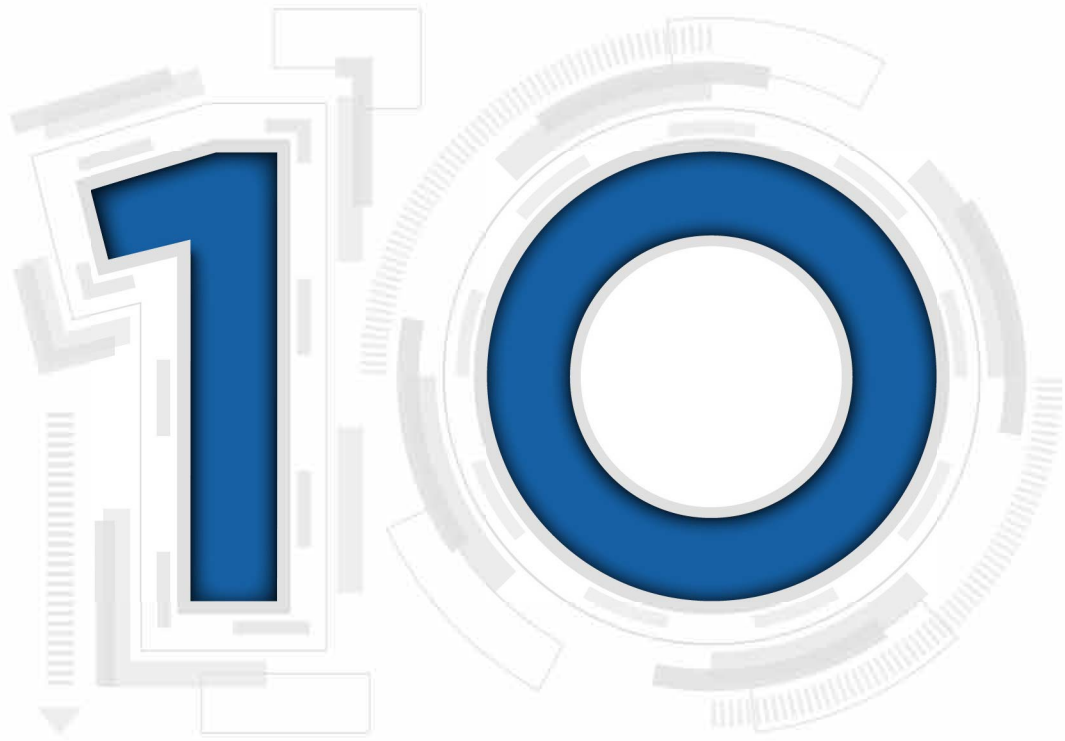


THE



# PERFORMANCE INDICATORS OF A HEALTHY LABOR MARKET

Essential Metrics Empowering Businesses

LaborIQ<sup>™</sup>  
by ThinkWhy

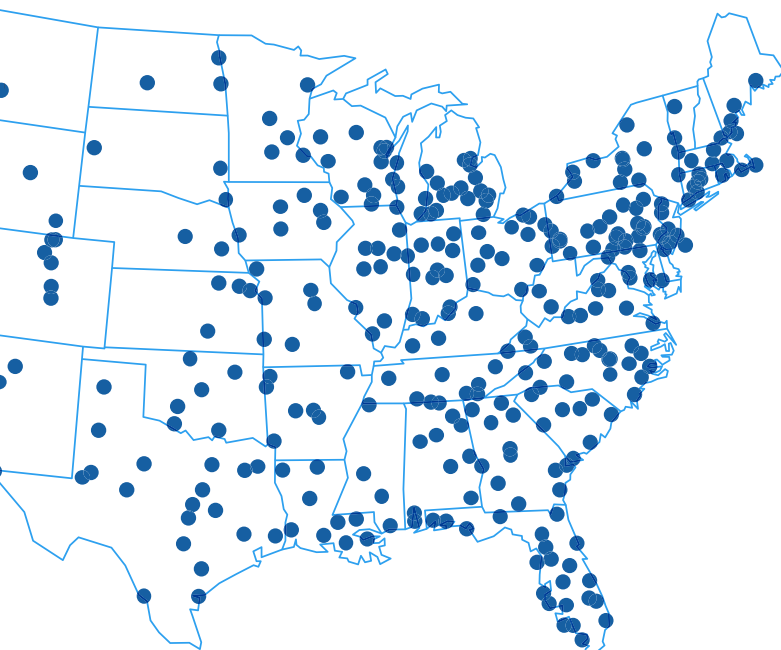
# Introduction

## >> Introduction

Few things are more important for a company's success than **knowledge about the markets in which it operates or may enter in the future**. That's because good market intelligence is critical for making smart tactical and strategic business plans.

The challenge in the past has been obtaining this intelligence. While we live in a society of information overload, with data of every sort at our fingertips, reliable and comprehensive sources for understanding markets have been virtually non-existent. Until now, that is.

