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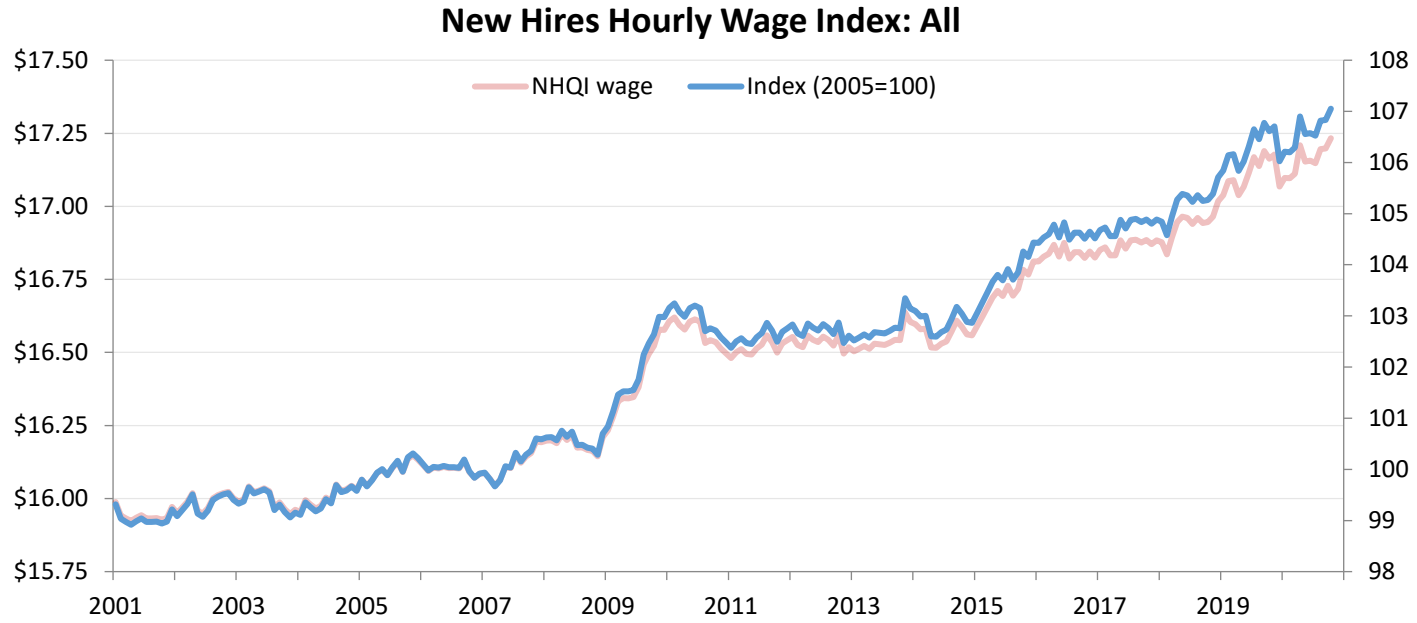
Upjohn Institute New Hires Quality Index for October 2020 crests new record high, but few in non-metropolitan areas share in the recovery

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job inched up between September and October 2020, reaching a new all-time high of $17.23. This represents a 7.1 percent increase over the index value in 2005, and a 0.4 percent increase since October 2019. The NHQI wage index has proved remarkably resilient to the COVID pandemic and summer rehiring of laid-off workers. Even hiring volume, which dipped in September, rose back up strongly in October. This good news is tempered, however, by the October reference period predating the exponential surge in COVID cases later in the month and throughout November, and the more recent reversal of the decline in UI claims. Therefore, it is quite possible the November data will be less sanguine.

