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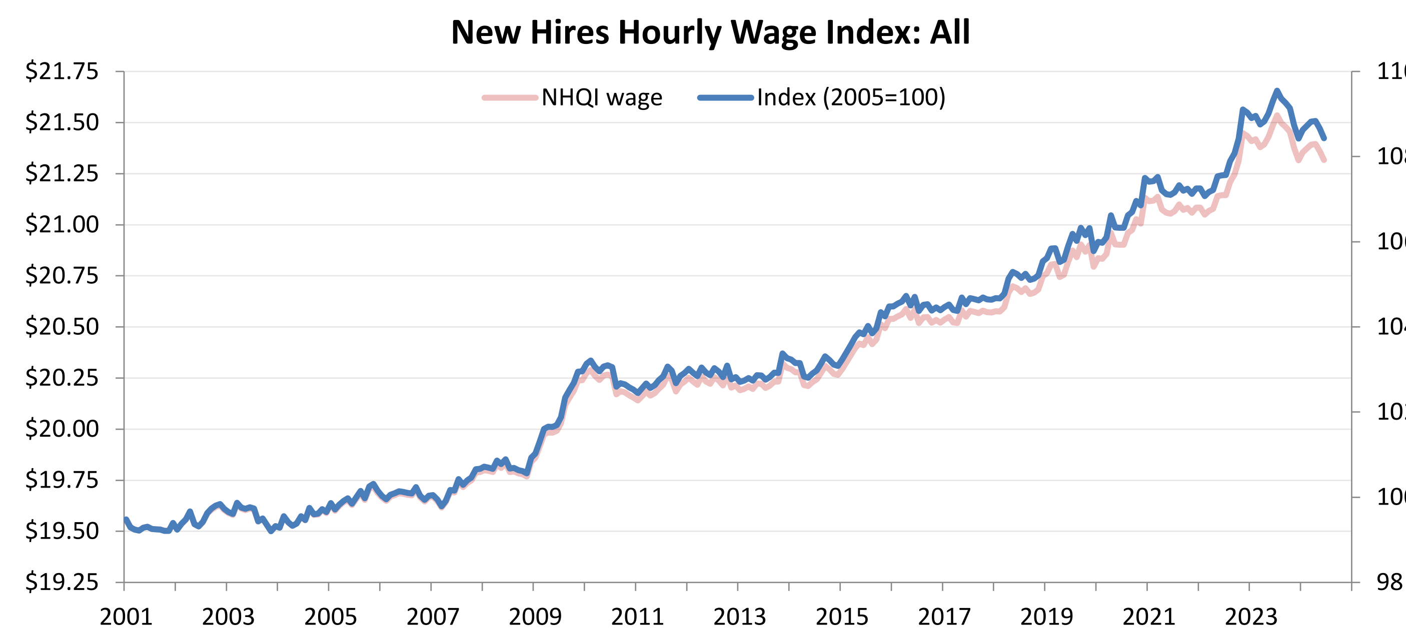
Upjohn Institute New Hires Quality Index dips again in June, with Midwest region seeing earnings power—but not number of hires—fall the most

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job slipped 0.2 percent between May and June, following a similar dip the previous month; the index currently stands at $21.32. It is down 0.8 percent from one year ago, but it is still up 2.3 percent since the COVID pandemic began. Hiring volume plunged 1.1 percent in June to a decade-low; it has fallen 4.4 percent over the past 12 months. Adjusting for population growth, hiring *rates* have fallen even more, 5.2 percent over the year and 7.0 percent since February 2020, and have reached a new series low. As job gains continue to edge down, the declines in both the NHQI wage index and hiring volume and rates all point toward a weakening—but not weak—labor market.

