

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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NEWS RELEASE: FEBRUARY 2, 2022

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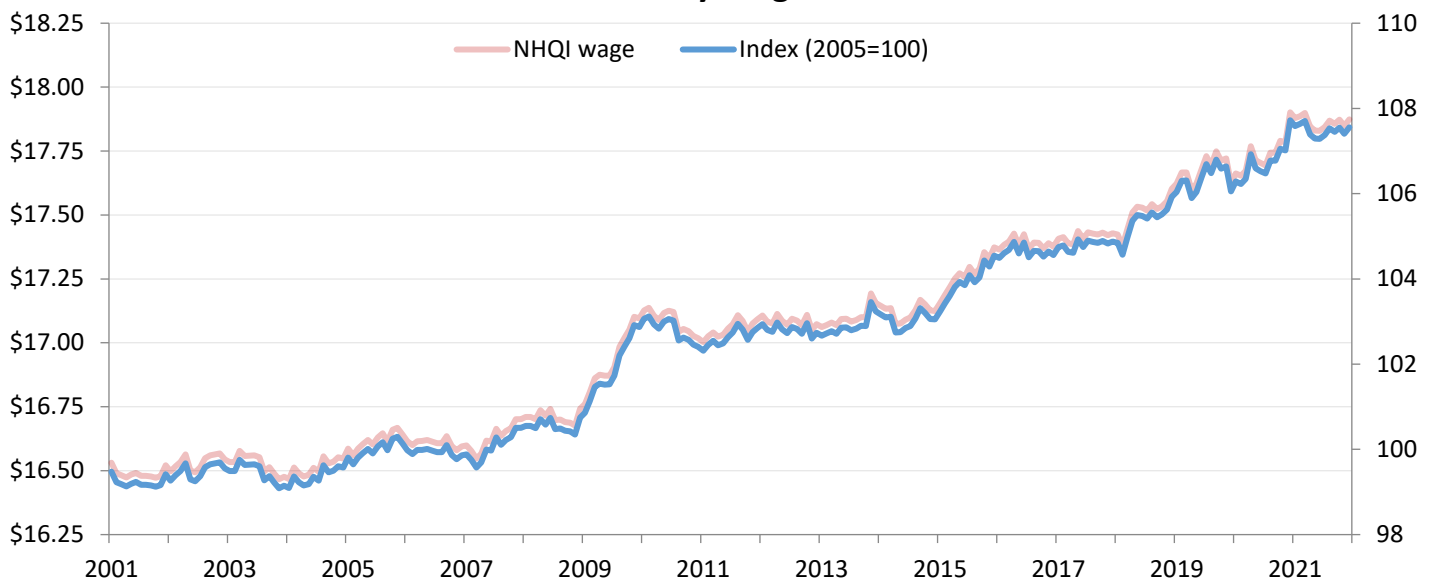
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## Upjohn Institute New Hires Quality Index for December 2021 edges up 0.1 percent, and, despite migration memes, new hires continue to concentrate in metros

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job slipped ticked up by 0.1 percent between November and December 2021, to \$17.87. Over the past 12 months, the index has held fairly steady, dipping slightly in mid-year before returning to its level from the previous December. Since 2005, the index is up 7.6 percent. Hiring volume has also steadied over the past few months, following large swings earlier in 2021; volume in December was up 0.1 percent from November, and up 3.7 percent from pre-pandemic levels. Labor market churn continues, as the first month of data capturing the Omicron variant of COVID-19 did not show any sudden changes. The current jobs deficit, relative to before COVID-19, stands at 3.6 million—8.1 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

