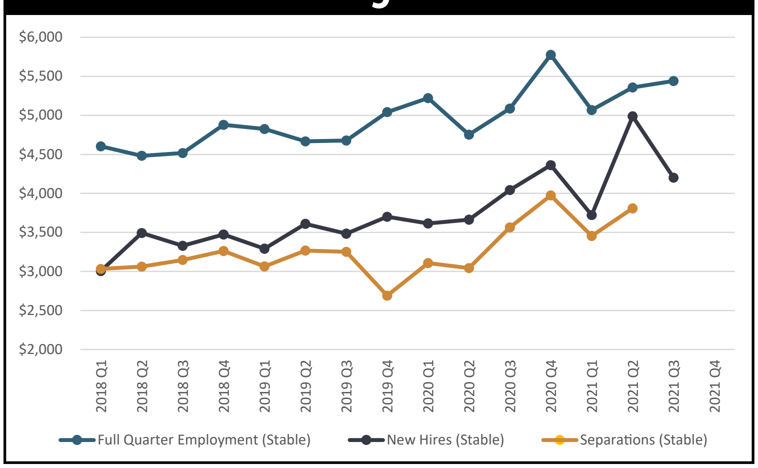
Source: U.S. Census Bureau, Quarterly Workforce Indicators

Average Monthly Earnings for Workers Age 19 to 24



Source: U.S. Census Bureau, Quarterly Workforce Indicators

Average Monthly Earnings for Workers Age 25 to 44



Source: U.S. Census Bureau, Quarterly Workforce Indicators

this quarter.[3] Earnings for workers in stable employment did not fall, suggesting that earnings increases were not isolated to one quarter, like earnings increases in the fourth quarters of 2018 and 2020. (Fourth quarter earnings increases are typically associated with either bonus payments or increased hours associated with seasonal holiday demand for goods and services). Increased earnings for new hires in the second quarter likely contributed to the increased earnings for stable employment in the third quarter, since stable hires from the second quarter continued to receive elevated wages in the third quarter (now classified as workers in stable employment). Additionally, some businesses responded to high turnover rates by increasing compensation for current employees.

Job Turnover and Earnings Increases by Age

Between 2018 and 2020 average earnings for workers age 19 to 24 hired into stable employment were 24 percent higher than earnings for workers separating from stable employment. This gap increased slightly to 28 percent in 2021 Q2. Many workers in this age group complete postsecondary education, qualifying them for higher-earning occupations. In addition, workers in this age range may be transitioning from part-time to full-time employment.

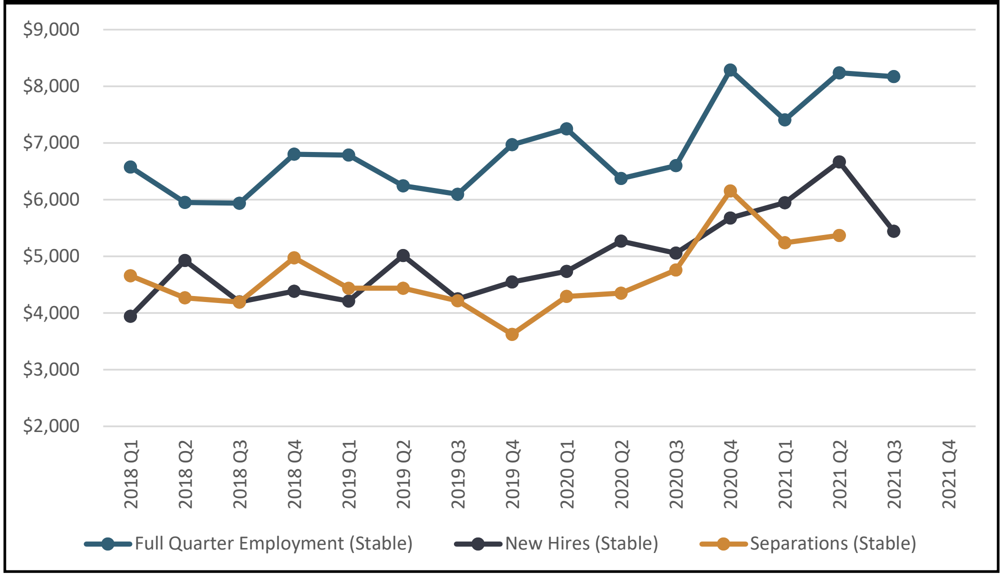
Earnings for workers age 19 to 24 hired into stable employment increased 24 percent ($448 per month) over-the-quarter in the second quarter of 2021. While average earnings for all workers hired into stable employment declined in the third quarter of 2021, earnings for newly hired workers age 19 to 24 increased two percent ($35 per month). Earnings increased for workers age 19 to 24 in stable employment as well, increasing 15 percent ($309 per month) in the second quarter of 2021, and seven percent ($168 per month) in the third quarter.

Workers age 25 to 44 hired to stable employment may have received the largest benefits from changing employers during the Great Resignation. In the second quarter of 2021, average monthly earnings for new hires were 31 percent higher than earnings for workers separating from stable employment, and earnings increased 34 percent ($1,270 per month) over the previous quarter. Earnings for workers in stable employment increased just six percent, or $290 per month.