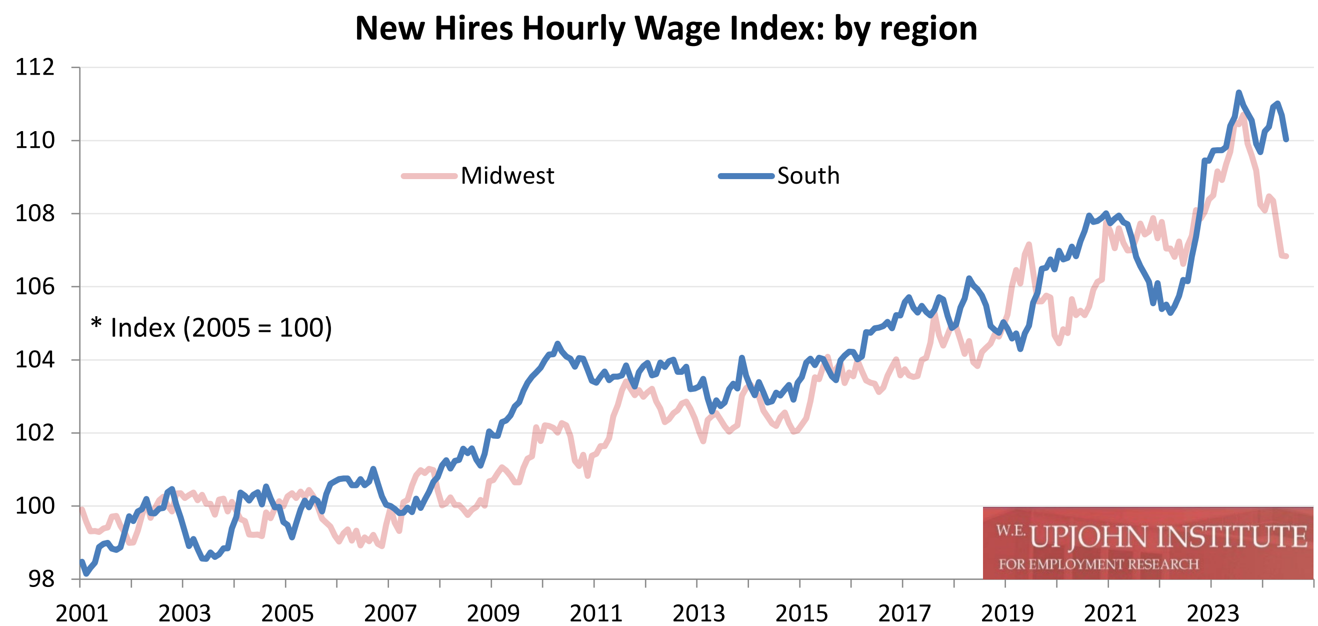
The index and accompanying interactive database and report, developed by Upjohn Institute economist Brad Hershbein, fill a key gap in the measurement of hiring activity. The NHQI provides monthly updates on the volume and occupation-based wages of newly hired workers, and is available for different groups based on sex, age, education, and other characteristics.



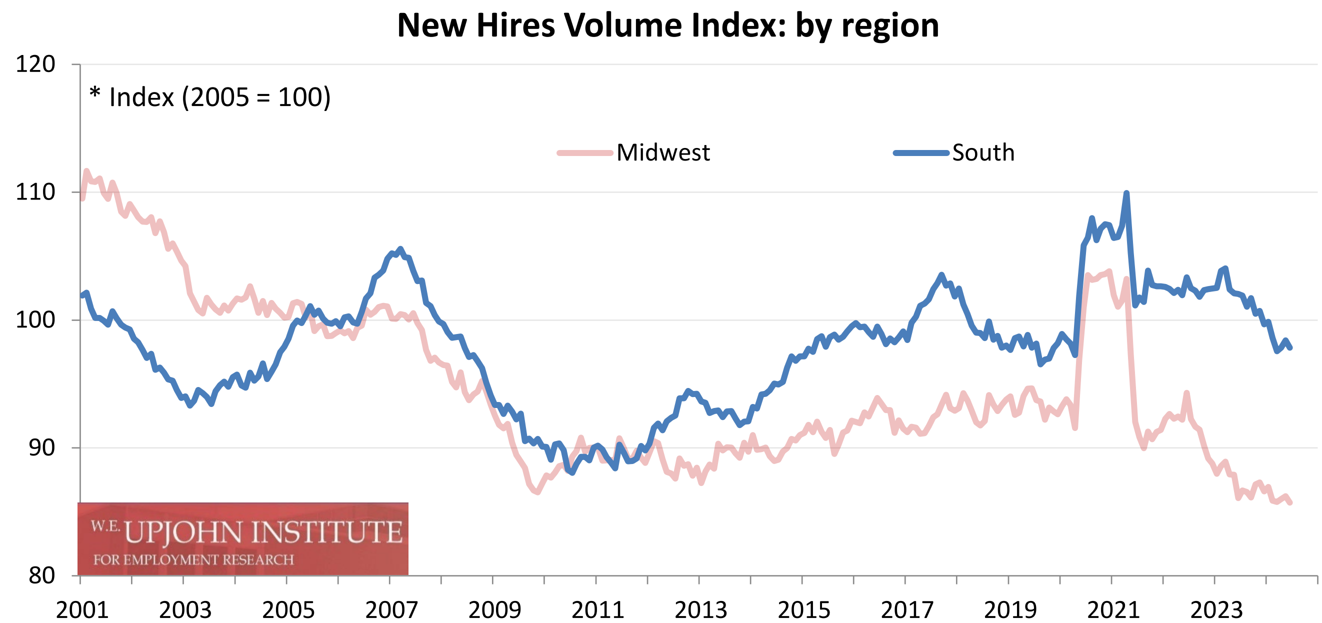
SOURCE: Upjohn Institute New Hires Quality Index
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.

