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NEWS RELEASE: APRIL 5, 2023


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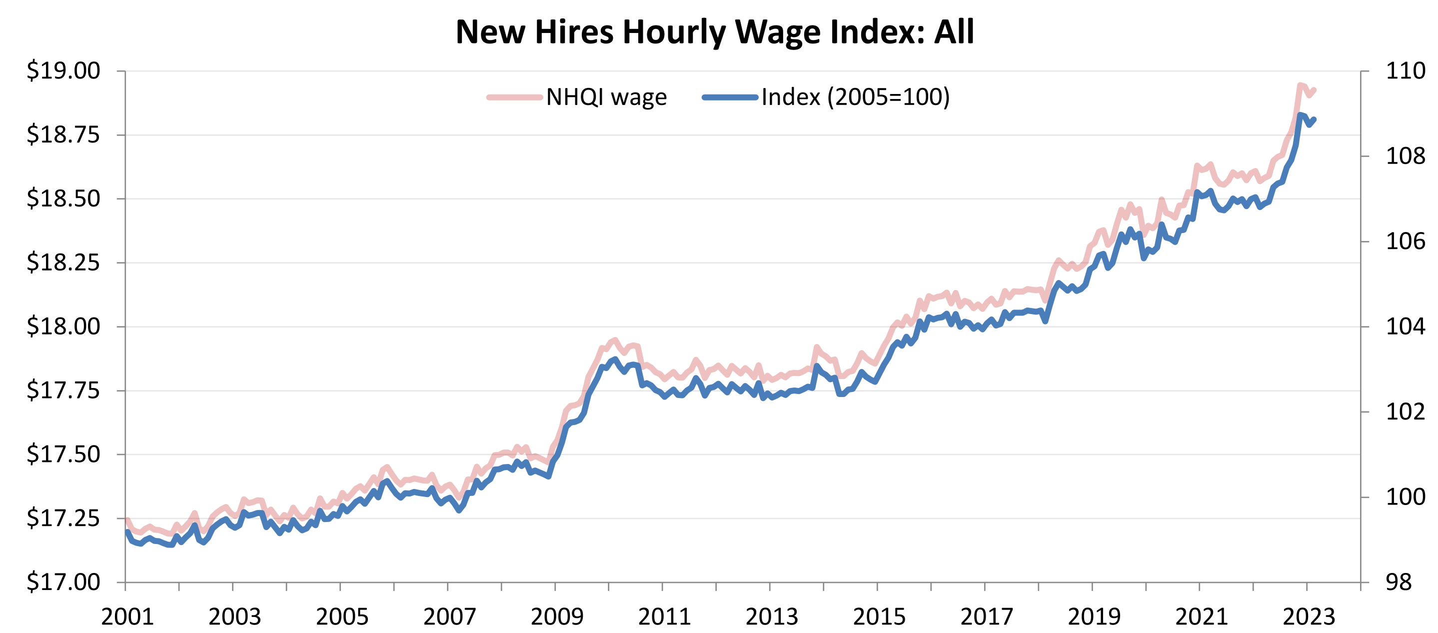
## Upjohn Institute New Hires Quality Index edges up 0.1 percent in February 2023, led by South while Northeast lags behind

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job edged up 0.1 percent between January and February of 2023, to $18.92, or 2 cents below the record high reached in November. Over the past 12 months the index is up 1.9 percent; since 2005, it is up 8.9 percent. Hiring volume ticked up 0.5 percent, breaking a seven-month slowdown streak. Although hiring is still down 1.8 percent from last February, it remains 2.3 percent above its pre-pandemic (February 2020) level. (Adjusting for population growth, hiring *rates* are 0.3 percent above pre-COVID baseline.) These indicators suggest the labor market is proving remarkably resilient to rising interest rates, although data collection occurred before the financial tumult from the failure of Silicon Valley Bank. The desired soft landing by the Federal Reserve has become a greater challenge but remains possible.

The index and accompanying interactive database and report, developed by Upjohn Institute economist Brad Hershbein, fill a key gap in the measurement of hiring activity. The NHQI provides monthly updates on the volume and occupation-based wages of newly hired workers, and is available for different groups based on sex, age, education, and other characteristics.




SOURCE: Upjohn Institute New Hires Quality Index
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.