Average monthly earnings for new hires to stable employment age 45 to 64 were 24 percent ($1,300) higher than earnings for workers separating from stable

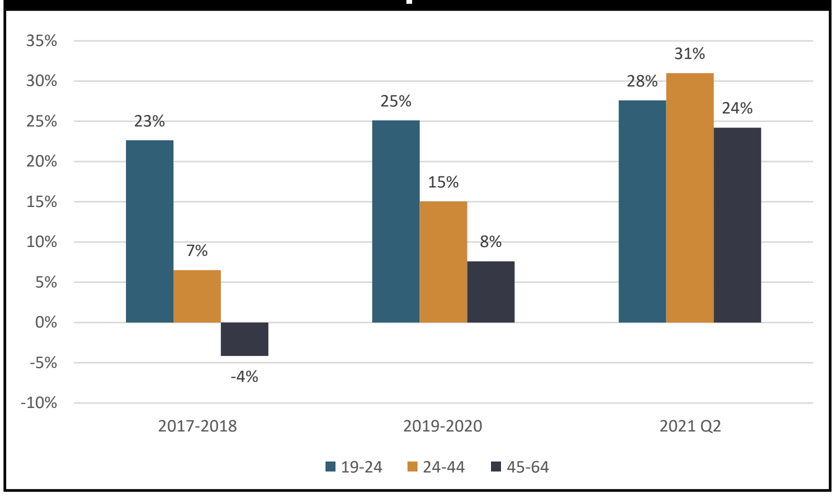
3 New hires to stable employment measures workers who worked the full quarter following the quarter they began employment; seasonal summer workers are mostly hired in the second quarter and would be considered new hires to stable employment if they are employed for the full third quarter.

Average Monthly Earnings for Workers Age 45 to 64



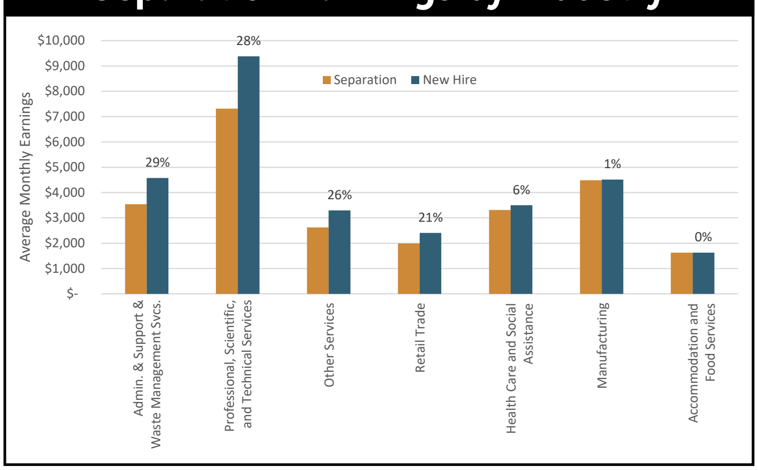
Source: U.S. Census Bureau, Quarterly Workforce Indicators

Difference in Monthly Earnings, New Hires vs. Separations (Stable)



Source: U.S. Census Bureau, Quarterly Workforce Indicators

Difference in 2021 Q2 New Hire and Separation Earnings by Industry



Source: U.S. Census Bureau, Quarterly Workforce Indicators

employment. However, the over-the-quarter increase in earnings for workers in stable employment ($830 per month) exceeded the increase for new hires to stable employment ($780 per month).

Prior to the Great Resignation, the difference in average earnings between workers age 45 to 64 hired to stable employment and those separating from stable employment was smaller than that of younger workers, suggesting that workers in this age range benefited less from changing jobs.[4] In 2017 and 2018, workers age 45 to 64 hired to stable employment earned four percent less than those separating from stable employment. In 2019 and 2020, workers age 45 to 64 hired to stable employment earned eight percent more than those separating from stable employment, although the difference between earnings for new hires and separations was larger for workers age 25 to 44 (15 percent), and age 19 to 24 (25 percent).

Earnings Gains by Industry

The difference in earnings between workers hired to stable employment and those separating from stable employment varied by industry, suggesting that the current labor market is not equally tight in all industries. The difference in earnings was largest in administrative and support and waste management and remediation services, with new hires earning 29 percent more than separating workers.[5] This industry includes staffing agencies and other employment services, which have been in high demand. Average earnings for new hires in professional, scientific, and technical services, retail trade, and other services were also more than 20 percent higher than wages for separating workers.

Average earnings for new hires in health care and social service were just six percent higher than wages for separating workers, while in manufacturing, new hires earned just one percent more than separating workers. In accommodation and food services, there was essentially no difference in earnings between new hires and separating workers.

– Greg David, Economist

4 Older workers are generally in peak earning years, while younger workers earn less, although they typically see larger increases as their careers progress. In addition, the same increase in salary would be represent a larger percentage increase for lower-earning workers, for example, a $3,000 raise would be a ten percent increase for a worker earning $30,000 per year, but a three percent increase for a worker earning $100,000 per year.

5 Workers changing jobs do not necessarily remain in the same industry.