As the United States enjoys the beginning of its fifth year of expansion since the COVID recession—yes, it's really been that long, and no, we are not in a new recession—it is worth emphasizing that the overall average economy for the country can mask varying conditions across different regions. This also holds for hiring more specifically: although the United States has added an average of 222,000 jobs per month over the past 12 months through June, not all areas have seen comparable growth, and in this month's NHQI release, we turn to hiring trends across two U.S. regions: the Midwest and the South. The Midwest includes the states around the Great Lakes but also those in the Plains in the middle of the country; in recent decades, it has generally been the region with the slowest population growth from immigrants, which have driven recent overall U.S. population growth. The South, on the other hand, stretching from Maryland to Texas, has been the fastest growing region. Does hiring dynamism—including earnings power—follow these population trends?

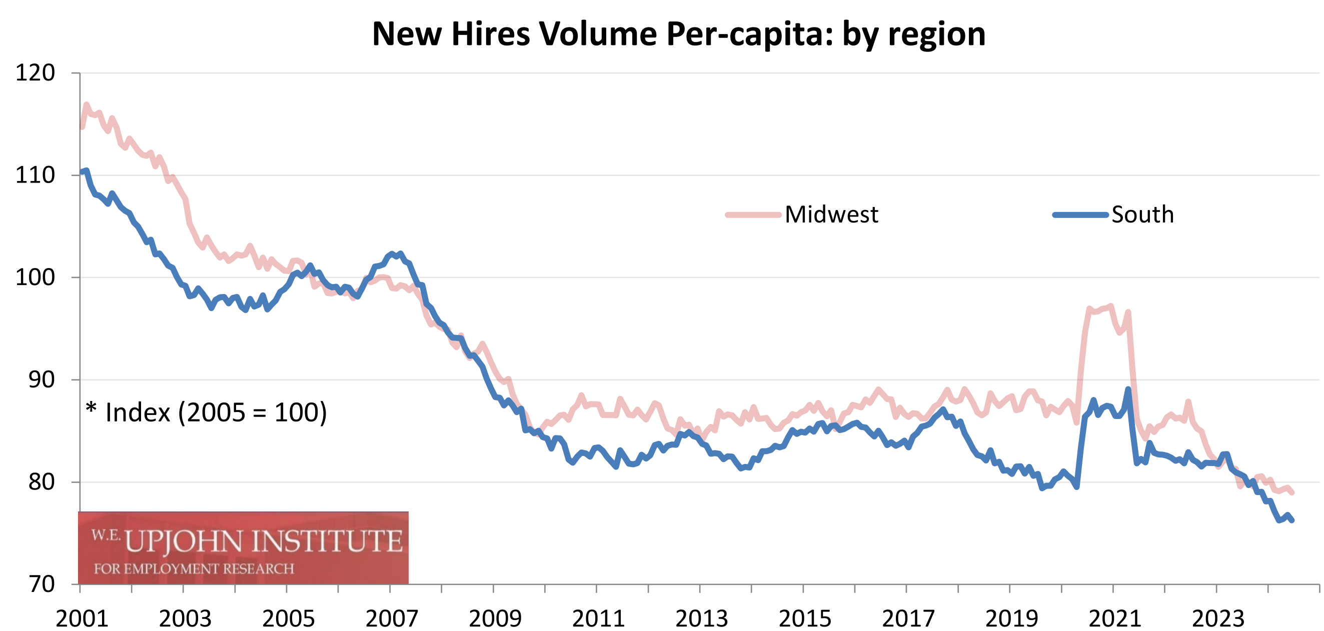
The graph below shows the hourly wage index separately for newly hired workers in these two regions, with the Midwest in salmon and the South in blue. Each index is normalized to the respective group's own level in 2005 to better show relative changes. The two series have for the most part tracked each other closely since the turn of the century, although the South saw a greater rise during the Great Recession and a greater dip during the recovery in 2021—in both cases likely indicating a greater change in *who* was being hired during these opposite cycles. That is, relative to the Midwest, hiring in the South became more skewed to higher earners in the aftermath of the Great Recession, while the opposite happened during the initial COVID recovery. After each of these periods, however, the series converged again—until the beginning of 2024. Over the past six months, the wage index in the Midwest has dropped 1.3 percent—the sharpest on record—while that for the South has ticked up 0.3 percent. Put differently, since the start of COVID, earnings power of new hires is up 3.1 percent for the South, versus just 1.9 percent for the Midwest. Consequently, the gap between the two is at an all-time high.



