

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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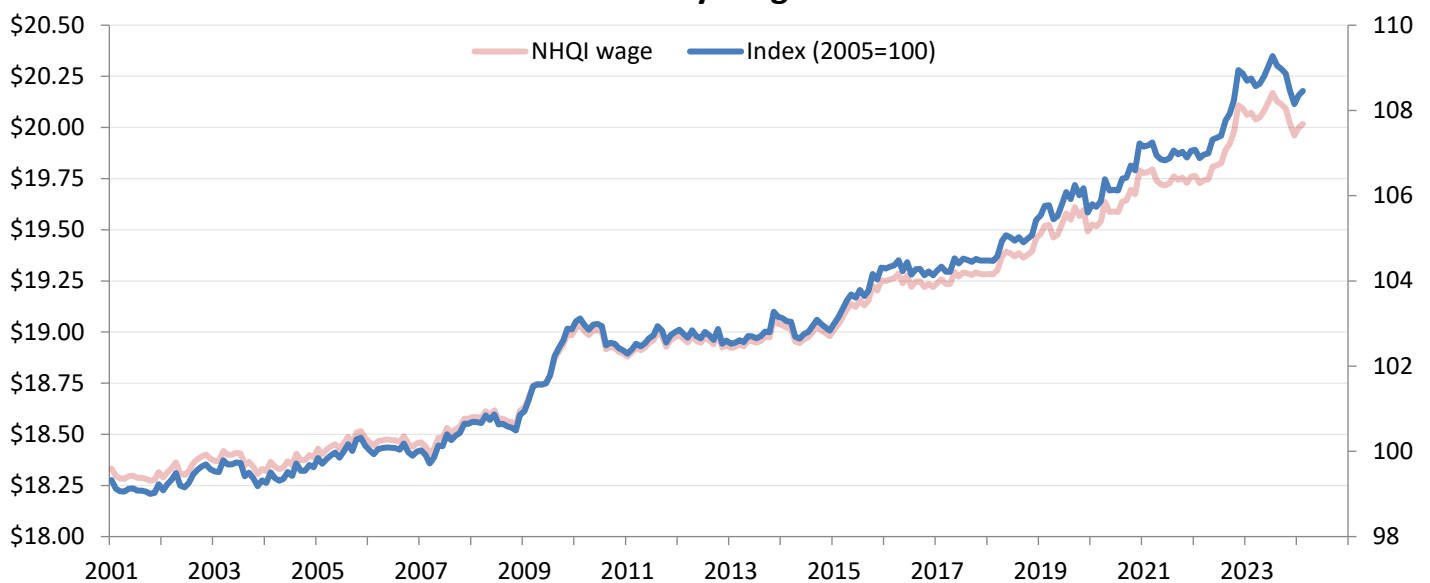
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## Upjohn Institute New Hires Quality Index gains for second month but hiring volume drops 1.0 percent; only hires with graduate degrees spared

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job increased for the second month in a row, with a 0.1 percent gain between January and February 2024, to \$20.02. However, the wage index is still down 0.8 percent from its high last July and down 0.3 percent from a year ago. (It is up 2.6 percent from the beginning of the pandemic.) Hiring volume, after a slight uptick in January, fell 1.0 percent in February, a resumption of a fairly steady decline: volume is down 4.9 percent over the year and 2.8 percent since the beginning of COVID. (Adjusting for population growth, hiring *rates* are 5.7 percent below the pre-COVID baseline.) Despite continued growth in payroll jobs, the drop in hiring, coupled with stagnation in the wage index, implies labor market strength is weaker than it appears.