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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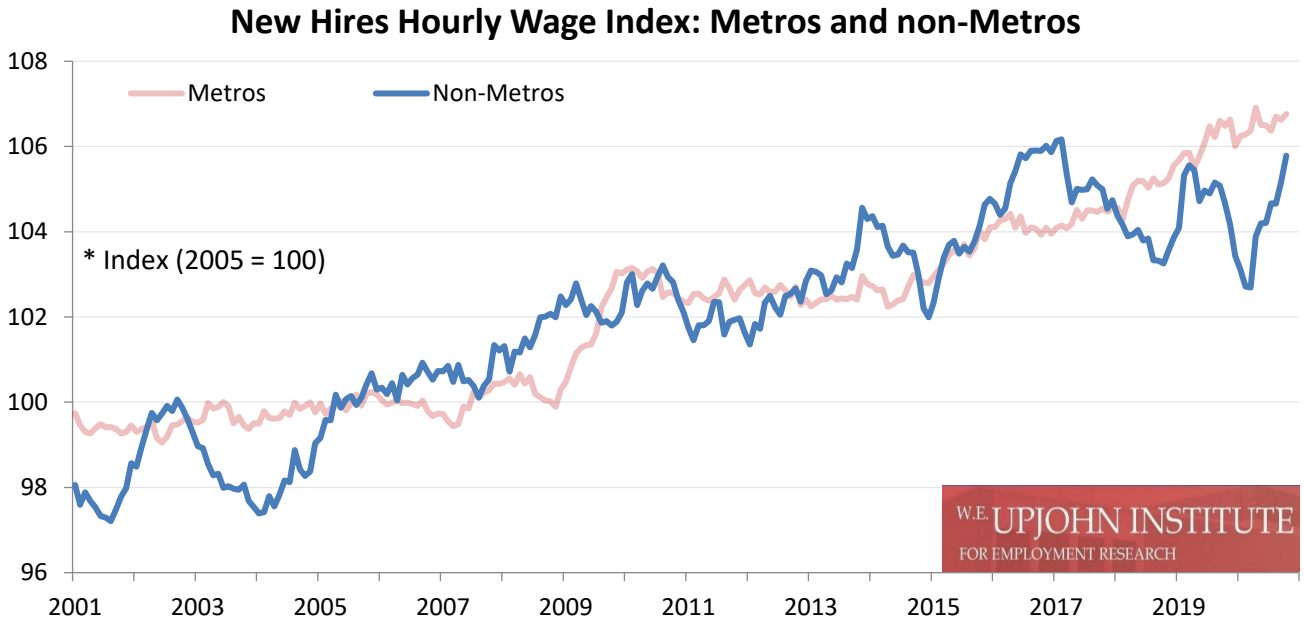
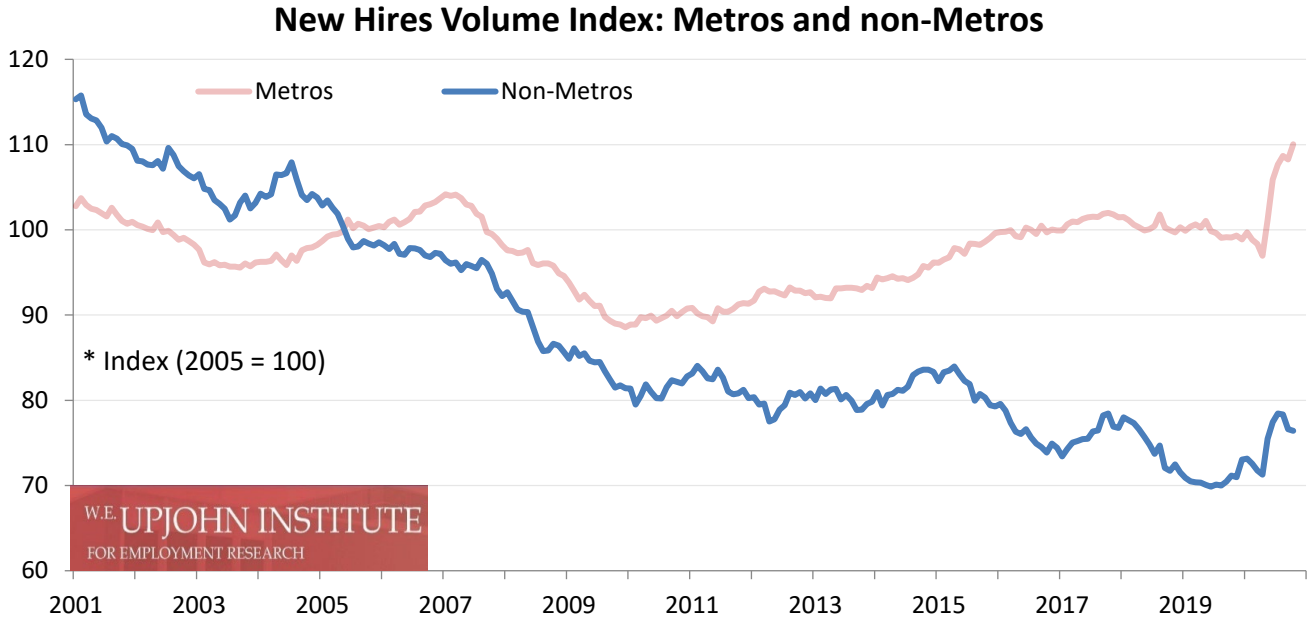
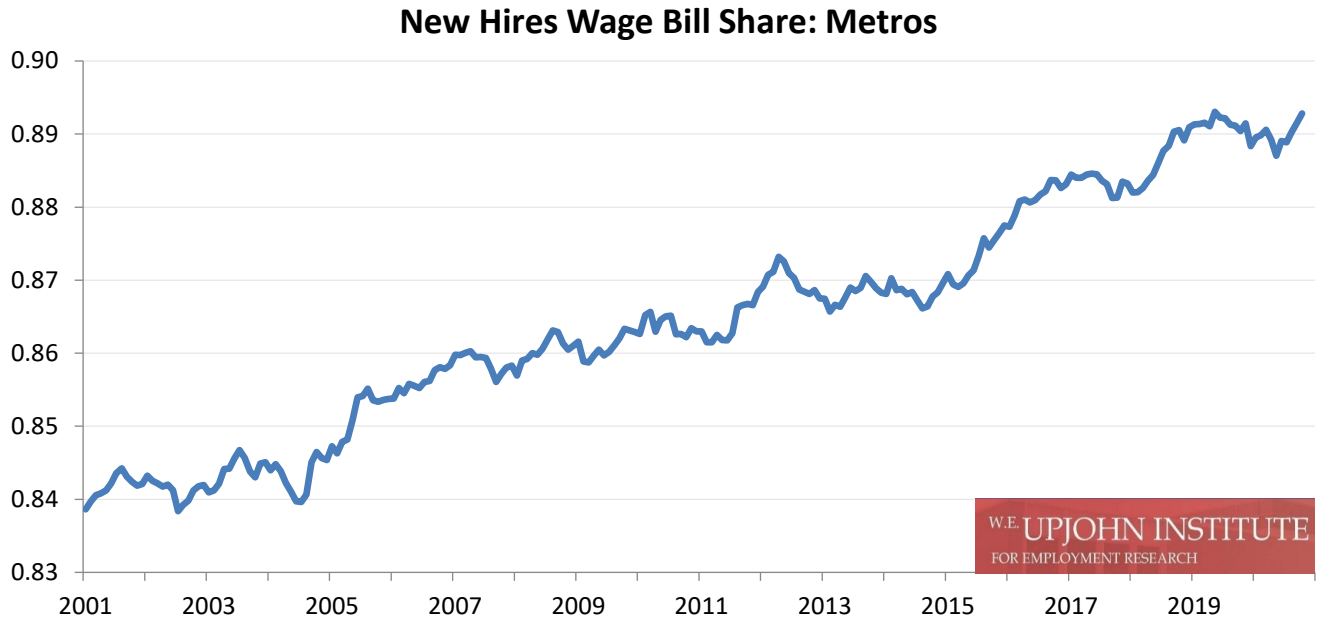
At the time of this writing, COVID cases have been surging nationwide, but the growth is especially out of control in the sparsely populated states of the upper Midwest. In fact, the spread of COVID, which began in densely populated cities, has steadily flowed to less-metropolitan and rural areas. For as much attention have stories about the exodus from cities received, the evidence is likely overblown, and the NHQI show that non-metro areas are on the verge of falling even further behind their urban counterparts.