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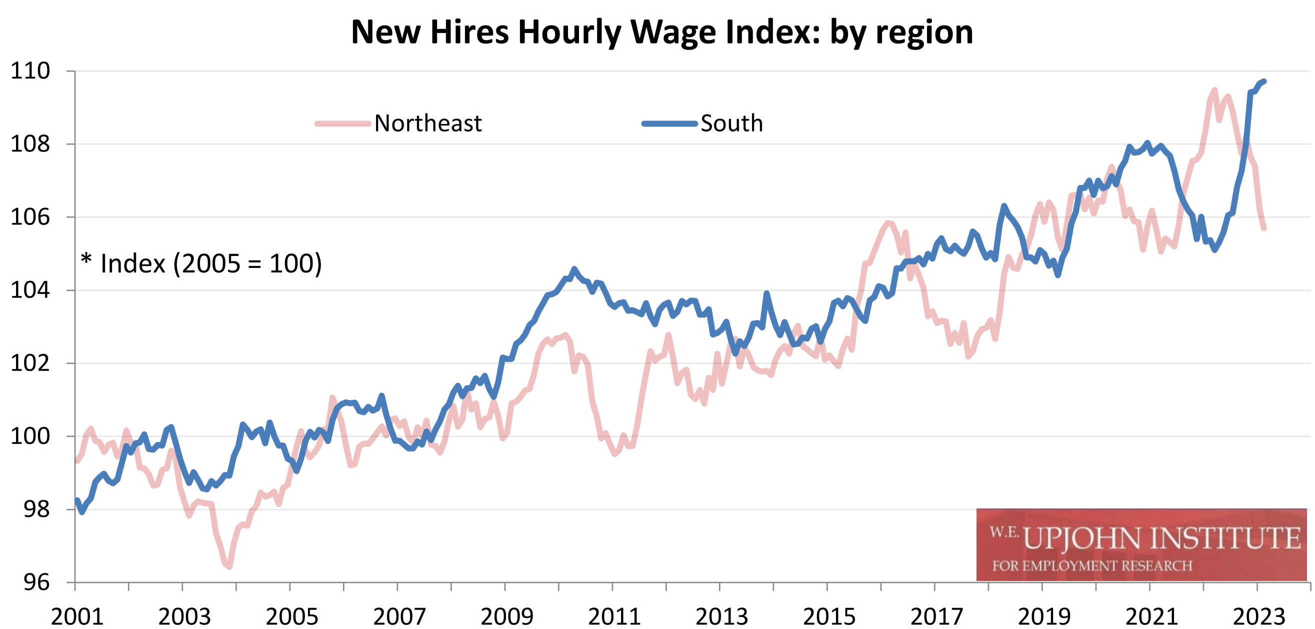
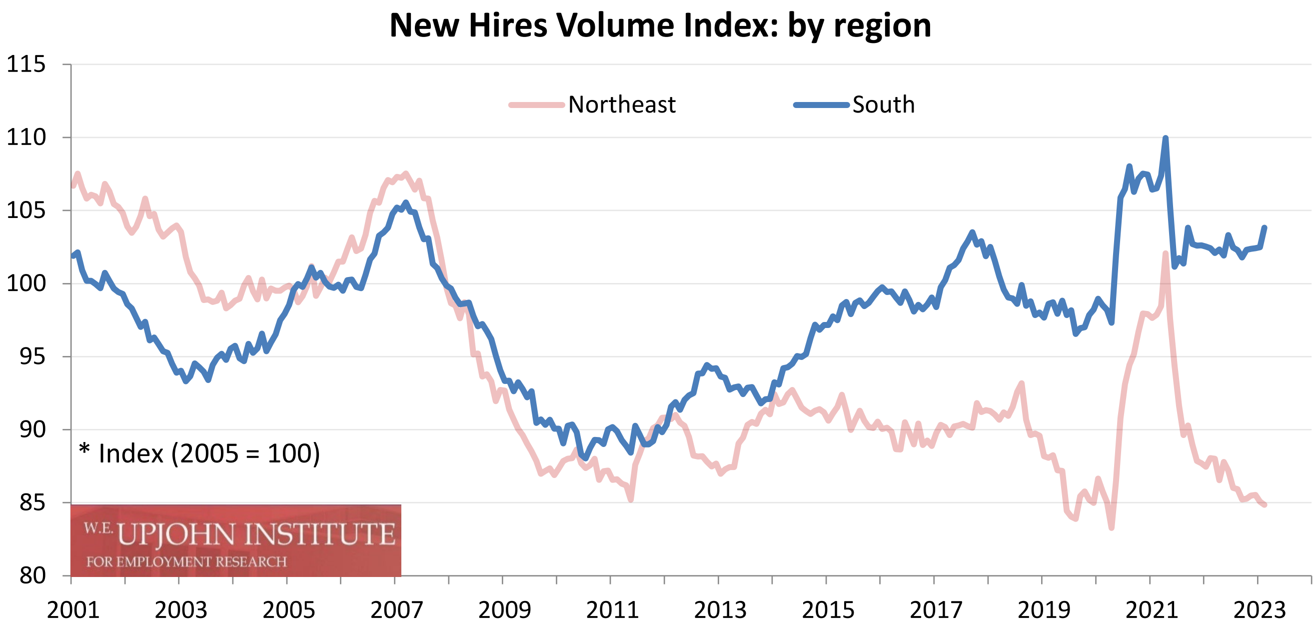
The aggregate trend in hiring dynamics has been surprisingly robust over the past several months, even as the Fed continues to raise interest rates, the tech sector announces more layoffs, and geopolitical tensions loom. But this macro pattern may mask trends occurring in different regions of the country. Although the rapid exodus from big cities may have ended last year, long-term migration patterns, warm weather, and relatively low taxes for the affluent have helped the Sunbelt boom. In this month's NHQI release, we compare hiring dynamics between the Northeast and the South.