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

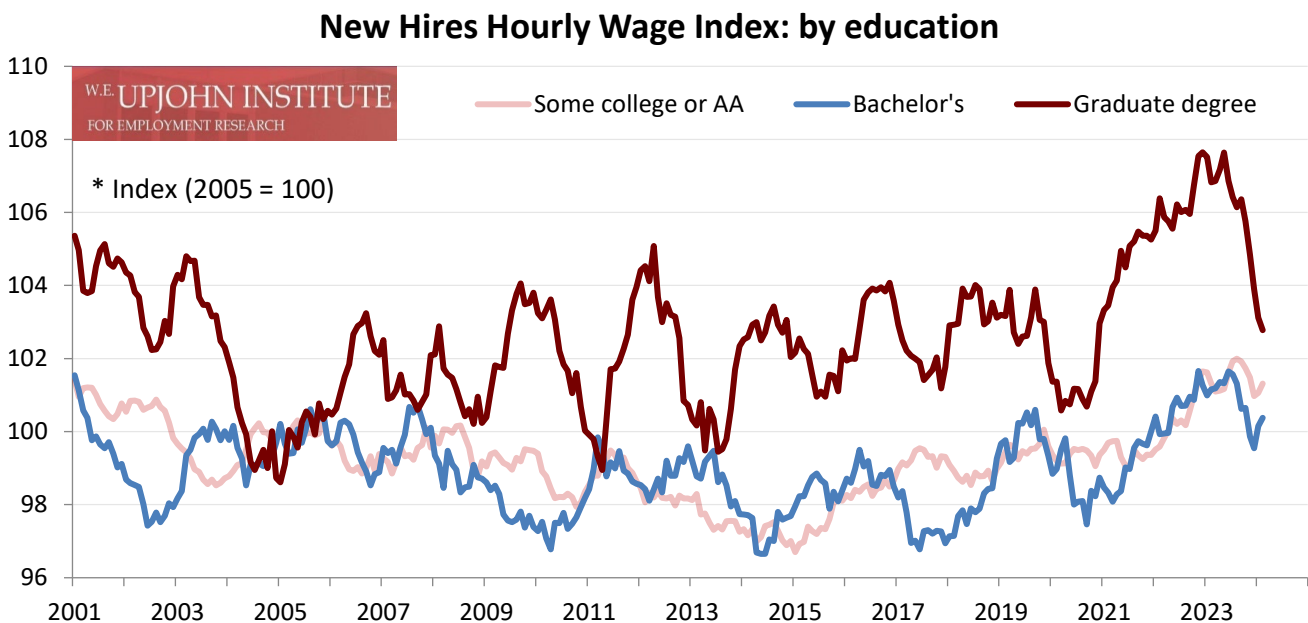


SOURCE: Upjohn Institute New Hires Quality Index

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.

After falling for several years, even predating the pandemic, undergraduate college enrollment finally [grew again](#) last fall. However, enrollment is still down 6 percent from the fall of 2019. While there has been [resurging interest](#) in [alternative training pathways](#) to good jobs besides traditional higher education, many analysts [expect](#) the bulk of jobs over the next decade to still require postsecondary education, and AI is unlikely to [change this](#). In this month’s NHQI release, we turn to recent hiring dynamics among workers with at least some college education, looking separately at those with some college attendance or an associate degree (AA)<sup>1</sup>, those with a bachelor’s as their highest degree, and those with a graduate degree.

The graph below shows the hourly wage index separately for newly hired workers in each of these education categories: some college or AA (salmon), bachelor’s (blue), and graduate degree (dark red). Each index is normalized to the respective group’s own level in 2005 in order to better show relative changes. Over the long horizon, the wage index for education groups does not tend to change that much because the index is based on occupational wages, and occupations are closely tied to education levels. However, shorter-run changes are more common, as evident in the period since COVID. After dipping in late 2020 from replacement hiring (of mostly lower-paying occupations), the wage index rose for each education group, but the gain was largest and fastest for newly hired workers with a graduate degree, up nearly 7 percent by the spring of 2023, compared to gains of 4 percent for those with a bachelor’s degree, and less than 2 percent for those with some college or an AA. Since the spring of 2023, this pattern has reversed for the more-educated workers, with the wage index of newly hired graduate-degree and bachelor’s-degree workers reverting to their prepandemic levels. For the newly hired with some college or an AA, earnings power has held up better—despite a slight recent dip, the wage index is still up 2.1 percent from February 2020, and near series highs, consistent with persistent job quality upgrading for this group.

