

ISSUE BRIEF

New Hire Wage Index

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Introduction

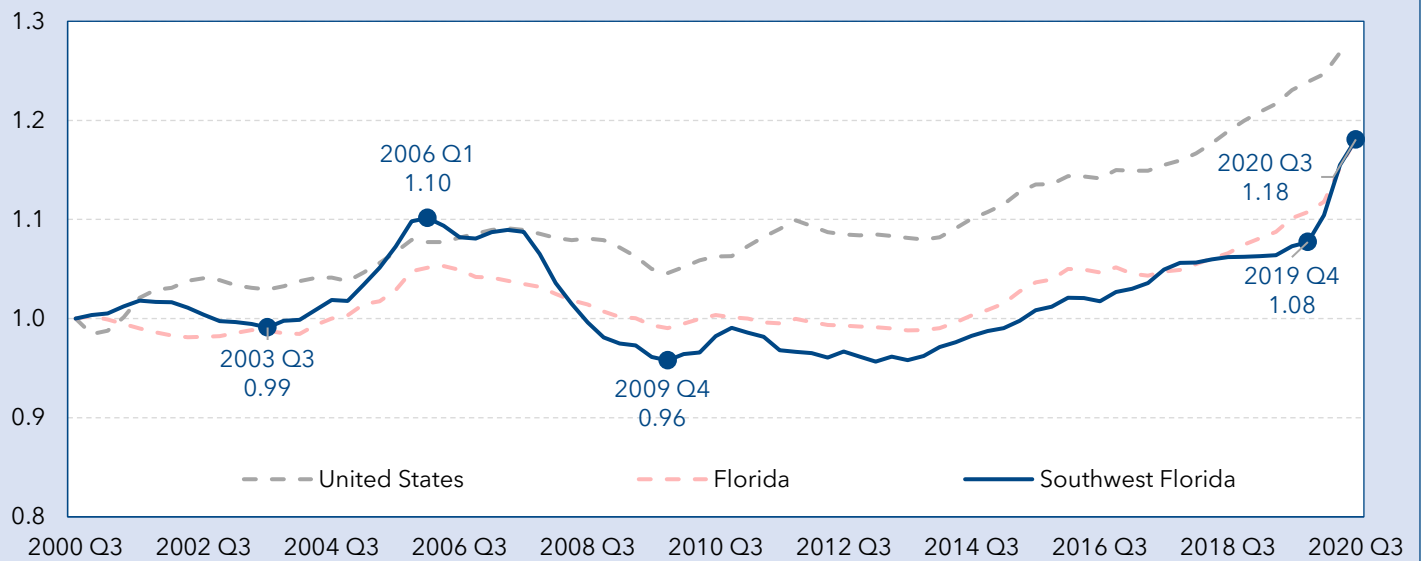
Every quarter, the U.S. Bureau of Labor Statistics releases the Quarterly Census of Employment and Wages (QCEW), a dataset that provides a snapshot of the current state of the labor market in a defined geographical region. The QCEW is one of the most cited resources for the labor market and is used often by the media, policymakers and academics to provide commentary, analysis and projections. While the QCEW is indeed a high-quality source for labor market data, it is also limited with respect to information it provides on wages. While it will tell the user what the average quarterly wage is in an industry, it will not provide any information for how new hires will fare in this industry.

In this issue brief, we use an alternative source of data to take a deeper dive into wage rates for new hires. The primary source of data in this analysis comes from Quarterly Workforce Indicators (QWI), a dataset published by the Center for Economic Studies at the U.S. Census Bureau. The QWI provides county-level economic indicators (such as employment, job creation and earnings) detailed by both firm characteristics and demographic information. One indicator tracked each quarter is the average monthly earnings for newly hired employees. An employee is defined as a new hire if they started a job that they had not held over the past year and lasted at least a full quarter with the given employer.

