Upjohn Institute New Hires Quality Index for January 2021 holds near peak, as regions diverge in the speed of their employment recovery

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job held steady in January 2021, slipping a trivial two cents to $17.32. This level is still 1.3 percent above its mark one year ago and 7.6 percent above where it was 2005. However, COVID-19 case rates and mortality rates remained elevated in January (although they have come down since), and hiring volume remained tepid and the employment recovery lagged, likely depressing employment rates. For a broad-based recovery, we will need to see greater hiring volume and a stable—or even declining—wage index, as more of the heavily affected but relatively low-paying occupations come back. Federal relief funds resumed in January, and may build from still pending legislation, but the next few months will be a race between greater vaccination and continued spread of more contagious variants of COVID. Consequently, NHQI trends should be harbingers for the status of the recovery.

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.
Many commentators have noted that the recovery to date has been K-shaped, benefitting workers with greater education and earnings while leaving those with less education and in lower-paying jobs behind. Another underappreciated aspect of unequal labor market trajectories is the divergence across different regions of the country. We focus this month on the Midwest and the South, two regions that have experienced similar general timings in COVID caseloads but have experienced quite different population growth in recent decades, with the South growing faster than any other part of the country. (We choose these two regions for simplicity; divergences in recovery are also present across other regions).

![New Hires Hourly Wage Index: by Region](image)

The graph above presents trends in the wage index for both regions, each indexed to its value in 2005 to better show comparisons. Although both indices bounce around a bit, the South has generally outperformed the Midwest since 2005, until (perhaps) recently. As of January 2021, the wage index for the Midwest is 7.7 percent above its 2005 level, and the index for the South is 8.0 percent above its 2005 level. Both are near their all-time highs.

![New Hires Volume Index: by Region](image)
Examining the next graph, commensurate with its faster population growth, the South witnessed speedier increases in hiring volume following the Great Recession. Once COVID hit, however, the Midwest experienced both greater separations and greater subsequent hiring. Even with the January dip, hiring volume for the Midwest is up 9.3 percent over the past year, compared to a 7.5 percent increase in the South.¹

To understand these numbers in the context of the recovery more fully, however, it’s illustrative to present hiring rates—volume normalized by the number of workers, thus accounting for differences in population growth over time. Through this lens, hiring rates in the Midwest have consistently outpaced those of the South after the Great Recession, with notable declines in Southern hiring rates beginning in 2018 and continuing to the pandemic. Hiring rates for the Midwest have also been faster since, with rates in January up 9.2 percent over the year, relative to 6.6 percent for the South. (December to December growth shows an even greater differential: 11.9 percent vs. 8.5 percent.) These patterns suggest that hiring has improved more quickly in the Midwest than in the South. Moreover, the faster recent growth for the Midwest in the wage index (first graph) indicates that the recent hires are of higher earnings potential.

Consequently, the Midwest may be having a stronger employment recovery—at least, thus far—than the South. These short-run trends, though, are not strong enough to overcome the longer-term secular patterns in the share of the wage bill—the fraction of the collective earnings power of all new hires in the two regions. As shown below, the Midwest’s share of the wage bill has inched up from 36.3 percent in January 2020 to 37.2 percent in January 2021. While this is in line with its average over the past 15 years, it is still substantially less than it was in the early 2000s. Nonetheless, the NHQI illustrates how aggregate trends can obscure subtle but important differences in employment trajectories across groups.

¹ The January dip is a statistical artifact reflecting revised population weights for the new year in the underlying data, which caused estimates of the Midwestern population to decline more than the Southern population.
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 February 2021 will be released during the first week of April 2021. 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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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](https://www.census.gov), 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](https://www.bls.gov), 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](https://www.bls.gov), [July 2019](https://www.bls.gov), and [July 2020](https://www.bls.gov) 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](https://www.bls.gov) during the first week of the month, covering data from two months ago. Data are currently available from January 2001 through January 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](https://www.bls.gov) 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.