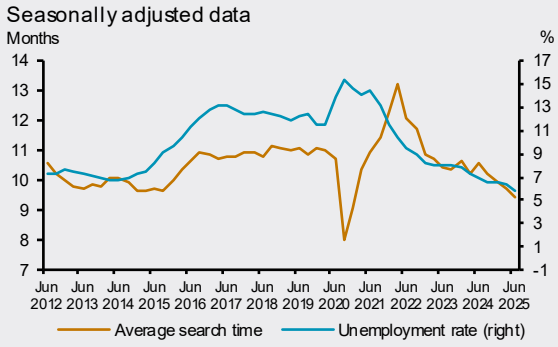
Job switching and wage premium

This box presents additional labor market indicators that, in general, support the assessment that the labor market is heated. Worker mobility is high, as suggested by historically elevated rates of job switching and turnover, and the historically low average time it takes for a worker to find a new job. The wage premium for switching jobs is at a high level according to PNAD Continuous data, although Caged data suggest a decline in this premium in recent years.

Introduction. The labor market remains heated, with no clear signs of slowdown or inflection. This box presents additional indicators – some of which were already presented in a previous edition of this Monetary Policy Report (MPR)[1] – that support this assessment.

Average time a recently employed worker was unemployed:[2] Calculated from paired data from the Continuous National Household Sample Survey (PNAD Continuous), this indicator is well correlated with the labor market cycle – the more heated the labor market, the shorter the time needed for an unemployed individual to find a job. An exception occurred at the beginning of the pandemic, when, despite rising unemployment, the time to reemployment decreased – reflecting a higher rate of withdrawal from job search among the long-term unemployed. As the pandemic dissipated, from the second half of 2021 onward, the indicator reached its highest historical level – thirteen months. Since then, it has shown a consistent downward trend. In 2025, the average time is below ten months – a historically low level, similar to that observed during another period of a heated labor market (2013-2014) and lower than the level recorded from 2017 to 2019, when the economy was gradually recovering from a recession (Figure 1).

Figure 1 – Time of job search until employment and unemployment rate



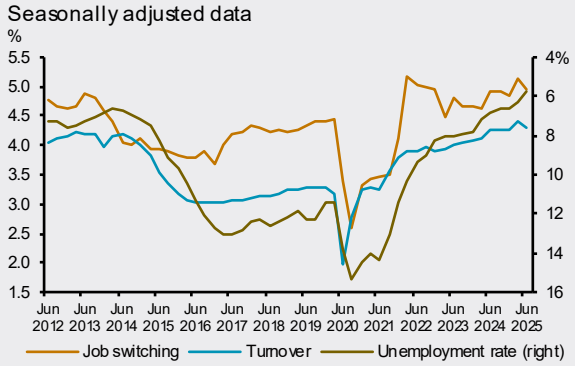
Sources: IBGE and BCB

Occupation switching rate (PNAD Continuous)[3] **and turnover rate (Caged).**[4] Both indicators measure workers' mobility and tend to show an inverse relationship with the unemployment rate. As the labor market heats up,

1/ See box Complementary labor market indicators in the September 2024 Inflation Report (IR).
2/ Calculated from paired data from the PNAD Continuous, which allows tracking respondents over time. By identifying the same individuals in two consecutive quarters, the average job search time was calculated for those who were unemployed in one quarter (the survey includes information on the duration of job searching, measured in months) and employed in the following quarter. Since it is not possible to determine the exact month that the respondent started working, one and a half months were added to the average.
3/ Using paired data, job switches are considered in cases in which individuals are employed in both quarters t and t-1, and in quarter t have been employed for up to two months. The total number of switches was divided by the number of employed individuals in t-1. Due to limitations in the survey, it is not possible to distinguish between those who resigned and those who were dismissed.
4/ It is the minimum between the total number of hirings and layoffs in a given month, divided by the number of existing employment relationships in the previous month.

more – and potentially better – opportunities arise, encouraging workers to seek new positions. However, for the indicator based on the PNAD Continuous data, this relationship was less evident during the 2015-2016 recession. During that period, unemployment rose sharply, while job switching declined modestly (Figure 2). Part of this dampening effect can be explained by the increase in transitions from formal to informal employment,[5] driven by households' need to preserve part of labor income during economic crises. From 2017 to 2019, during the economic recovery, job switching gradually increased. With the pandemic, there was a sharp decline. In recent years, both job switching and turnover rates have risen again, reaching historically high levels nowadays.

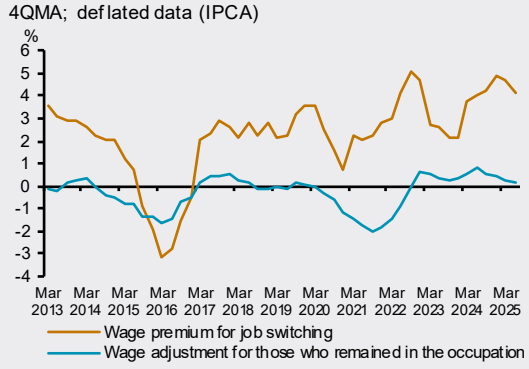
Figure 2 – Quarterly job switches and turnover