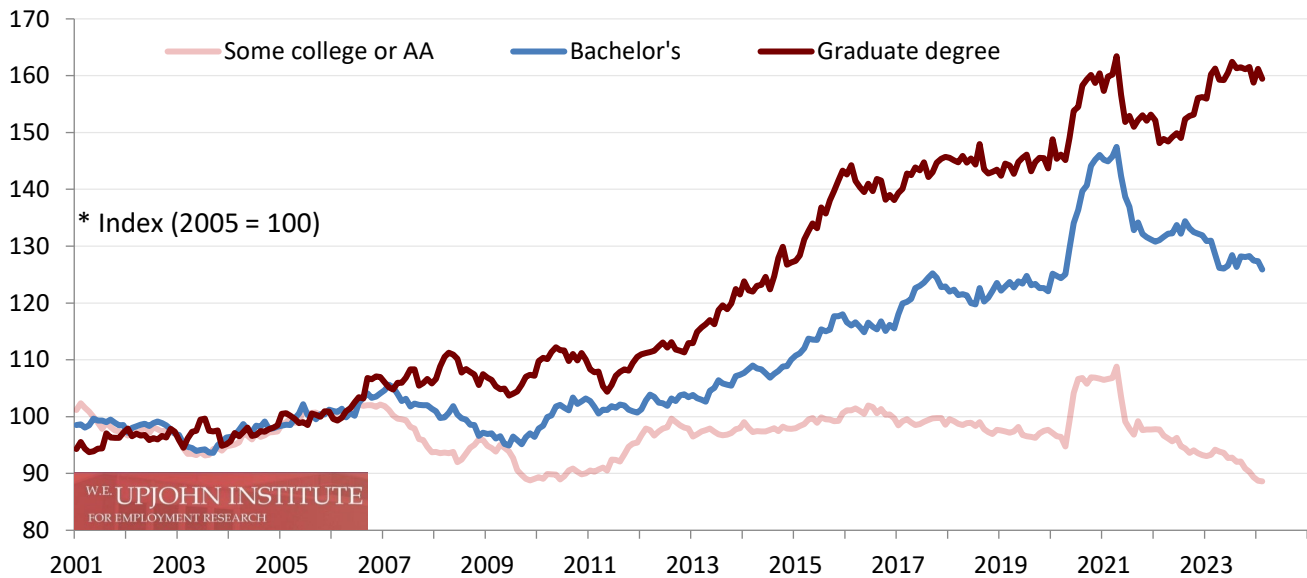


In a sign that such job upgrading has run its course, though, the following chart shows the volume index for each education group of newly hired workers, and those with only some college or an AA have experienced the sharpest decline: 5.0 percent over the past 12 months, reaching a new series low. Hires of

<sup>1</sup> For ease of reference, I denote all associate degrees (whether in arts or science) as “AA.”

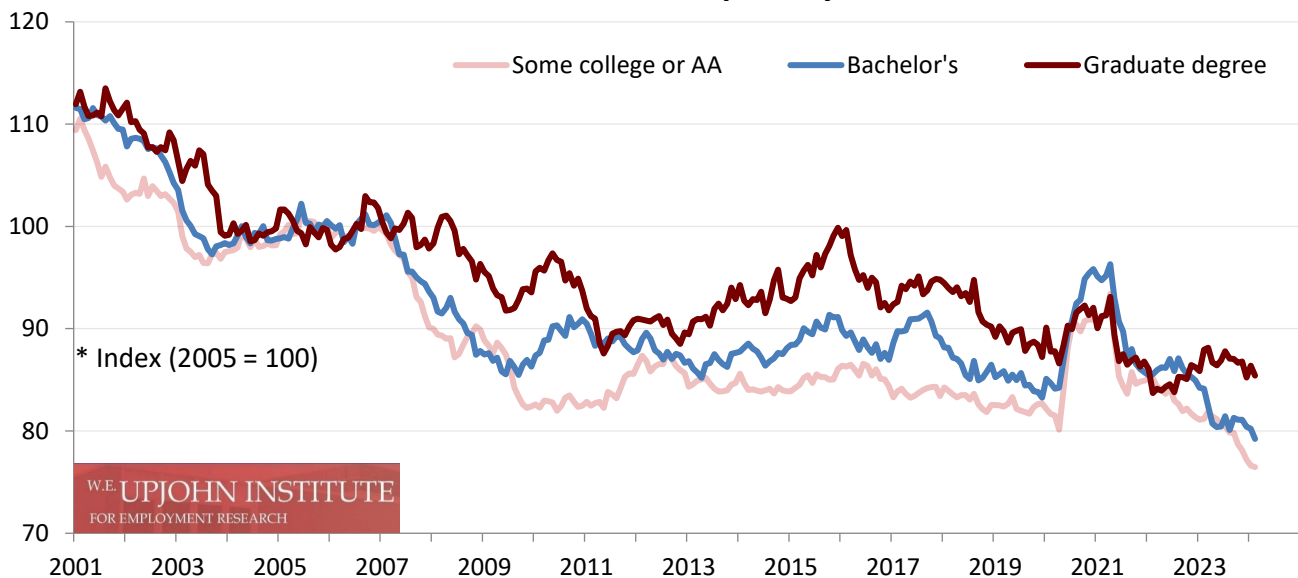
workers with bachelor's degrees have also slowed, but not as much, down 3.9 percent since February 2023, and still above prepandemic volume. And although the wage index for newly hired graduate-degree workers has dropped recently, their hiring volume has held up, down a scant 0.5 percent over the year and still just off its record high.