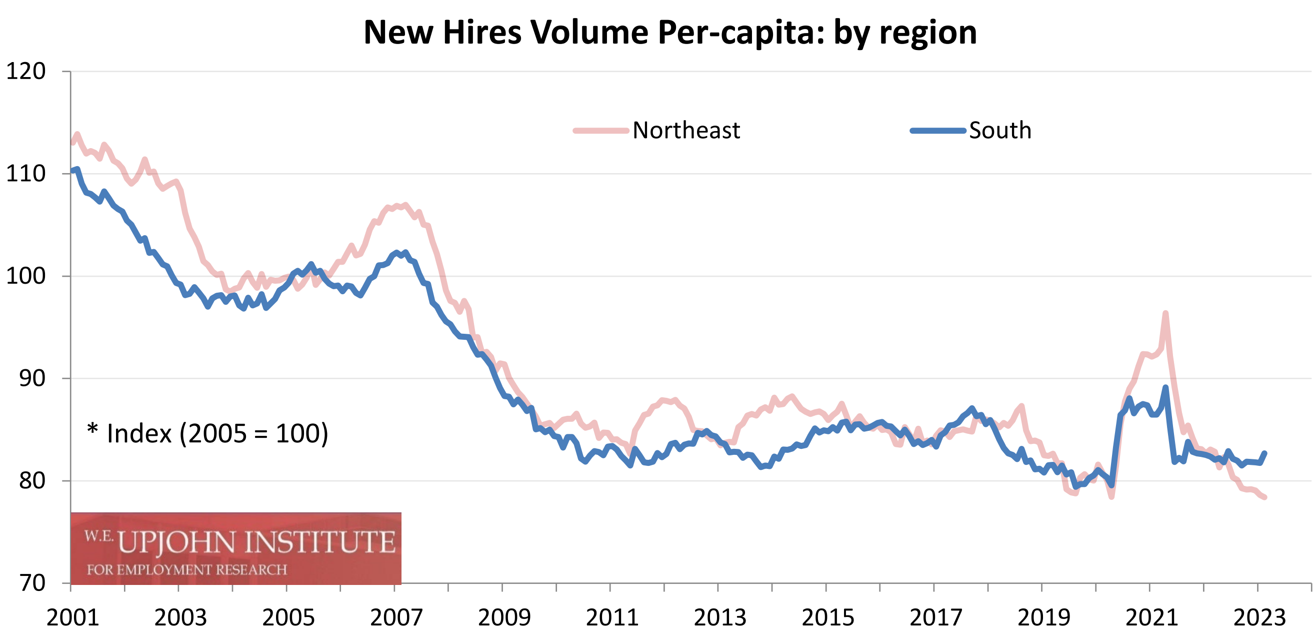
The graph below shows the hourly wage index separately for newly hired workers in these two regions, with the Northeast in salmon and the South in blue. Each index is normalized to the respective region's own level in 2005 in order to better show relative changes. Over the long horizon, up to the beginning of the pandemic, both regions had seen similar growth in earnings power: between 2005 and February 2020, the wage index had risen 6.4 percent in the Northeast and 6.8 percent in the South. Over the past three years, however, the series have been volatile, with the Northeast experiencing a surge from the middle of 2021 through the middle of 2022, followed by a plunge of equal magnitude, while the South experienced nearly the exact opposite pattern. As of February 2023, the earnings power of newly hired workers in the South is 9.7 percent above its level in 2005—a record high—and also up 2.7 percent since the beginning of the pandemic. For the Northeast, earnings power is up only 5.7 percent since 2005, and actually down 0.7 percent since February 2020.