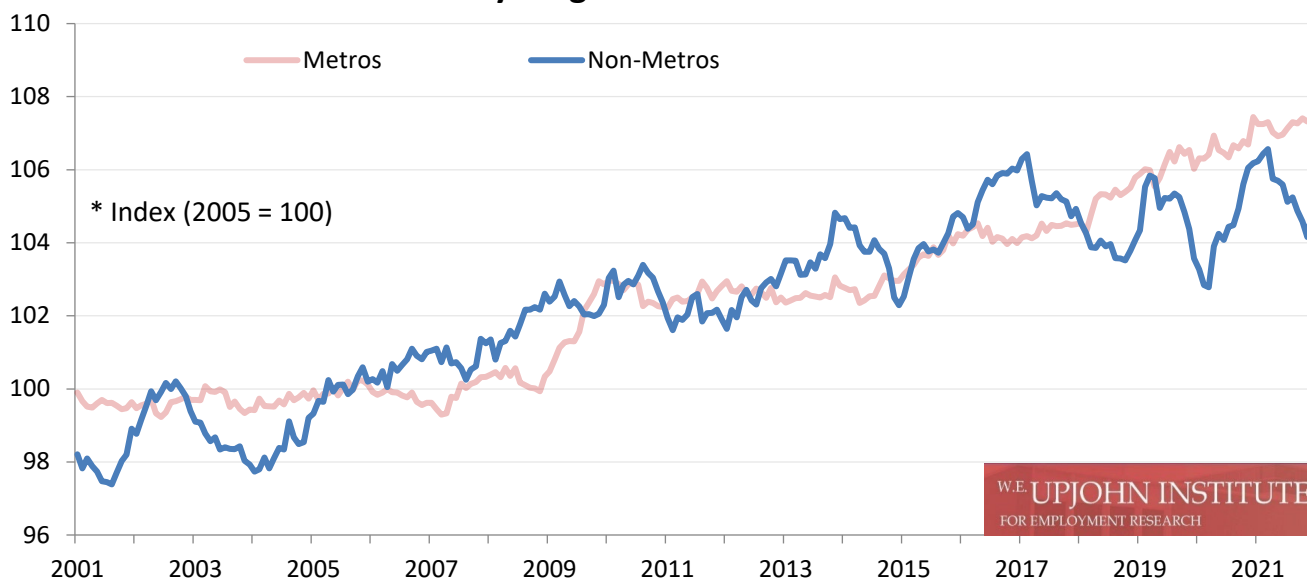
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.



Two years into the COVID-19 pandemic, media stories [abound](#) of workers [leaving](#) big cities to find [more-affordable](#), [less-stressful](#) communities, empowered by the possibility of remote work. However, as this month’s NHQI release demonstrates, the migrants do not appear to be flocking to rural areas and other less-populated places. (And, as some researchers have [pointed out](#), “flocking” may be too strong a verb.) We examine below the hiring trends for U.S. metropolitan and non-metropolitan areas. A metropolitan area, according to the Census Bureau, is a group of counties with at least 50,000 people living in an urban area. Non-metropolitan areas include all other counties, and these need not be rural; they include many smaller towns and cities, such as Emporia, Kansas, and Traverse City, Michigan.

The graph below shows the hourly wage index separately for newly hired workers in metro and non-metro areas. Each index is normalized to the respective group’s own level in 2005 in order to better show relative changes. Both series have shown growth since the early 2000s, although the index for non-metros is more volatile, as fewer than 20 percent of the population (and workers) live in non-metro areas. Nonetheless, the two series have seen recent divergences, with a large drop in the earnings power of newly hired workers in non-metro areas before the pandemic, followed by a subsequent sharp rise during the rest of 2020, and then another sharp fall. In contrast, the wage index for newly hired workers in metro areas was fairly flat during this period. Consequently, the wage index for the latter group is up 7.4 percent since 2005, while for the former group, it’s only up 4.9 percent. Over the past 12 months, the difference in growth rates is more stark: completely flat and a *decline* of 1.2 percent. This indicates that non-metro areas have not seen recent increases in the earnings power of hires—as captured by occupations and demographics—and certainly not relative to metros.<sup>1</sup>

