

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

300 South Westnedge Avenue • Kalamazoo, Michigan 49007 • 269-343-5541 • www.upjohn.org

NEWS RELEASE: MARCH 30, 2022

CONTACT: BRAD HERSHBEIN

hershbein@upjohn.org

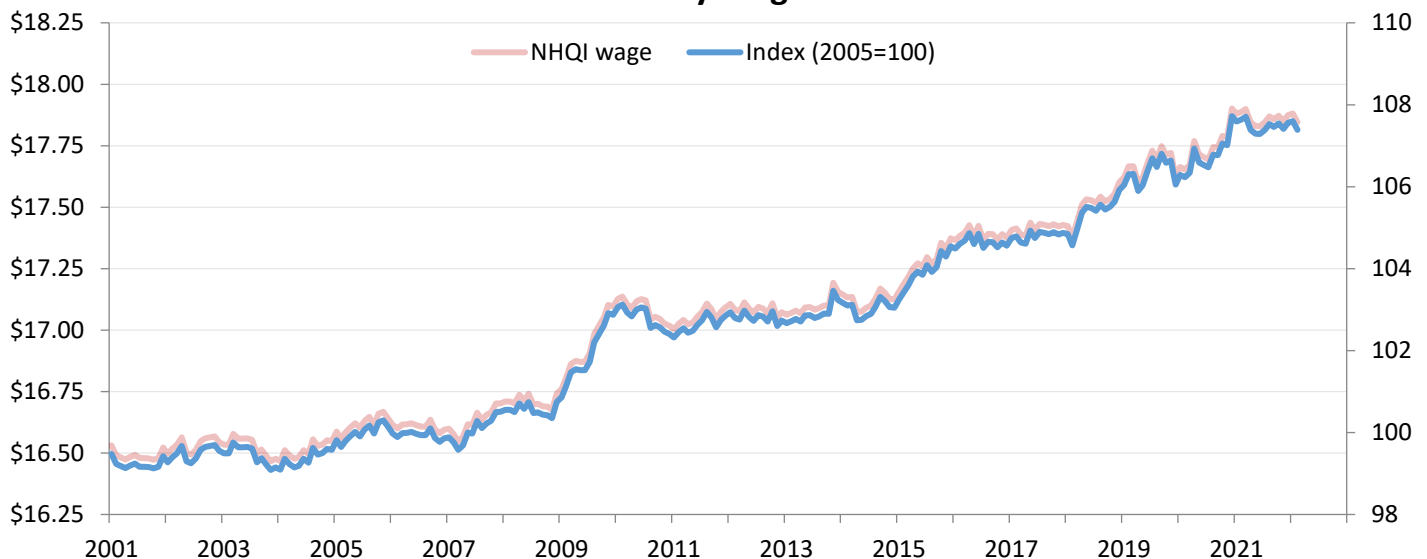
269-385-0437

Upjohn Institute New Hires Quality Index for February 2022 slips 0.2 percent; Northeast shows stronger growth than South

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job fell slightly, by 0.2 percent, between January and February, to \$17.85. Nonetheless, the index has been remarkably steady over the past 13 months despite a continuing tight labor market. Since 2005, the index is up 7.4 percent. Hiring volume edged up 0.3 percent over the month and is 4.2 percent above its pre-pandemic (February 2022) level. Although the Omicron wave continues to abate, it is unclear whether Russia's invasion of Ukraine and renewed supply shortages may create headwinds in the hiring market over the next few months; these events are not reflected in this month's release. The current jobs deficit, relative to before COVID-19, stands at 2.1 million—7.0 million if prepandemic job growth had continued.

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.