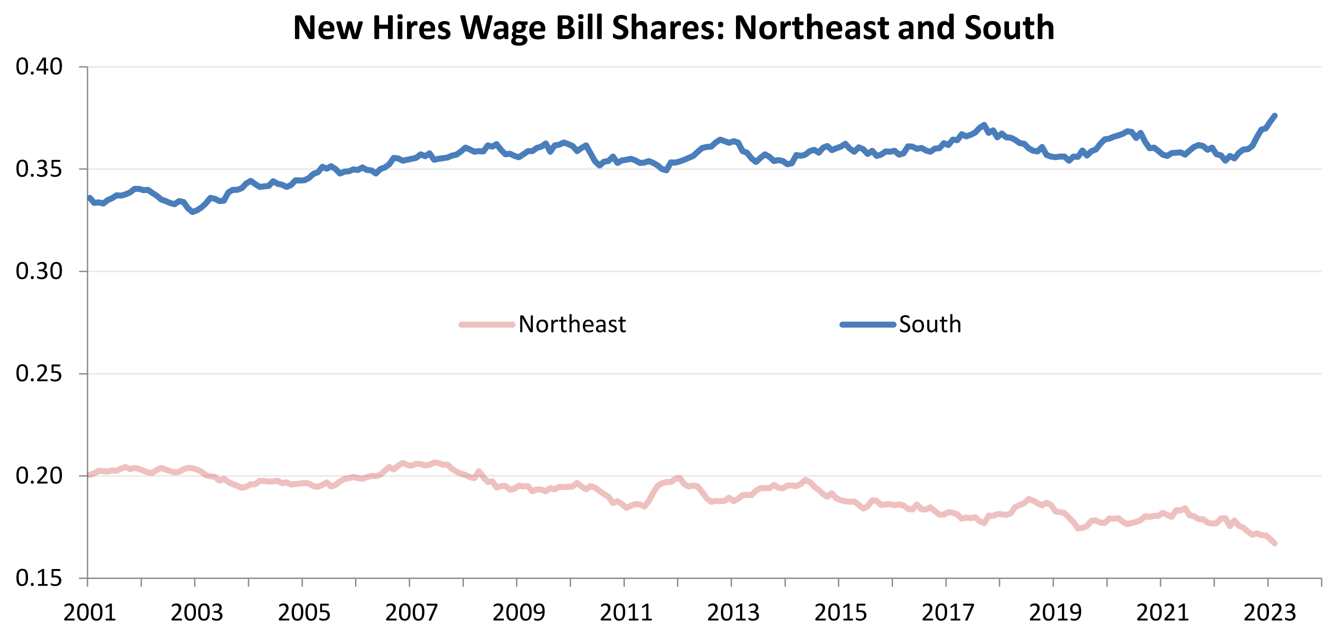

The above patterns indicate that over the past year or so, many of the new hires in the Northeast are entering lower-paying occupations than earlier in the pandemic, while the reverse is true for the South. This could be the case if the Northeast is still recovering from its greater job losses, which were especially severe for lower-paying occupations in service jobs. The next graph, which presents hiring volume indices (again normalized to 2005) for both regions, shows this is sadly not what's going on. The Northeast did indeed have a larger surge in hiring in mid-2020, but volume has steadily fallen since and is now 1.1 percent below where it was right before the pandemic. The South, on the other hand, had a smaller hiring surge in the summer of 2020—in accord with its smaller employment drop in March and April of that year—but since that surge ended, volume has been roughly flat or has even ticked up slightly. Hiring volume in the South is currently 5.4 percent above its prepandemic level.