This e-book outlines an advanced **methodology for measuring the performance of the nation's top metropolitan areas** —from labor conditions to demographics — which can help organizations in several ways, in any business environment.



# » An Invaluable Benchmark for Decision Makers



The success of any market is measured by hundreds of unique performance indicators, from population size to its leading industries. Although analyzing any of the metrics alone will provide some insight into an area's performance, **it's only when the metrics are reviewed collectively will a complete picture of the market emerge.**

LaborIQ™ by ThinkWhy has leveraged the expertise of economists, data scientists and business intelligence professionals to provide actionable labor market analysis for occupations, industries, demographics and universities nationwide. The proprietary ranking model resulting from their efforts, called the LaborIQ Index, identifies and tracks 10 key performance indicators that best shape market health. These indicators are present

in every market and represent the greatest drivers of a market's economic progress or decline.

LaborIQ has ranked the top 150 metros based on a composite index of 10 key performance variables (see adjacent listing).

Considering all 10 variables together for each market — and then reviewing them in relation to the performance of other top markets — provides **an invaluable benchmark for business decision makers.** To measure each metro area's relative ranking, a two-step process is employed.

The first step involves arriving at a single composite value for each metro. Then, the composite value is regressed in a panel analysis using the 10 most important variables selected for all metros.

Some metros in this analysis may score relatively well for job gain and job growth; however, their overall ranking may decrease if performance is poor in areas like population growth and net migration.

For a snapshot of how the rankings work, compare the composite values of the nation's 10 top-ranked metros versus to the metros ranked 141 to 150.

## Top 10 Key Performance Variables

- 1 » Job Gain
- 2 » Job Growth
- 3 » Wage Gain
- 4 » Wage Growth
- 5 » Net Migration
- 6 » Prime-Working-Age Population Share
- 7 » Prime-Working-Age Population Growth
- 8 » Educational Attainment
- 9 » Number of College Degree Holders
- 10 » College Graduate Growth Rate

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# » An Invaluable Benchmark for Decision Makers

With sophisticated analysis of the key market variables, business professionals can better gauge the performance of an individual metro area, on a relative basis. Organizations are then able to analyze and understand occupational and industry trends and the talent supply in each market, which ultimately impacts salaries and talent costs.

This proprietary ranking method empowers employers with monthly performance insights across markets and further enables strategic planning for expansion, recruiting talent or budgets.

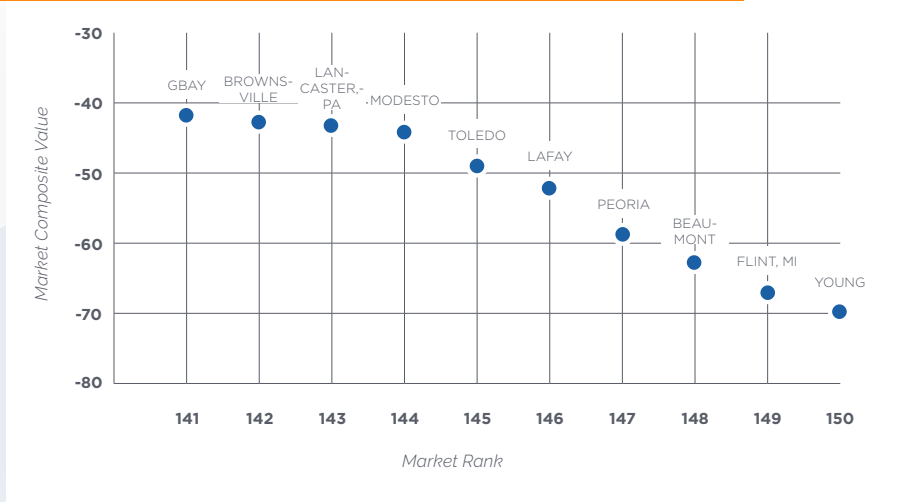
Let's look closer at the 10 key variables and how they impact local markets, and therefore, businesses decisions.

## Top 10 Market Rank and Composite Value



>> Data collected from January 2020

## Bottom 10 Market Rank and Composite Value



>> Data collected from January 2020



*Now let's take a closer look at the 10 key variables*



Of the variables analyzed, 7 of 10 show that Denver-Aurora-Lakewood remains stable as the 2nd highest performing metro area in the nation.

# »» The 10 Key Variables

1

## »» Job Gain

Job gain is the number of jobs created in a metro area over a monthly annualized basis. The strength of a metro's economy is reflected by the number of jobs created over time. In general, if local businesses are hiring people, it means their revenues are growing as they serve more customers.

The job gain variable helps you answer: Is the area growing? Will there be a steady supply of people to employ now and in the future? Is the area's employment rate increasing, thereby expanding opportunity for more sales?