**New Hires Hourly Wage Index: Metros and non-Metros**

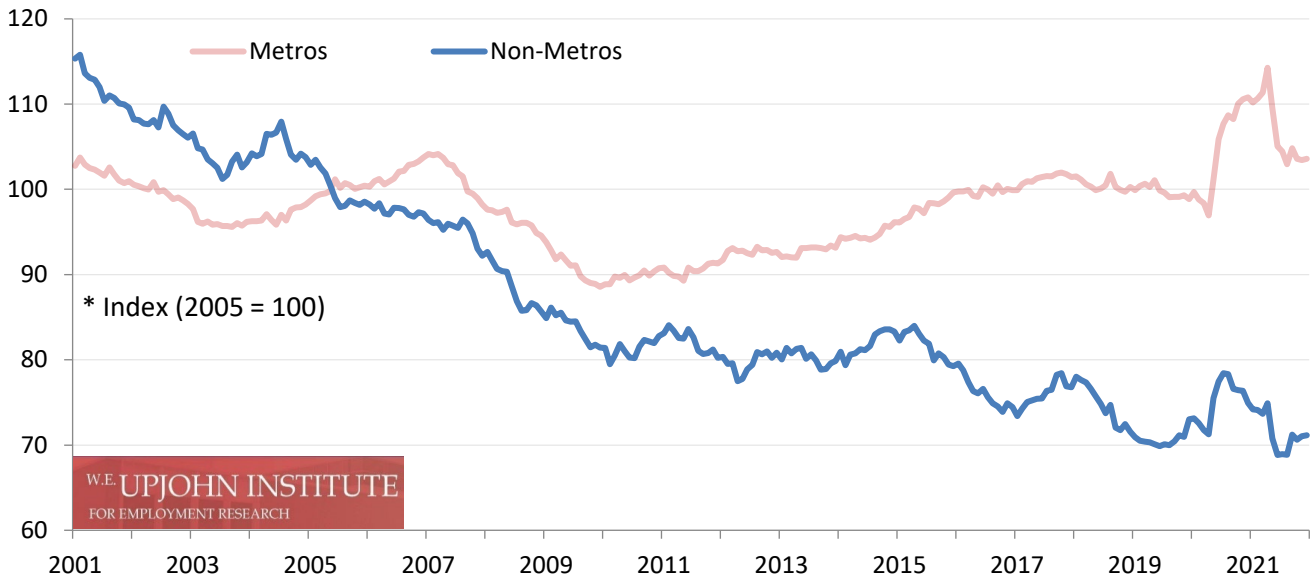


Still, one could hypothesize that growth in service-related jobs—which, despite recent wage gains, still do not pay that well—could underlie the recent slowdown in earnings power for newly hired workers in non-metros. The next graph, which shows the indexed *volume* of new hires for each type of place, suggests otherwise. Hiring volume has more or less been steadily dropping in non-metro areas for at least the past 20 years. Although there is a slight uptick in late spring 2020, when the economy reopened, it was short-

<sup>1</sup> The nature of the data means that workers who move locations but continue to work for the same employer are not counted, but we might still expect growing immigration to spark additional employment opportunities for locals.

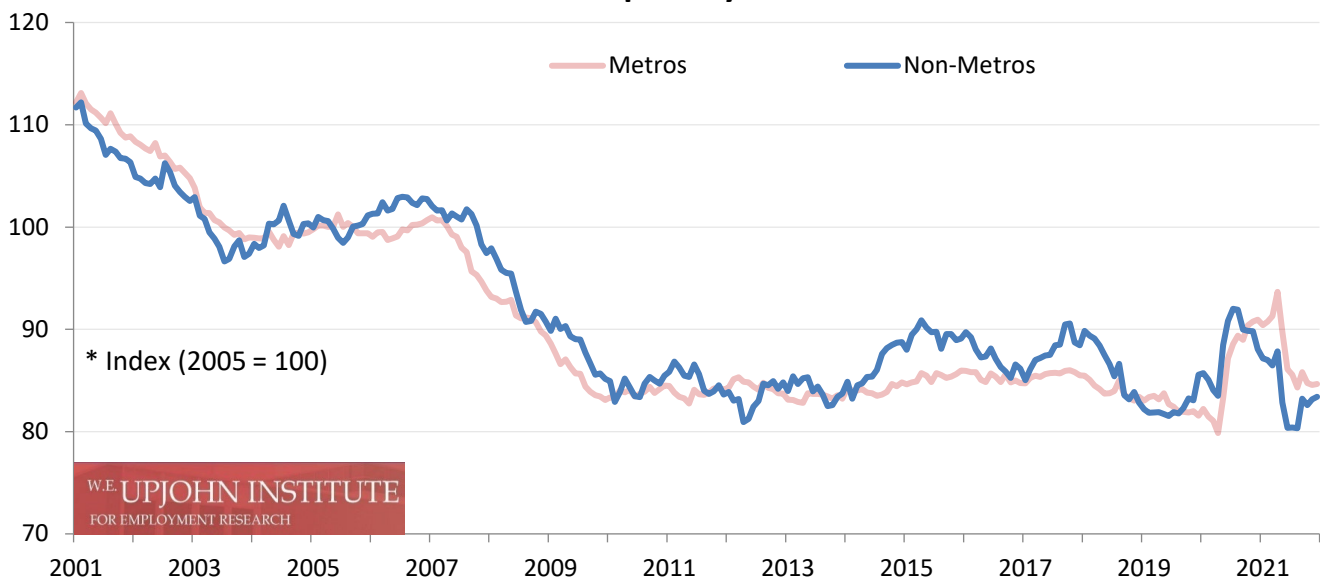
lived for non-metro areas, and volume began to decline again by that fall. Hiring volume in these places is 2 percent below prepandemic levels and 29 percent below its level from 2005. For metro areas, on the other hand, hiring volume peaked in the spring of 2021, and while it has since ebbed, the level remains 4.8 percent above prepandemic levels and 3.6 percent above its level in 2005.