Of course, much of these hiring volume trends reflects differing population growth between the regions, as alluded to earlier. The graph below thus presents *hiring rates*, or hiring volume per capita, again normalized to levels in 2005. These hiring rates mute the trends from the previous figure but do not eliminate them. Notably, hiring rates in the Northeast are down 3.0 percent since February 2020, a larger gap than in aggregate hiring volume because population has still grown in the region in the past three years, and hiring has not kept up. Indeed, hiring rates for this region are at an all-time low. For the South, hiring rates are up 2.5 percent over the past three years and close to the post-Great Recession average.




Thus both the earnings power and volume of new hires have been falling in the Northeast, while they have been rising in the South. Consequently, the new hires wage bill share—or the fraction of total earnings power among all new hires accruing to a specific group—has been sliding in the Northeast. Since the early 2000s, when this share was about 20 percent, it has slipped more than 3 percentage points, to 16.7 percent as of February 2023, with more than one-third of the loss occurring since the pandemic. The South, in contrast, has increased its share from about one-third in the early aughts to 37.6 percent today, with one-quarter of that gain coming in just the past three years.




These statistics and many more, as well as interactive charts and data downloads, can be found at the website for the Upjohn Institute New Hires Quality Index: www.upjohn.org/nhqi.

The full report, including methodology, can be found here: https://www.upjohn.org/sites/default/files/2021-05/NHQI_report_0.pdf.

All data will be regularly updated during approximately the first week of the second month following the reference of the data release month. For example, data for March 2023 will be released during the first week of May 2023. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: www.upjohn.org/nhqi/signup.

**FAQ**

**1. What is the New Hires Quality Index?**

The New Hires Quality Index (NHQI) is a consistent way of measuring the earnings power of people taking new jobs each month, allowing comparisons over time.

**2. How is the Index constructed?**

The Index is based on the occupations of newly hired workers as documented in the Current Population Survey, the same source used to produce the national unemployment rate each month. Separate data on the hourly wages for each occupation from another government survey, Occupational Employment Statistics, are connected to the newly hired workers in the Current Population Survey. These hourly wages are then statistically adjusted to account for differences in the demographic composition of new hires (sex, race and ethnicity, education, and age) before being averaged.

**3. Does the Index measure actual, reported wages of newly hired workers?**

No. Although the data used to create the Index do have some information on self-reported wages (or those reported by another household member), many economists consider these self-reported wages increasingly unreliable, as a growing fraction of workers refuse to answer the wage questions, and the government's attempts to impute (make an "educated guess") for these workers are problematic. Moreover, because relatively few workers are even asked the wage questions, and only a small subset of these are newly hired, use of the self-reported wage data would lead to very small samples.

The Index captures change in the wages of new hires due to both changes in the mix of occupations hired and the demographic characteristics of individuals taking new jobs. It will not capture change in the wages of new hires due to other factors, such as individual aptitude, geography, or employer characteristics.

A comparison of the Index with a series derived from the actual self-reported wages in the Current Population Survey can be found in the technical report. An analysis of self-reported wages can also be found in press releases for July 2018, July 2019, July 2020, July 2021 and July 2022.

**4. Does the NHQI count self-employed workers?**

No, the NHQI excludes the self-employed (including those who report bring independent contractors).

**5. How often is the NHQI updated?**

Every month, with the release by the Census Bureau of the Current Population Survey microdata. Updates will be posted on the NHQI website during the first week of the month, covering data from two months ago. Data are currently available from January 2001 through February 2023. To receive updates through email or social media, visit the signup page.

**6. What data are available on the NHQI website?**

The NHQI website contains monthly data for all components of the NHQI. The four main components are: the hourly wage index, the hiring volume index, the wage bill index (the product of hourly wages and hiring volume), and the hires per capita index. Each component is available in its actual level or normalized to the base year 2005. In addition to providing data for all new workers, the NHQI exists for men, women, different age groups, different education groups, different races/ethnicities, different industry sectors, different regions, native and foreign-born, full- and part-time workers, and different types of new hires (the newly employed and employer changers). All data can be charted interactively or downloaded for separate analysis.