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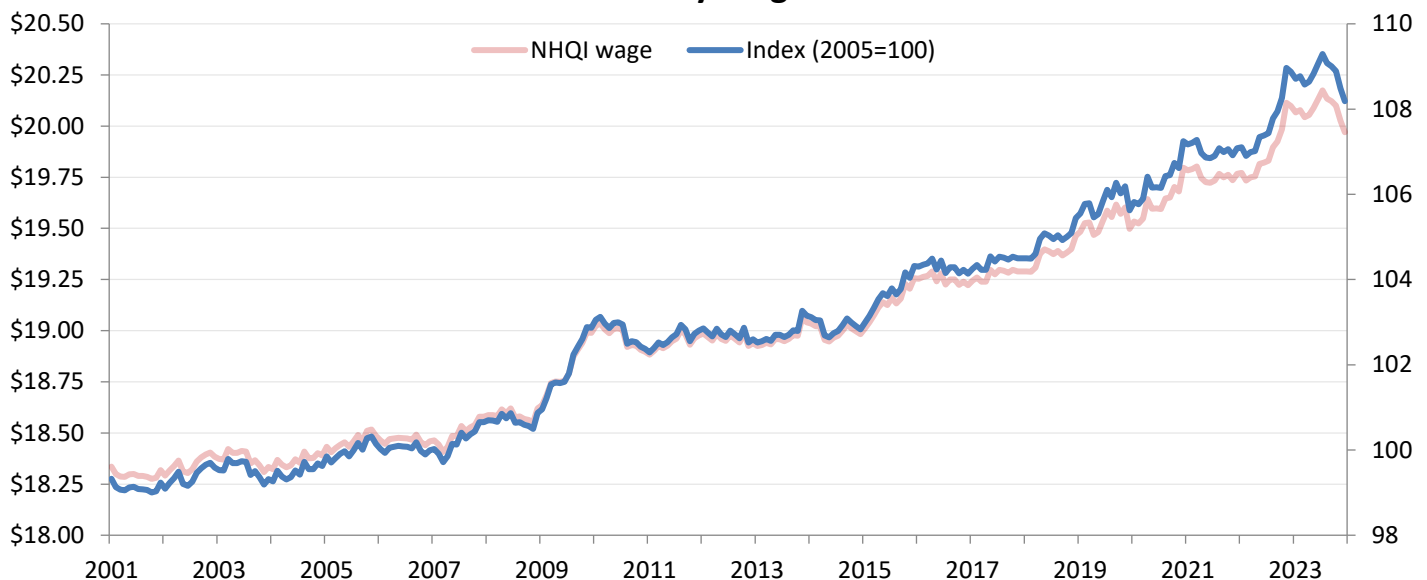
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Upjohn Institute New Hires Quality Index drops for fifth consecutive month, with volume also slipping and metros losing some (but not much) ground to rural areas

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job dropped 0.3 percent between November and December, to \$19.97. Since its peak in July, the index has fallen 1.0 percent, one of the more sustained declines in the history of the series. Nonetheless, it is still up 2.3 percent from right before the pandemic, and 8.2 percent since 2005. Hiring volume, which had recently plateaued, dropped sharply in December, by 1.3 percent, and is down 4.2 percent over the year and 2.0 percent below its prepandemic level from February 2020. Adjusting for population growth, hiring *rates* are now 4.8 percent below the pre-COVID baseline and have reached a new series low. Hiring dynamics are looking increasingly shaky going into 2024.

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.

