

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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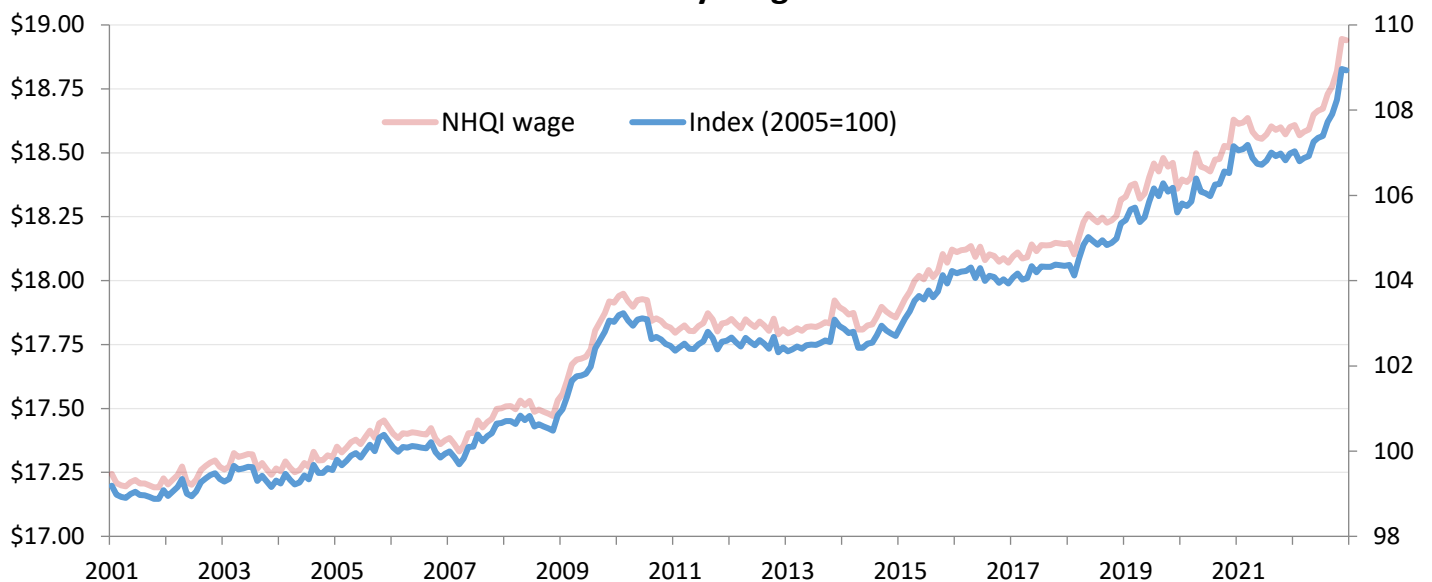
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## Upjohn Institute New Hires Quality Index eases off record high—barely—in December 2022, but is still powered by hiring in metro areas

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job essentially held steady between November and December 2022, at \$18.94. This is a fraction of a cent lower than last month's record high and breaks the seven-month long record high streak. Over the past 12 months, the index is up 1.8 percent; since 2005, it is up 8.9 percent. Hiring volume, however, continues to slow, slipping 0.1 percent over the month and 1.4 percent over the year; it nonetheless remains 2.3 percent above its pre-pandemic (February 2020) level. (Adjusting for population growth, hiring *rates* are 0.5 percent above the pre-COVID baseline.) These indicators suggest the labor market is easing very gradually, maintaining the possibility of a softish landing as the Federal Reserve raises interest rates to bring down inflation. [Tech sector layoffs](#) have not—yet—caused hiring to brake more broadly, or [GDP growth to slow much](#), although this could change in coming months as growth in the rest of the world slows.