New Hires Hourly Wage Index: All



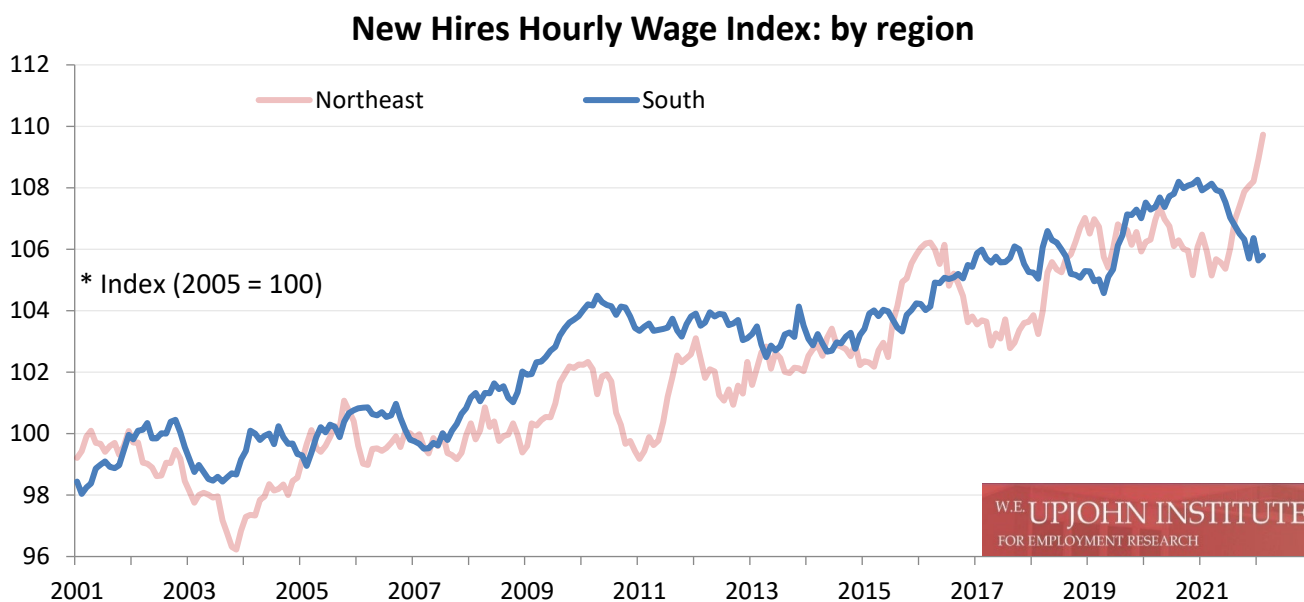
SOURCE: Upjohn Institute New Hires Quality Index

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.



It is no secret that the share of the U.S. population living in the Northeast has been declining for decades, while the share living in the South and West has been rising. Recent [evidence](#), moreover, shows that such population [reallocation](#) may have [accelerated](#) during the pandemic. With large redistributions of population, we might expect employment dynamics to follow suit, given that [jobs tend to follow people](#) and [beget ancillary jobs](#)—think of construction workers building new housing and infrastructure, chefs cooking in new restaurants, and healthcare professionals serving new patients. Is such a pattern borne out in the NHQI? In this month’s release, we investigate the hiring markets of the Northeastern and Southern regions of the United States.¹

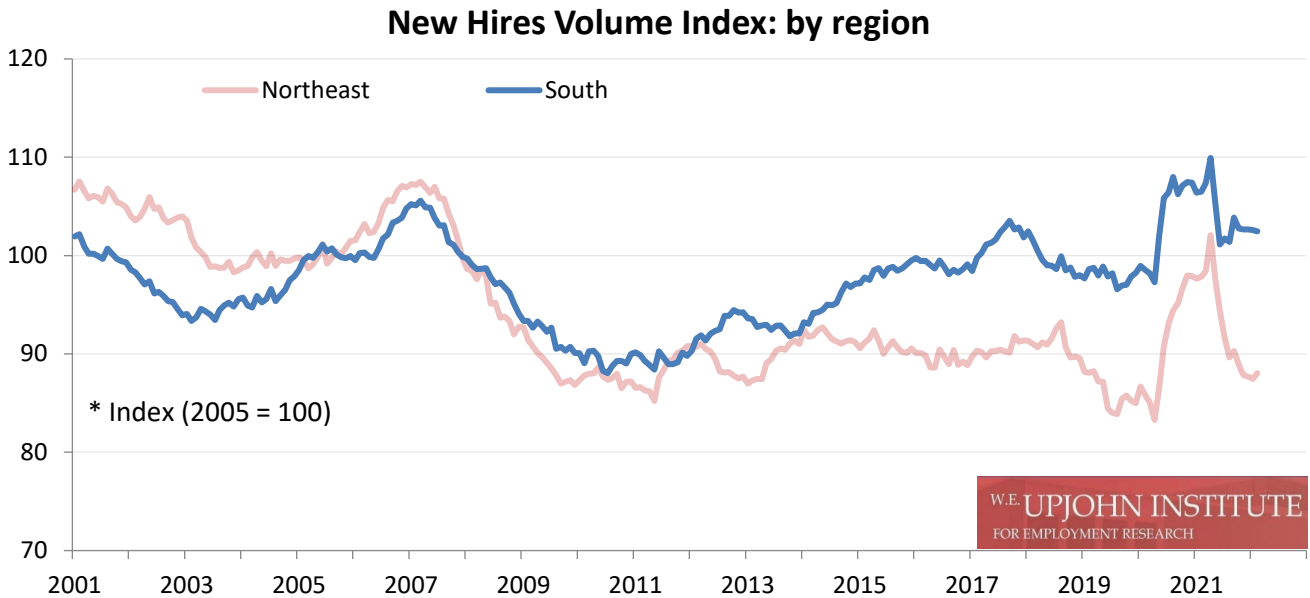
The graph below shows the hourly wage index separately for each region. Each index is normalized to the respective region’s own level in 2005 in order to better show relative changes. Both series have gradually risen since 2005, but their pattern have sharply differed over the past two years. During most of 2020, the South continued to see its wage index gradually rise, peaking at a level roughly 8 percent above where it had been in 2005. Since the beginning of 2021, however, its wage index has fallen by over 2 percent. For the Northeast, the pattern has been roughly the reverse: a decline during 2020 was followed by a sizable spike during 2021 and into 2022. As of February, the Northeast’s wage index is 3.2 percent above its prepandemic level, while the South’s wage index is down 1.4 percent over the same period.