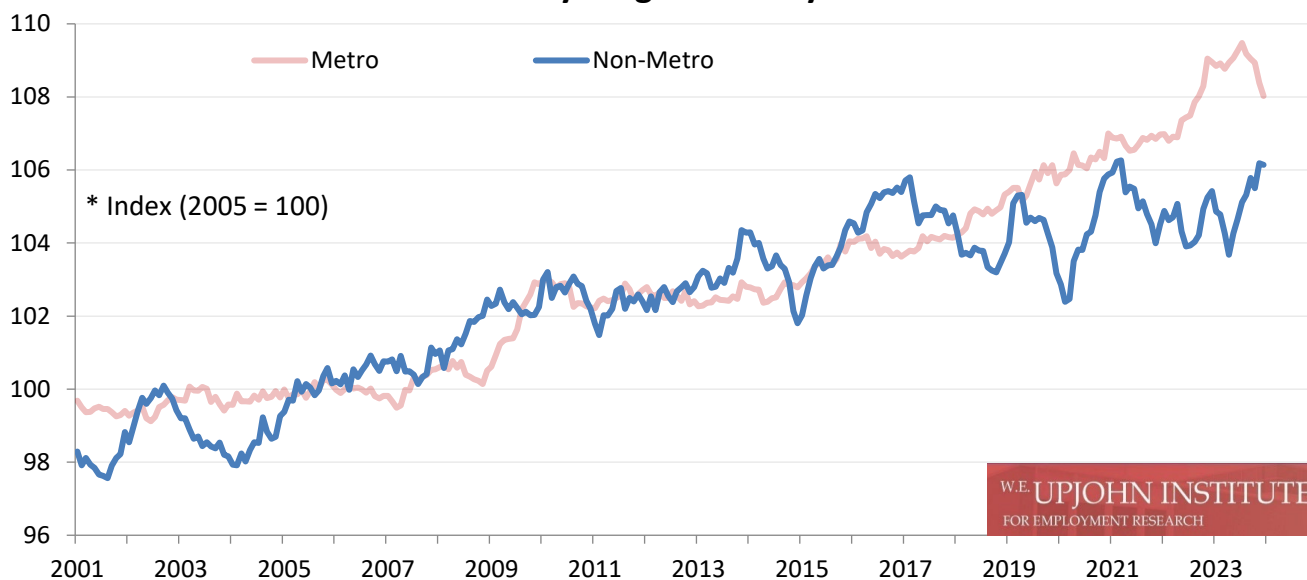


In a [release](#) from last year, we reviewed how hiring markets in metro areas had remained robust despite news stories of some workers relocating (literally) to greener pastures or mountainous abodes. The year

2023 witnessed a surprisingly strong second half in terms of GDP growth and stock market returns, even as the labor market cooled to resemble a pre-pandemic norm. These patterns generally align with the resumption of the long-term shift toward a more urbanized economy, as does the [resurgence in immigration \(both authorized and unauthorized\)](#) over the past 18 months. Have metro areas indeed continued to dominate the market for new hiring—even if they are more likely to be in the [South and West](#)—or have the less dense parts of the country gained some ground?¹

The graph below shows the hourly wage index separately for newly hired workers in metropolitan areas (salmon) and non-metro areas (blue). Each index is normalized to the respective group's own level in 2005 to better show relative changes. Although both groups of areas experienced wage index growth through 2016, new hires in metro areas continued to see gains afterward—especially during the COVID labor market recovery in 2022—whereas new hires outside of metros exhibited some bouncing around with little sustained growth. In July 2023, the wage index in metro areas peaked at 9.5 percent above its 2005 level and 3.4 percent above its pre-pandemic benchmark. For non-metro new hires, the equivalent numbers were smaller, 5.1 percent and 2.7 percent. Over the past five months, however, the tide has turned, and the metro wage index has slipped 1.3 percent—giving up all its gain since the fall of 2022—while the non-metro wage index has risen 1.0 percent, to near its all-time high in early 2021. As acknowledged, this latter series is volatile because of its relatively small size, so it is too soon to know whether the reversed trends will continue, but it may presage less hiring of the professional and management occupations that have powered urban areas.

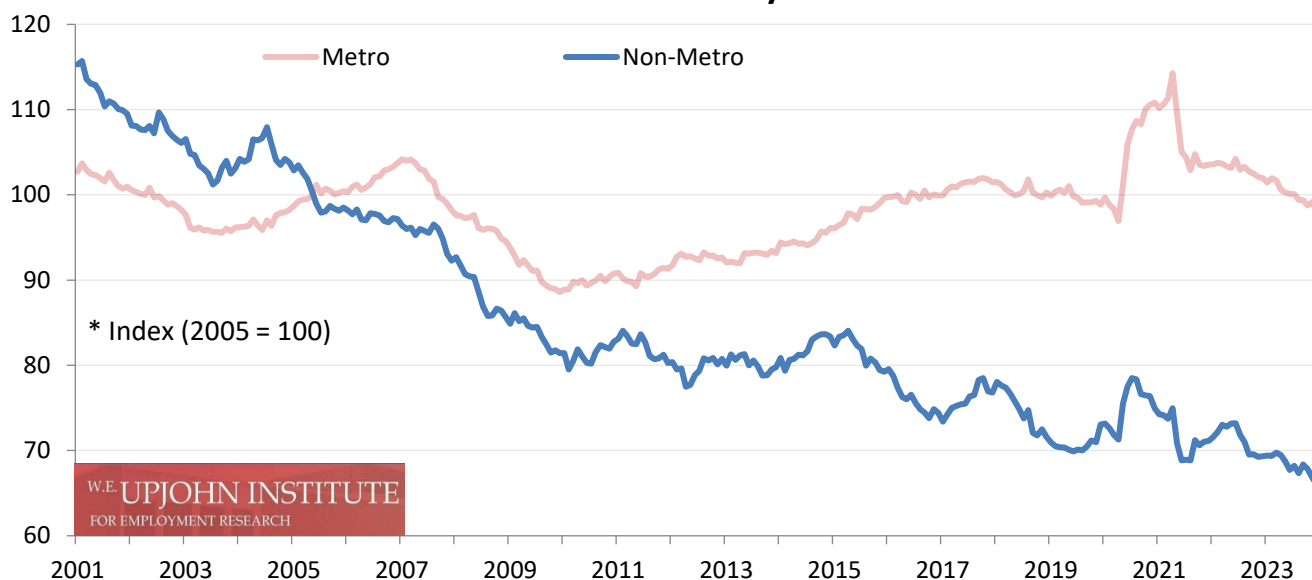
New Hires Hourly Wage Index: by metro status



One might hope that the growth in the non-metro wage index could suggest greater hiring of these professional occupations, but the volume index, graphed below, indicates this is unlikely. Hiring volume has been declining across both types of areas since the summer of 2022, down 6.0 percent in metros and 9.8 percent in non-metros. These trends have continued more recently: since July 2023, hiring volume has dropped 2.2 percent in metros and 3.3 percent in non-metros. Although volume is about at its pre-pandemic level in urban areas, it continues to plumb new lows in the more rural areas.