Sources: IBGE, MLE and BCB

Wage premium for job switching (PNAD Continuous):[6] The wage premium associated with job switching is also at a historically high level. On average, job changes are accompanied by wage gains, reflecting the fact that many workers voluntarily switch jobs seeking better pay. These gains tend to be more significant during periods of labor market expansion, when there is greater competition among employers for workers. Conversely, during economic downturns, job openings decrease, and the wage premium tends to fall, sometimes even becoming negative. Considering the four-quarter moving average, the premium ranged between 2% and 3% from 2013 to 2014, dropped sharply during the recession, and returned to its initial level from 2017 to 2019. Since the pandemic, the premium has become more volatile, but in 2024 and 2025 it remained between 4% and 5%, supporting the assessment of a heated labor market (Figure 3). Additionally, for most of the period under analysis, the change in average earnings of workers who switched jobs between two consecutive quarters exceeded that of those who remained in the same position. An exception occurred during the 2015-2016 economic crisis.

Figure 3 – Wage premium for job switching



Sources: IBGE and BCB

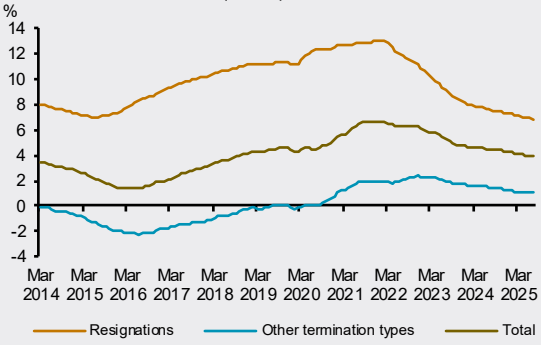
5/ For more information on growth pace and changes in the composition of the employed population, see box Evolution of the formal and informal labor markets in the recent economic activity cycles in the December 2019 IR.

6/ Calculated as the change in average real income between two consecutive quarters, considering only workers who, in the current quarter, occupy a different position than in the previous quarter.

Wage premium for job switching (Caged):[7] General Registry of Employed and Unemployed Persons (Caged) data captures only switches within the formal private employment segment with signed labor contracts, excluding other forms of formal and informal employment. Conversely, this data source allows segmentation of the premium between resignations and other types of termination (Figure 4). As expected, the wage premium for resignations exceeds that of other types throughout the period. However, unlike the similar variable constructed from PNAD Continuous data, the wage premium measured by Caged has been declining for three years, for both resignations and other termination types. This decline is more pronounced among resignations, with the premium reaching a historically low level. Segmentation by education level and age group indicates that this downward trend in the wage premium for resignations over the past three years is widespread (Figures 5 and 6).

Figure 4 – Wage premium

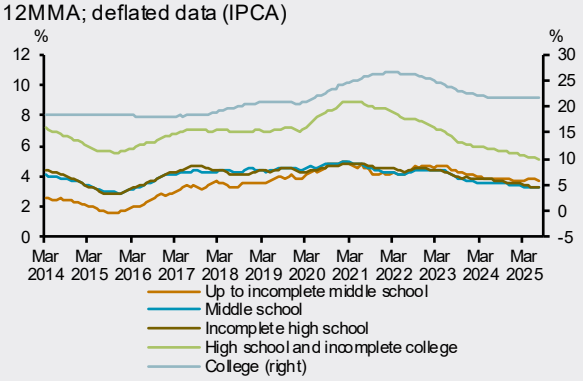
12MMA; deflated data (IPCA)



Sources: MLE and BCB

Figure 5 – Wage premium in resignations by education level

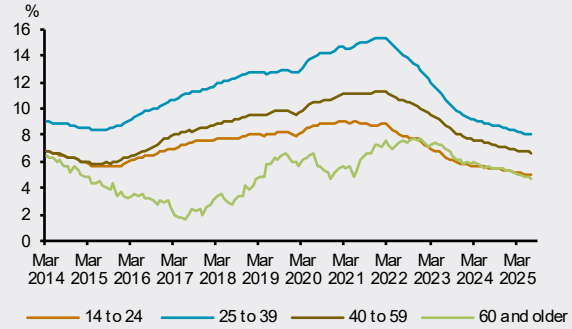
12MMA; deflated data (IPCA)



Sources: MLE and BCB

Figure 6 – Wage premium in resignations by age range

12MMA; deflated data (IPCA)



Sources: MLE and BCB

Conclusion In summary, the current dynamism of the labor market and its low slack are reflected in indicators related to mobility and the time required to find a job. However, the evolution of the wage premium shows discrepancies depending on the data source: while calculations based on PNAD Continuous point to historically high levels, Caged data indicates a downward trend.

7/ Calculated from a database with identified companies and individuals. By tracking individuals over time, the wage premium was calculated as the percentage difference between the hiring salary in month t and the layoff salary in the previous job, considering only terminations that occurred in months t, t-1, or t-2. For the premium calculation, intermittent workers and cases in which the hiring company was the same as the terminating one were excluded. Salaries below 0.3 minimum wage and above 150 minimum wages were also excluded, following the criteria adopted by the Ministry for calculating average earnings. The premiums were deflated by the IPCA and expressed in 12-month moving averages for smoothing. It is important to note that the calculated series includes data from before and after the changes made to Caged in 2020. Therefore, comparisons between periods should be made with caution. Further references to the changes in Caged are available in the labor market section in the March 2021 and December 2021 Inflation Reports.