### New Hires Volume Index: by education



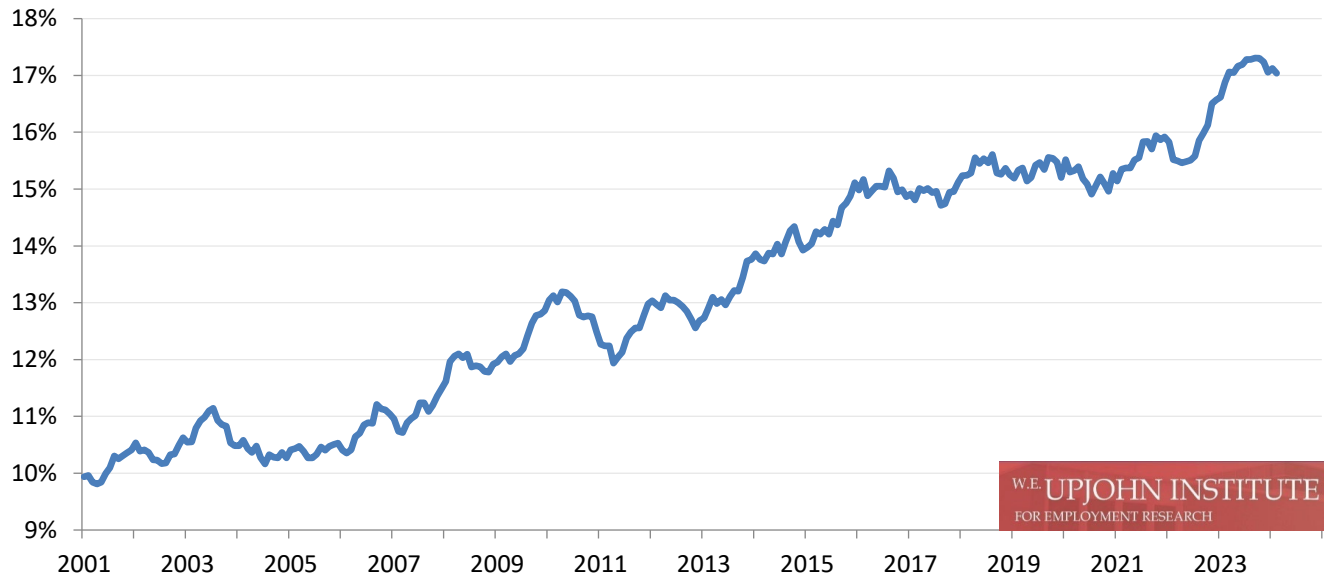
It might be tempting to think these volume trends are driven by changes in the shares of the population with different degrees. This isn't the case, especially recently. The chart below normalizes hiring volume by looking at indexed *hiring rates*, or the number of newly hired workers per capita (within the given education group). We again observe a sharp decline for the some college or AA group, down 5.8 percent over the year, and there is a nearly equivalent drop in hiring rates for bachelor's degree workers. Both are at record lows. In contrast, hiring rates for workers with a graduate degree has declined more modestly, 2.9 percent since February 2023, and has diverged from the other two education groups over this time. AI has decidedly *not* come for the jobs of the most educated.

### New Hires Volume Per-capita: by education



In fact, the new hires wage bill share for graduate-degree holders—the fraction of all earnings power of newly hired workers going to those with a graduate degree—has actually risen half a percentage point since ChatGPT was publicly released near the end of 2022. It currently stands at 17.0 percent, down 0.3 percentage points from last fall, driven by the drop in this group’s wage index, not hiring. And the drop in the wage index itself may be related to the slowdown in tech sector hiring. For now, hiring still favors the more-educated.

### New Hires Wage Bill Shares: Graduate degree-holders



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](http://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](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 March 2024 will be released during the first week of May 2024. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: [www.upjohn.org/nhqi/signup](http://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 February 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 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.