### New Hires Volume Index: Metros and non-Metros



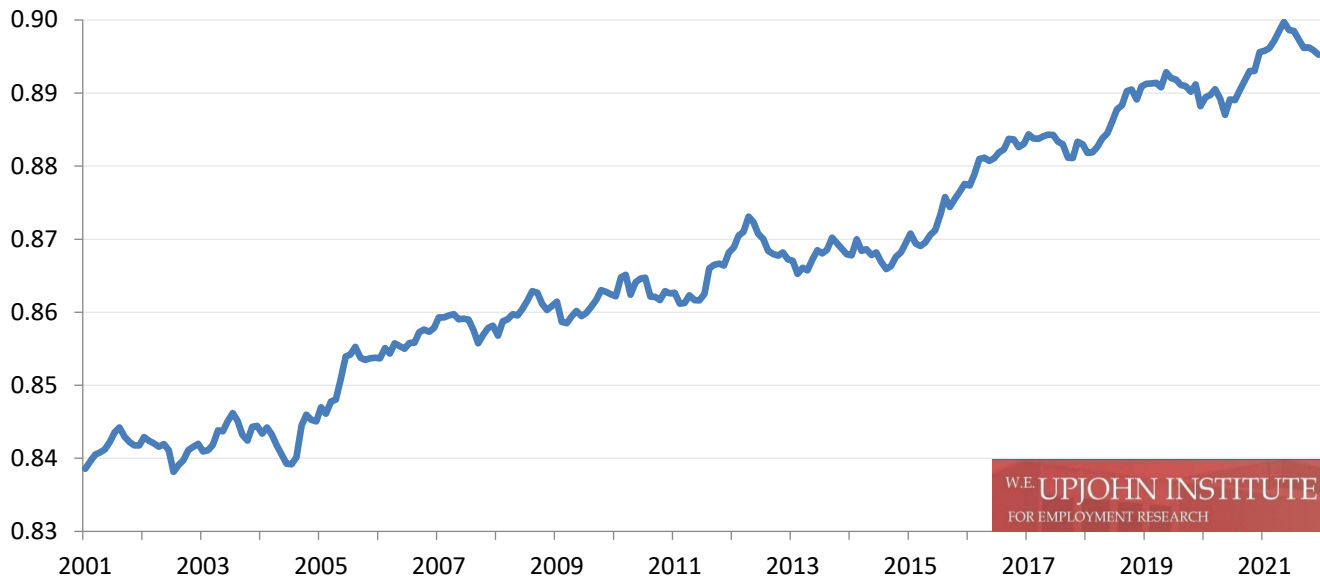
Much, but not all, of these differences in hiring volume stem from shifts over time in where the population (and newly hired workers) live. The graph below adjusts for this phenomenon by showing indexed values of hiring *per capita*, or hiring rates. Both types of areas show substantial (and persistent) declines in hiring rates after both the early 2000s recession and the Great Recession. Nonetheless, for most of the time between 2015 and the beginning of the pandemic, hiring rates were relatively higher in non-metros than in metros. This changed in late 2020, and hiring rates for metro areas are now up 3.9 percent from the start of the pandemic, while they are down 2.1 percent in non-metros.

### New Hires Volume Per-capita: by Metros and non-Metros



Consequently, the share of the wage bill—the earnings power of *all* new hires—accruing to workers in metro areas has continued to rise, after a short pause in most of 2019 and 2020. As of December 2021, newly hired workers in metro areas account for 89.5 percent of the new hires wage bill, a slight dip from its all-time high this past summer but still up 0.5 percentage points from before the pandemic, and about 5 percentage points from 2005. For comparison, the share of all *incumbent* workers that live in metro areas is just under 88 percent, so employment will likely continue to shift toward metros. Remote work may be here to stay, but the vast majority of it looks likely to be done from metropolitan areas.

### New Hires Wage Bill Share: Metros



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](http://www.upjohn.org/nhqi).

The full report, including methodology, can be found here: [http://www.upjohn.org/nhqi/reports/NHOI\\_report.pdf](http://www.upjohn.org/nhqi/reports/NHOI_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 January 2022 will be released during the first week of March 2022. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: [www.upjohn.org/nhqi/signup](http://www.upjohn.org/nhqi/signup).

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## 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 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 December 2021. 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.