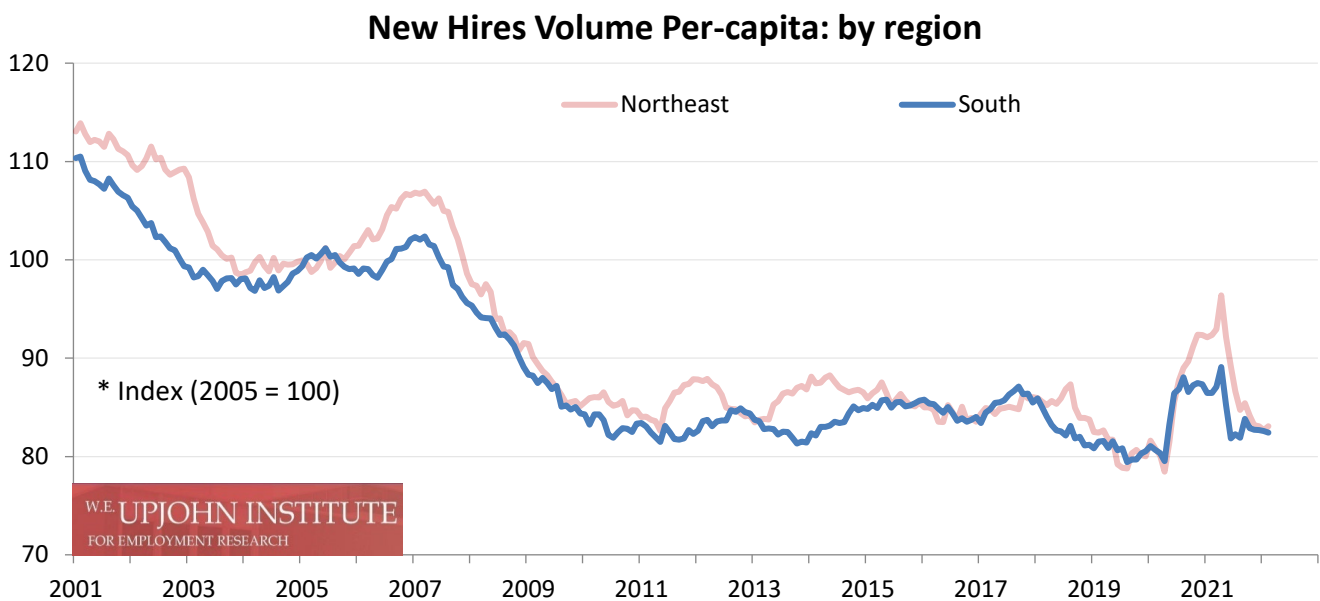
These trends suggest that new hires in the Northeast have shifted toward higher-earnings occupations faster than in the South, which has seen the average earnings power of its new hires dip slightly. But this “quality” aspect could be outweighed by quantity if the South is seeing faster growth in hiring volume. The following figure indicates that this is indeed the case, although perhaps not by as large a margin as one might think. Over the long term—since 2005—hiring volume has fallen in the Northeast by 12.0 percent while it has risen by 2.5 percent in the South. After the initial reopening of the economy in the summer of 2020, both regions saw a spike in hiring—stronger in the Northeast to accord with its [greater rate of layoffs](#). But the subsequent decline in hiring has also been more pronounced in the Northeast.