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



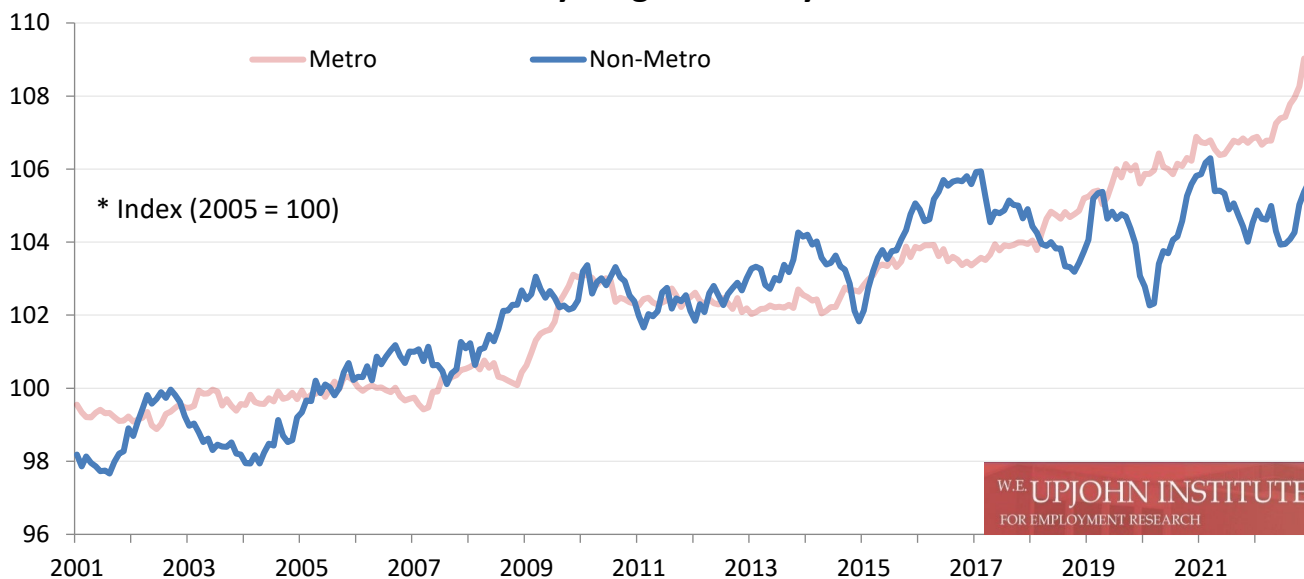
SOURCE: Upjohn Institute New Hires Quality Index

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.

The U.S. economy as a whole and the labor market in particular are slowing gradually; GDP growth in the fourth quarter of 2022 [eased to an annualized 2.9 percent](#), and median annual wage growth [ticked down to 6.1 percent](#) in December. Both numbers are lower than a few months ago but still higher than prepandemic averages. As businesses and workers continue to wait for a new normal to settle in, a looming policy question is the extent to which remote work may allow population and work to shift from bigger cities to smaller communities. In the year after the pandemic struck, [rural counties saw the first real gain in population](#)—and big metros the first loss—since the Great Recession. Indeed, many smaller cities and towns have begun [sponsored relocation programs](#) to entice workers to come. Have these changes spurred greater hiring in non-metropolitan areas over the past year? This month’s NHQI release focuses on the hiring dynamics in the nation’s metro and non-metro areas.<sup>1</sup>

The graph below shows the hourly wage index separately for newly hired workers in metro areas (salmon) and non-metro areas (blue). Each index is normalized to the respective group’s own level in 2005 in order to better show relative changes. New hires in both types of areas saw similar growth through early 2019, with wage indices up slightly over 5 percent in both metro and non-metro areas. Over the past four years, however, the wage index has increased by 3.5 percent in metro areas—more than half of which was just in 2022—and reached a new record high, while the wage index for non-metros has bounced around but grown little, just 0.7 percent. Consequently, the gap in growth between the two areas is now the largest it’s been since the series began. Cumulatively since 2005, the wage index is up 9.0 percent for metro areas, but only 5.6 percent outside of metro areas. The recent sharp growth in the overall wage index, therefore—and the acceleration in the creation of jobs with higher earnings power—has been driven by metro areas.