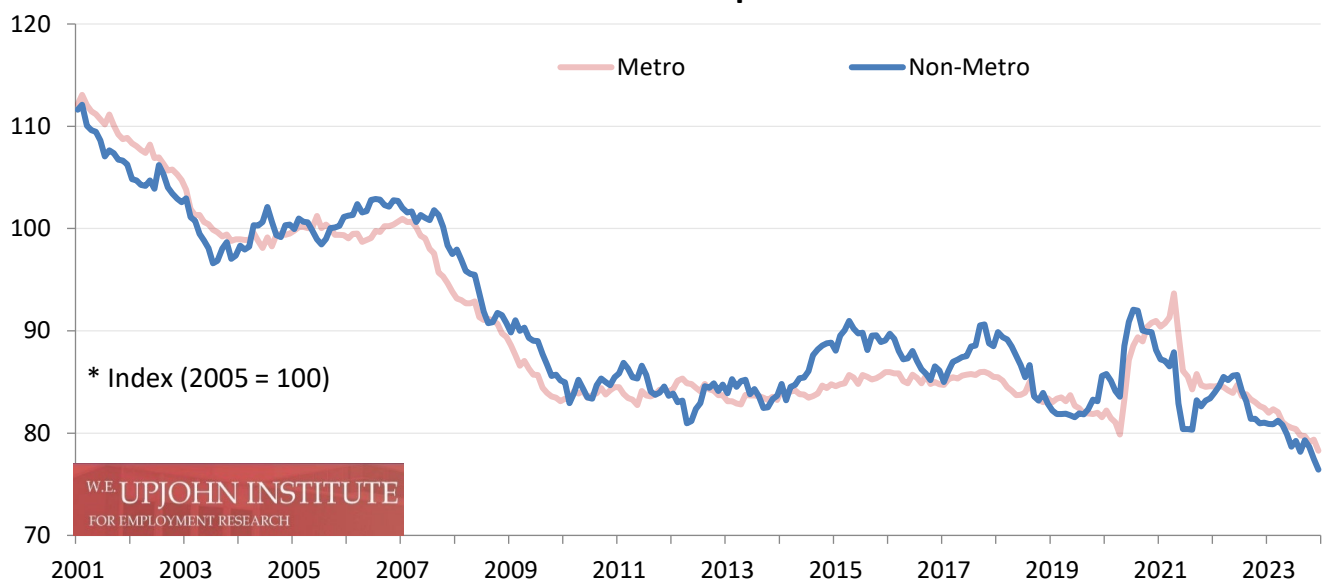
¹ Metropolitan areas are groups of counties with an urban core of at least 50,000 people. If the urban core is less than 50,000 but at least 10,000, the multi-county area is called a micropolitan area; these latter areas are considered non-metro in this release. The Census Bureau offers a [map](#) of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

New Hires Volume Index: by metro status



Of course, we would expect some declines in hiring volume as the population ages (see [last month's release](#) for NHQI breakdowns by age group) and the long-term decline for non-metros is driven by their [historically slow growth](#) in population. Over short-time frames, however, these issues are less salient, and we can see this in the graph below, which plots indexed hiring volume *per capita*—a hiring rate—adjusting for the change in population in each type of area over time. The divergence in the hiring volume graph is now gone, with both series sharply trending downward and both at series lows. Moreover, the declines have accelerated, especially for non-metros; their hiring rate has plunged 3.5 percent just since July.

New Hires Volume Per-capita: metro status



The drops in hiring—as noted in several past releases—accord with slowing labor market dynamism, and perhaps an overcorrection to the prepandemic path. The steeper decline for nonmetro areas belies hopes that these types of places would benefit from geographic reallocation in the aftermath of COVID—these areas will continue to face job challenges even with [promised federal investment](#). Metro areas, although in better straits, have begun to show some worrisome signs of reduced earnings power among new hires—

based on occupations, at least—that may suggest the recovery is reaching mature stages. Despite the uptick in the earnings power among the (relatively few) non-metro new hires, their wage bill—their share of the total earnings power among all newly hired workers—has but briefly plateaued during its long and apparently inexorable slide. This share, as shown in the graph below, ended 2023 at 10.5 percent, up a hair’s breadth from its 2022 finish, but down 0.7 percentage points from before the pandemic, and down more than 5 percentage points since 2005.

New Hires Wage Bill Shares: Non-Metro



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/NHQB 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 2024 will be released during the first week of March 2024. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: 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 changes 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](#), [July 2022](#), and [July 2023](#).

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 December 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 at 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.