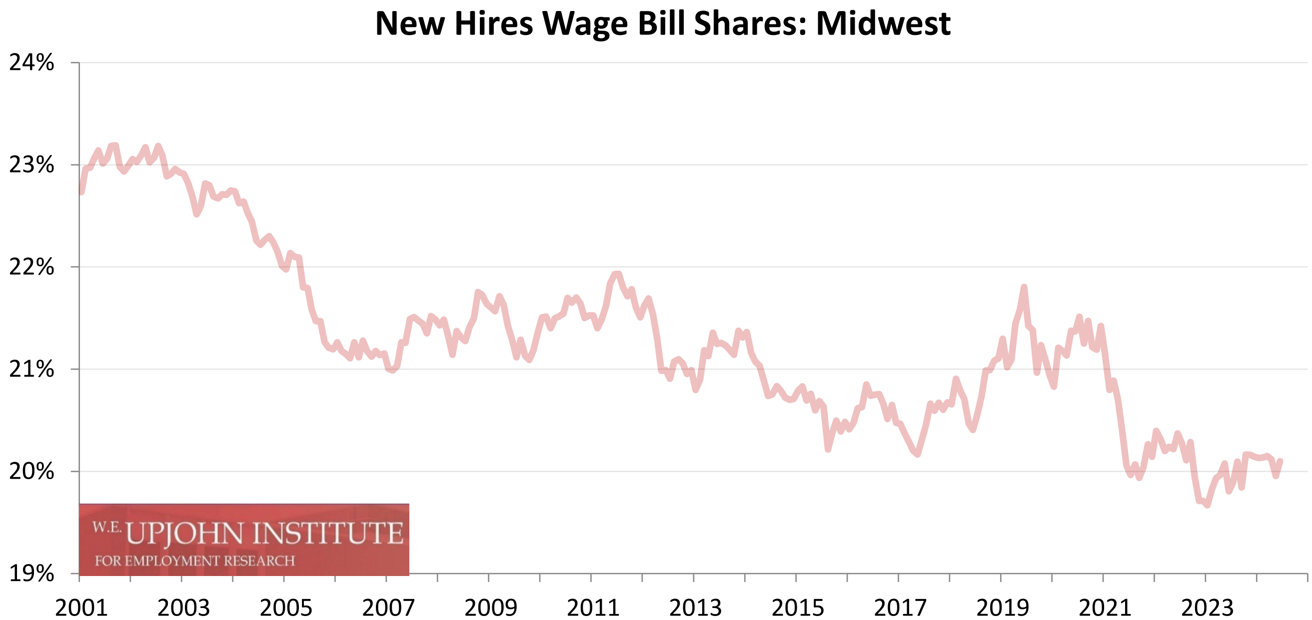
Does this mean that the job market in the South is much hotter than in the Midwest? Not necessarily. We also need to examine the *quantity* of hiring. The next graph thus presents hiring volume (again respectively indexed to 2005). Over the longer term, hiring in the South has outpaced that in the Midwest, in line with the differing population growth mentioned above. Hiring also began falling in the Midwest sooner into the recovery—mid 2022—than in the South. But the trend has been different more recently. Since the beginning of 2024, when the large wage index gap opened up, hiring volume has fallen another 1.0 percent in the Midwest but nearly twice as fast—1.8 percent—in the South. This is not the expected pattern if hiring dynamics have been stronger in the South. Instead, although hiring is slowing in both places, hiring in lower-earning jobs has been slowing *even more* in the South than in the Midwest.



This trend is even more pronounced when we look at *hiring rates*—new hires per worker, again normalized to levels in 2005. On a per capita basis, hiring rates in the Midwest have generally outpaced those in the South, indicating greater dynamism. The Midwest's historical advantage, however, ebbed in late 2022 before partially reversing at the start of 2024. Since then, hiring rates have dropped 1.1 percent in the Midwest and 2.4 percent in the South. Despite the sharper decline in the South, both regions are at record low hiring rates. Nonetheless, the [faster population growth in the South] has not been matched with increased hiring dynamism.



Although the Midwest has seen somewhat slower drops in hiring, the changes in the earnings power of its new hires imply that the region has lost ground in its share of hiring dynamism. Indeed, the Midwest's share of the new hires wage bill—the earnings power of all new hires—has slipped from just over 21 percent at the dawn of the pandemic to just 20 percent today—a number which has been stable over the past year or so. Still, this is a notable contrast to the economic boom in the mid-to-late 2010s, when the Midwest continued to see its new hires wage bill share give ground to other regions. With growth in the overall wage index appearing to have petered out for now, and hiring volume still slowing, it remains to be seen whether the regional patterns have stabilized or divergence will continue to grow.



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/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 July 2024 will be released during the first week of September 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 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 June 2024. 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.