**New Hires Hourly Wage Index: by metro status**

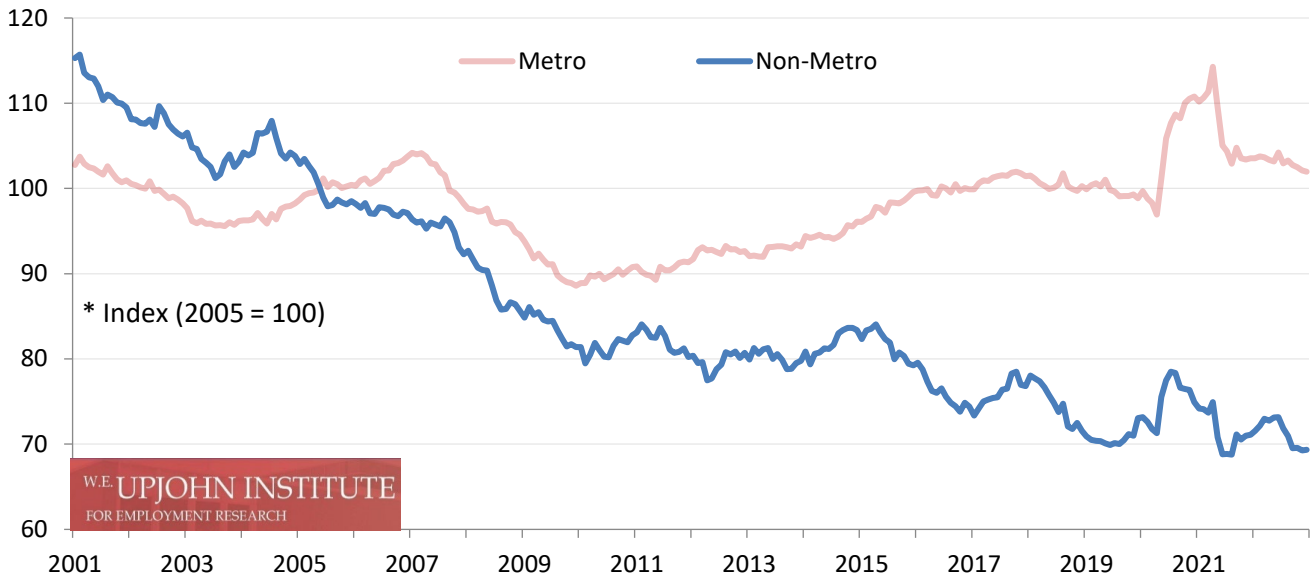


If growth in the earnings power of new hires outside of metro areas has been fairly flat since the pandemic, perhaps migration to these places has led to an uptick in the volume of hires. The next graph, presenting hiring volume indices (again normalized to 2005), shows this is not the case. Hiring volume

<sup>1</sup> Metropolitan areas are groups of counties with an urban core of at least 50,000 people. If the urban core is less than 50,000 but at least 10,000, the multi-county area is called a micropolitan area; these latter areas are considered non-metro in this release. The Census Bureau offers a [map](#) of all such areas in the country.

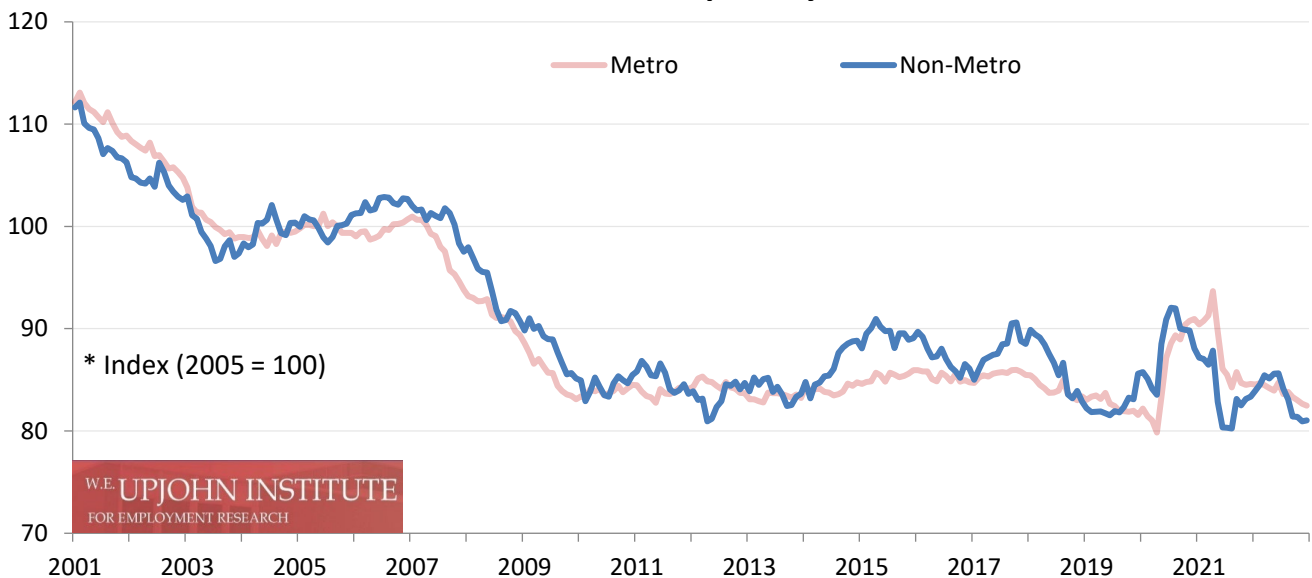
has steadily dropped in non-metro areas over the past two decades, with current levels 30 percent below where they were in 2005. Although these areas saw a brief hiring spike in the summer of 2020, along with the rest of the country, the spike was mild and did not arrest the long-term trend; current hiring volume is 4.5 percent below its prepandemic level and barely above its record low from the summer of 2021. In contrast, hiring volume in metro areas, although gradually losing steam, is still 3.2 percent higher than it was right before COVID struck, and even 2.0 percent above its level from 2005. Thus, rather than hiring in non-metro areas catching up over the past year or two, the gap has instead widened.