Earnings data used in this analysis is adjusted to 2021 dollars using the Consumer Price Index for All Urban Consumers table (CPI-U) obtained from the U.S. Bureau of Labor Statistics. All earnings data are indexed to the third quarter of 2000 for easier comparison of earnings growth/decline across industries. Indices displayed in the following charts represent a four-quarter centered moving average, with the latest data available for the third quarter of 2020.

Results show that while new hire wages have grown since 2000 Q3, these improvements have not been uniform across firms and demographics. Industries such as finance and insurance and professional, scientific, and technical services had steady improvements in new hire wages, while others (such as accommodation and food services, construction and retail trade) have shown little to no growth over the 20-year period. Similarly, new hire wages have grown primarily for the population over the age of 55, with smaller growth for the 25 to 54 age group. Smaller businesses have also struggled to increase new hire wages over the past 20 years, as firms with less than 50 employees had much smaller indices than firms with at least 50 employees.

New Hire Wage Price Index (2000 Q3 = 1)



Note: Earnings data is inflation adjusted to 2021 dollars using CPI-U. Index is centered moving five-quarter average.

Source: U.S. Census Bureau, Quarterly Workforce Indicators (QWI)

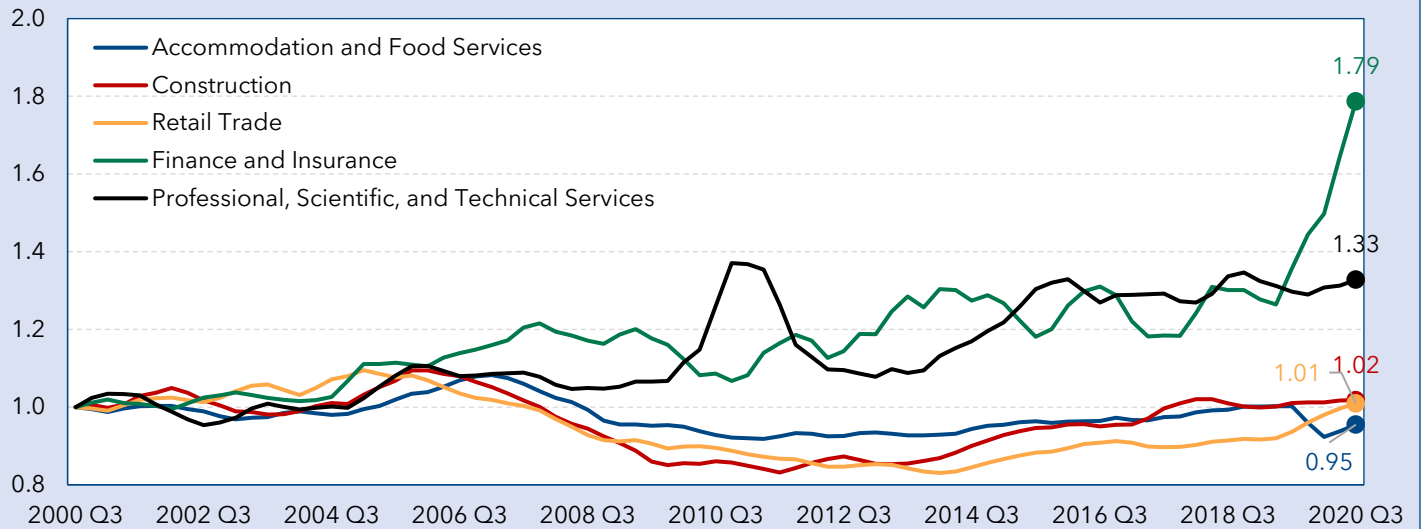
Prepared by the Regional Economic Research Institute

New Hire Wage Index for Southwest Florida

The chart above displays the new hire wage index for Southwest Florida and compares it to the state and the nation. Wages for new hires grew between 2003 Q3 and 2006 Q1, but declined soon thereafter during the Great Recession, bottoming out in 2009 Q4. New hire wages steadily improved during the 2010's, with the index reaching 1.08 by the last quarter of 2019. The index for the region was 1.18 in the third quarter of 2020, representing an 18 percent improvement in new hire wages compared to the third quarter of 2000. The index for the region was the same for the state (1.18) but below the nation (1.27 in 2020 Q2; data was not available for 2020 Q3).