¹ For the states that make up each region, see https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf.

Consequently, hiring volume is up 4.0 percent since the start of the pandemic for the South, and up just 2.6 percent for the Northeast.



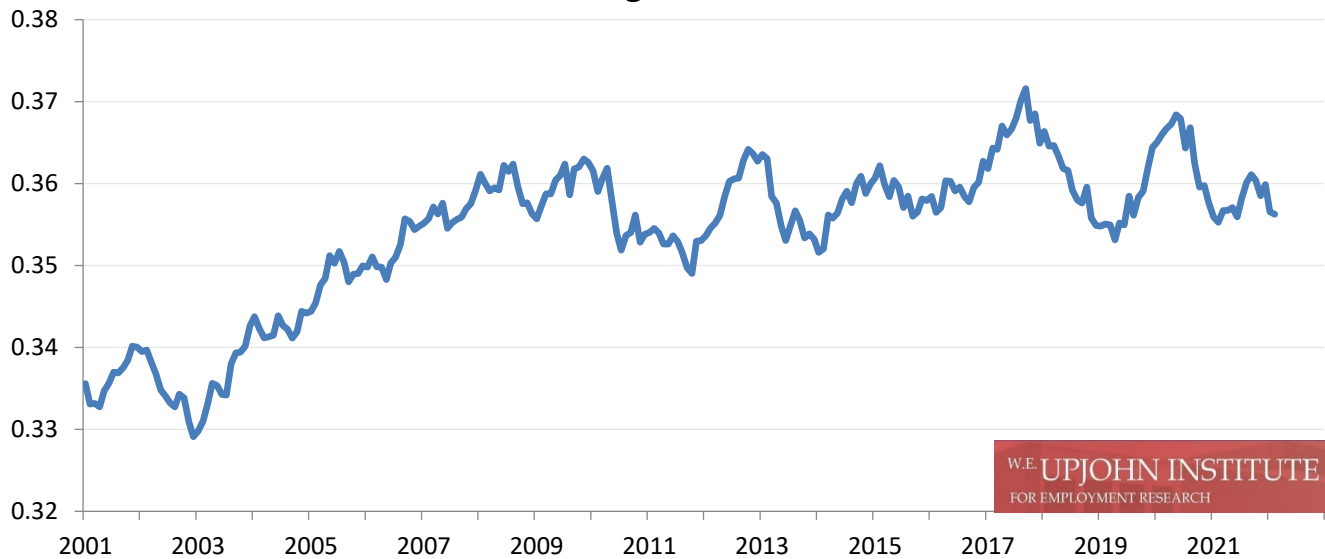
If we adjust for population size, however, a slightly different picture emerges. The following figure shows the *hiring rate*—the number of hires per 1,000 people—again normalized so that year 2005 represents 100. Long-term trends in hiring rates are more similar across the two regions, although the larger spike for the Northeast in the summer of 2020 is now more distinct. Also clearer is that since the pandemic recovery began, normalized hiring rates have consistently been higher in the Northeast, with the two regions only just beginning to converge.



Together, the wage, hiring volume, and hiring rate indices suggest that, since the pandemic began, new hires in the Northeast not only are gaining in average earnings power over their peers in the South, but that the collective earnings power of all new hires is also shifting from the South to the Northeast. This is illustrated in the last figure, which shows the share of the wage bill—the product of the wage index and hiring volume index, representing the total earnings power of all new hires—accruing to the South. Although this share rose in the first decade of the new millennium, it has shown little sustained growth

since. In fact, since the start of the pandemic, it has fallen by a full percentage point. As this pattern also occurred over 2018, before the share rose during 2019, it's unclear how much we should read into this short-term trend. Nonetheless, it is clear that the Northeast has not given up ground to the South over the past two years when it comes to new hires.

New Hires Wage Bill Shares: South



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 2022 will be released during the first week of May 2022.

The W.E. Upjohn Institute for Employment Research is a nonprofit, nonpartisan research organization devoted to finding and promoting solutions to employment-related problems. The views expressed in the report are those of the author and do not necessarily reflect the views of the W.E. Upjohn Institute. Visit us at www.upjohn.org.

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](#), and [July 2021](#).

4. Does the NHQI count self-employed workers?

No, the NHQI excludes the self-employed (including 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 2022.

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.