**New Hires Volume Index: by metro status**



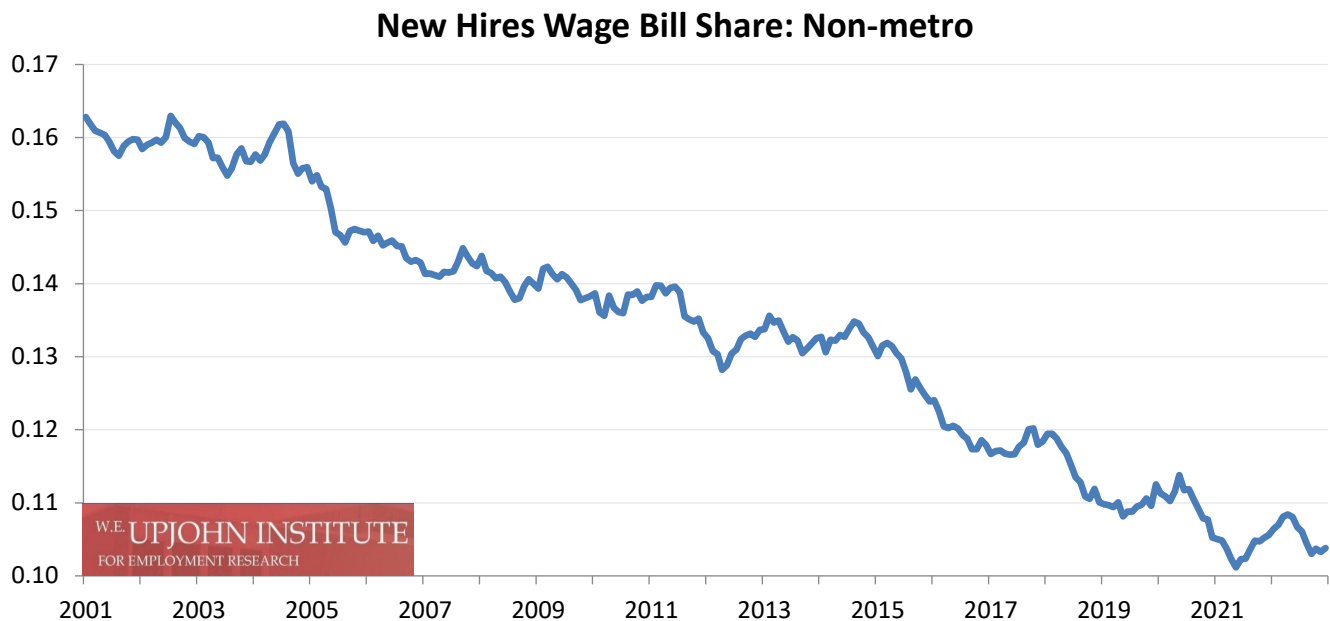
Moreover, this gap seems to have been driven by population shifts—but not from metro to non-metro areas, but from larger metros to smaller metros, with [relatively few people moving to more rural](#) places. The graph below examines indices of hiring *rates*—the number of hires per 1,000 individuals—to control for these population shifts. The series for metro and non-metro areas track each other quite closely throughout the whole period.

**New Hires Volume Per-capita: by metro status**



In both areas hiring dynamics slowed remarkably during the Great Recession but have been relatively stable since; hires per capita are down 17.5 percent since 2005 for metros and 19.0 percent for non-metros, with only a slightly larger gap since the pandemic began.

Slower growth in the earnings power of new hires, coupled with fewer new hires altogether, has led non-metro areas to see their share of the total earnings power of new hires continue to lose ground to the metros. This share had shrunk five percentage points—from 16 percent to 11 percent over the nearly two decades before COVID. In the not-quite-three-years since, despite some volatility it has slipped another 0.7 percentage points. Although it's possible that remote work may yet produce spillover job growth to reverse—or even halt—these trends, the evidence so far is not encouraging.



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: [https://www.upjohn.org/sites/default/files/2021-05/NHqi\\_report\\_0.pdf](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 January 2023 will be released during the first week of March 2023. 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](#), [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 December 2022. 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.