New Hire Wage Price Index (2000 Q3 = 1)

Southwest Florida



Note: Earnings data is inflation adjusted to 2021 dollars using CPI-U. Index is centered moving five-quarter average.

Source: U.S. Census Bureau, Quarterly Workforce Indicators (QWI)

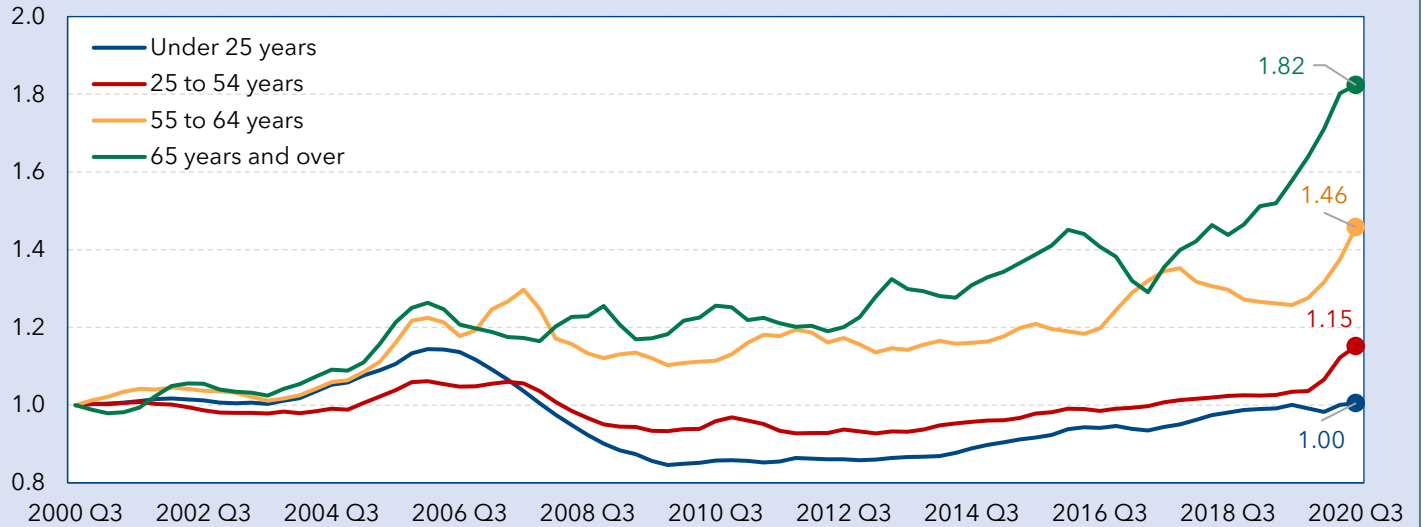
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New Hire Wage Index by Select Industries

Disaggregating by industry, the chart shows that some industries have shown growth in new hire wages while others have stalled. The finance and insurance industry had a new hire index of 1.79 in 2020 Q3, indicating a 79 percent increase in new hire wages compared to the third quarter of 2000. Professional, scientific, and technical services also had modest improvements in new hire wages, with the index rising to 1.33 by the third quarter of 2020. On the other end of the spectrum, some of the more prominent industries in Southwest Florida have seen little or no growth in new hire wages compared to the third quarter of 2000. The construction industry had an index of 1.02 in the third quarter of 2020, while retail trade and accommodation and food services had indices of 1.01 and 0.95.

New Hire Wage Price Index (2000 Q3 = 1)

Southwest Florida



Note: Earnings data is inflation adjusted to 2021 dollars using CPI-U. Index is centered moving five-quarter average.