The graph above shows the wage index for metropolitan areas and non-metropolitan areas, each indexed to its value in 2005 to better show relative change. The wage index for metro areas has steadily risen since 2015, with no interruption from the pandemic, and now stands 6.8 percent above its level in 2005. The same index for non-metro areas has been more volatile—only one in seven Americans now lives outside a metro area, and so the sample is smaller—but this index plunged in late 2019 and, despite its sharp recovery over the past several months, is still below its level in early 2017. The wage index for non-metro areas in October 2020 reached 5.8 percent above its 2005 level, a full percentage point below that for metro areas.



Yet, the more disappointing and ominous sign for non-metro areas is shown in the hiring volume index. Because of the long-term secular trend in non-metro hiring volume—in February of this year, pre-pandemic, volume was down over 27 percent from its level in 2005—hiring during the recovery would need to jump propitiously to make up for lost ground. Although hiring volume for non-metros has rebounded 7.3 percent since its April low, growth for metro areas has been almost twice as fast, at 13.5 percent. Consequently, the recovery in hiring has led volume for metros to reach a series high, while volume for non-metros is still below its level in 2015. (This conclusion does not change much even if hiring *rates*, which adjust for changes in population, are considered.)



The lackluster hiring bounce for non-metros areas, coupled with tepid long-term growth in the wage index, has led to a growing share of the wage bill for metro areas. The wage bill is the product of the wage index and hiring volume and captures the total earnings power of all newly hired workers. This share was already above 84 percent in the early 2000s, and it has steadily risen since, topping 89 percent recently. Although it had begun to dip slightly pre-pandemic, since the summer it has resumed its seemingly inexorable climb—not the pattern we would see if urbanites were fleeing en masse for cheaper, teleworkable locales. Rather, COVID may leave non-metropolitan areas no better off economically than they were before.

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:
http://www.upjohn.org/nhqi/reports/NHQI_report.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 November 2020 will be released during the first week of January 2021. 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 the July 2018, July 2019, and July 2020 press releases.

4. Does the NHQI count self-employed workers?

No, the NHQI excludes self-employment or people who work for themselves.

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 October 2020. 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.