»» 70%

**Consumer spending accounts for 70 percent of the U.S. economy.**

2

## »» Job Growth

Job growth is the percentage of change in total employment over a monthly annualized basis. As market size will influence the growth percentage, areas with large populations may see substantial job gains, but little overall job growth. The changes in job growth in a metro can have a positive or negative impact on wage growth.

By understanding job growth and its correlation to wage growth — and how it is forecasted to change over time — organizations can be more proactive in assessing salary benchmarks to ensure market competitiveness and retain talent.

3

## »» Wage Gain

Wage data encompasses all private nonfarm payrolls and is reported monthly. This information is provided for average hourly earnings. LaborIQ produces wage analyses at both the macroeconomic level, based on industry super-sector, and at the microeconomic level for approximately 17,000 job titles.

Compensation has a direct impact on both short- and long-term workforce sustainability. **Wages are a driver for attracting new talent to an area, and influences job longevity among current employees.** In addition, because consumer spending accounts for 70 percent of the U.S. economy, and spending is fueled by wages, this indicator is important for determining a market's overall economic health.

4

## »» Wage Growth

Wage growth is the percentage of change in the average hourly earnings of all private nonfarm payroll employees in a metro area. Wage growth is usually contingent on the supply and demand of an industry or a specific job, which is why it's important to know whether wages are above or below the norm, as well as other outliers.

Knowing, for example, that a 15 percent increase in wages over the last three years is the normal baseline for professional and business services jobs, in a specific metro area, is a good starting point for setting annual budgets or forecasting talent costs.

# »» The 10 Key Variables

5

## »» Net Migration

Net migration is the difference between the number of people entering an area and the number of people leaving an area, annually. Understanding a migration shift can help explain how and why a market experiences increases in job gain, job growth and wages. **This is critical information for organizations when considering, for example, whether to open a new office location or target hiring within a metro area.**

The relationship between migration and other economic factors will help determine if a market is "leading" or "lagging." For some metros, job gain and job growth are catalysts for positive net migration, which then increases the population, making the metro a leader. Conversely, in a laggard metro — typically rural areas or tertiary markets — the population is decreasing, most likely due to a lack of jobs or talent demand.

6

## »» Prime-Working-Age Population Share

The prime-working-age population share only counts those persons in a metro who are between 25 and 54 years old. **For organizations to sustain and grow their operations, a market with a stable or increasing share of prime-working-age people is optimal.** Without enough prime-working-age people in a metro, there are fewer resources for staffing — or buyers for goods and services.

7

## »» Prime-Working-Age Population Share Growth

Prime-working-age share growth is the percentage change in this age cohort's annual population gain in each metro area.

**As the population of this age cohort increases in a metro area,**

**so too will the demand for goods and services.** Importantly, this growth offers businesses in the area more hiring and sales opportunities. A metro with a declining prime-working-age population, on the other hand, will have a smaller talent pool to choose from, as well as fewer wage earners purchasing goods and services. By tracking the growth of the prime-working-age population, it will inform budget planning, investment and growth decisions.

8

## »» Educational Attainment

Educational attainment is the percentage of a metro's population that holds a bachelor's degree or higher. Understanding how many people in a metro have a post-secondary **education can tell organizations whether a market has enough degree holders to meet its hiring needs.** College and university graduates offer employers an early indicator of talent supply. Searching educational institutions by metro can help guide talent planning and targeted recruitment efforts.

9

## » A Thriving Labor Market

### » Number of College Degree Holders

This is the number of people in a metro who hold any level of college degree, including those holding an associate's, bachelor's, master's and Ph.D. degrees. The number of degree holders matters because **a healthy metro needs an educated or degreed workforce to staff its companies.** The more degree holders there are in a metro, the greater the pool of well-educated employment candidates.

10

### » College Graduate Growth Rate

The college graduate growth rate is the annual increase in the number of college graduates in a metro area. The higher the graduation rate is for the colleges and universities in a metro, the more talent supply for that market and local industries.

Today's labor market is evolving and recruiting talent continues to be a challenge for most organizations. With the LaborIQ Ranking Index, organizations across the country have an important new tool to understand top-performing markets based on the combination of unique variables.

As outlined in this paper, analyzing one or a few economic drivers alone is not enough to gauge the strength of the labor market. However, when the 10 key performance metrics are aggregated, reviewed and ranked, a comprehensive picture emerges for identifying target markets or the health of a current metro, relative to others in the country.

Although at first glance each of the variables may look to be directly interconnected with the others, each also is unique in nature, impacting the others in complex ways.

With all these elements — and the many ways they're connected — organizations have a new way to understand the viability of a market, make data-driven business decisions, discover growth opportunities — and to thrive.

About **ThinkWhy**<sup>®</sup>

ThinkWhy's **Talent and Market Intelligence Software**, LaborIQ, provides labor market analysis and compensation answers – with actionable insights to support strategic growth plans.

Visit [ThinkWhy.com](http://ThinkWhy.com) for additional information