Source: U.S. Census Bureau, Quarterly Workforce Indicators (QWI)

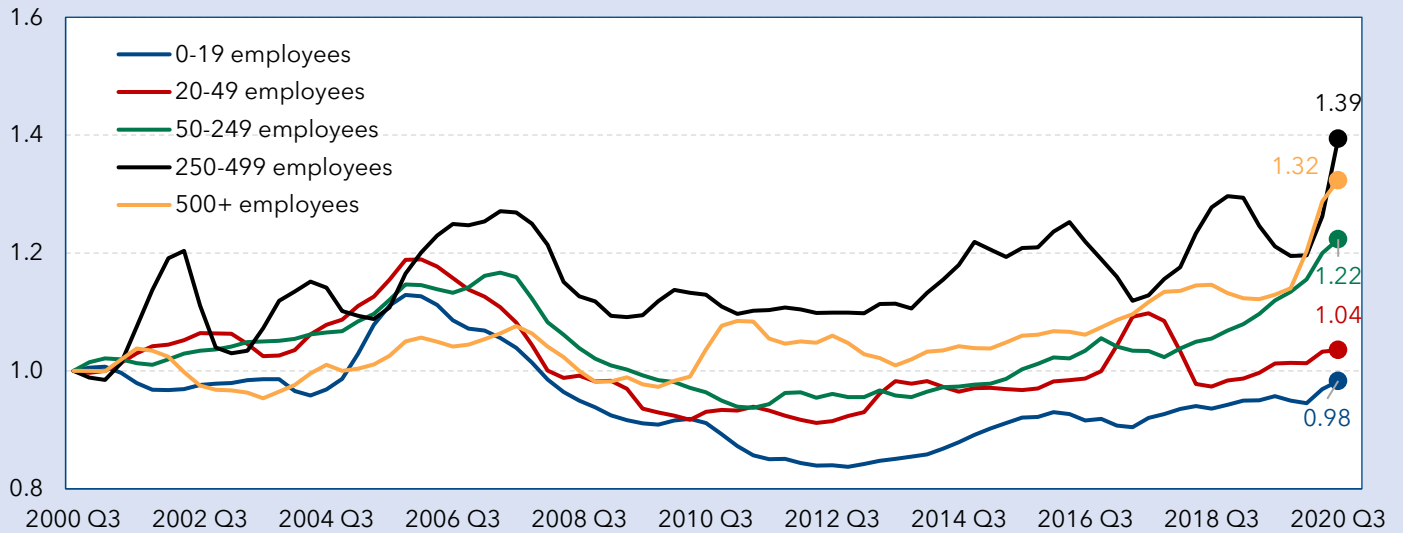
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New Hire Wage Index by Age Groups

When looking at a breakdown by age, we can see new hire wage growth has largely occurred for the older population, with the 55 to 64 and 65 and over age groups having new hire wage indices of 1.46 and 1.82 in the third quarter of 2020. The 25 to 54 age group also had a slight gain since the beginning of 2020, registering at 1.15 during 2020 Q3. The population under 25 had a new hire wage index of 1.00 in 2020 Q3, indicating that new hire wages were the same compared to 2000 Q3, after adjusting for inflation.

New Hire Wage Price Index (2000 Q3 = 1)

Southwest Florida



Note: Earnings data is inflation adjusted to 2021 dollars using CPI-U. Index is centered moving five-quarter average.

Source: U.S. Census Bureau, Quarterly Workforce Indicators (QWI)

Prepared by the Regional Economic Research Institute

New Hire Wage Index by Firm Size

Lastly, we provide a breakdown of new hire wages by firm size. New hire wages for smaller firms have struggled to keep pace with the larger firms, as firms with employee counts between 0-19 and 20-49 had indices of 0.98 and 1.04 in 2020 Q3. On the other hand, firms with 50-249 employees had an index of 1.22, firms with 250-499 employees had an index of 1.39, and firms with at least 500 employees had an index of 1.32 in 2020 Q3.