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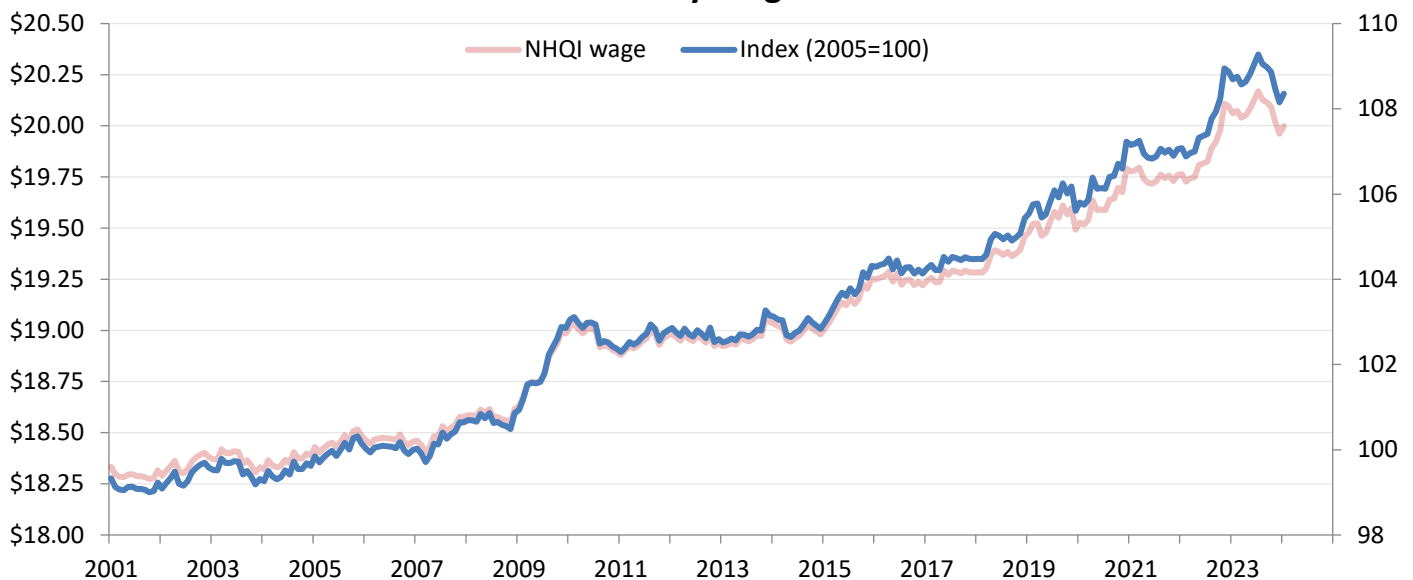
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Upjohn Institute New Hires Quality Index halts slide with 0.2 percent increase in January 2024, even as hiring volume falls and the goods sector weakens

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job slightly recovered last month, with a 0.2 percent gain between December 2023 and January 2024, to \$20.00. This breaks a five-month losing streak, but the wage index is still down 0.8 percent from its high last July and down 0.3 percent from January 2023. It is still up 2.5 percent, however, from the beginning of the pandemic. Hiring volume ticked up 0.1 percent since last month, but this marks a pause in a long decline: volume is down 3.6 percent over the year and 1.8 percent since the beginning of COVID. (Adjusting for population growth, hiring *rates* are 4.6 percent below the pre-COVID baseline.) These indicators contrast with the recent strong gains in payroll jobs, suggesting that fewer jobholders may be leaving the workforce even as hiring slows. Labor market strength has reached the mature phase of the cycle.

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



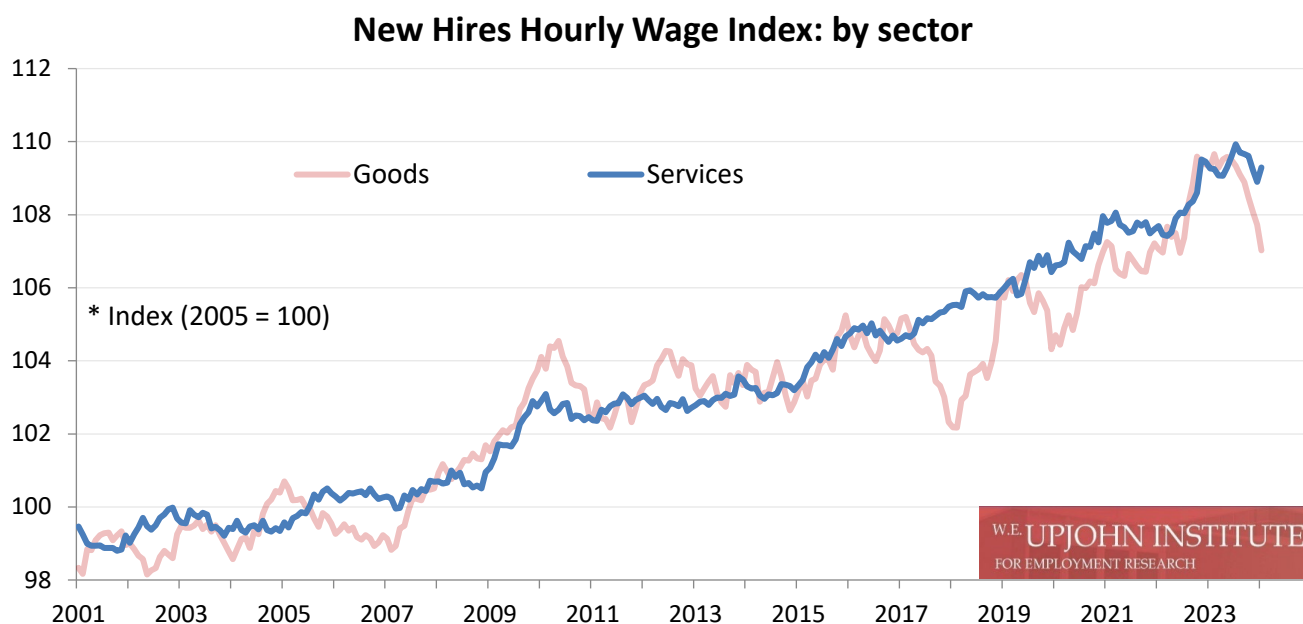
SOURCE: Upjohn Institute New Hires Quality Index

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.



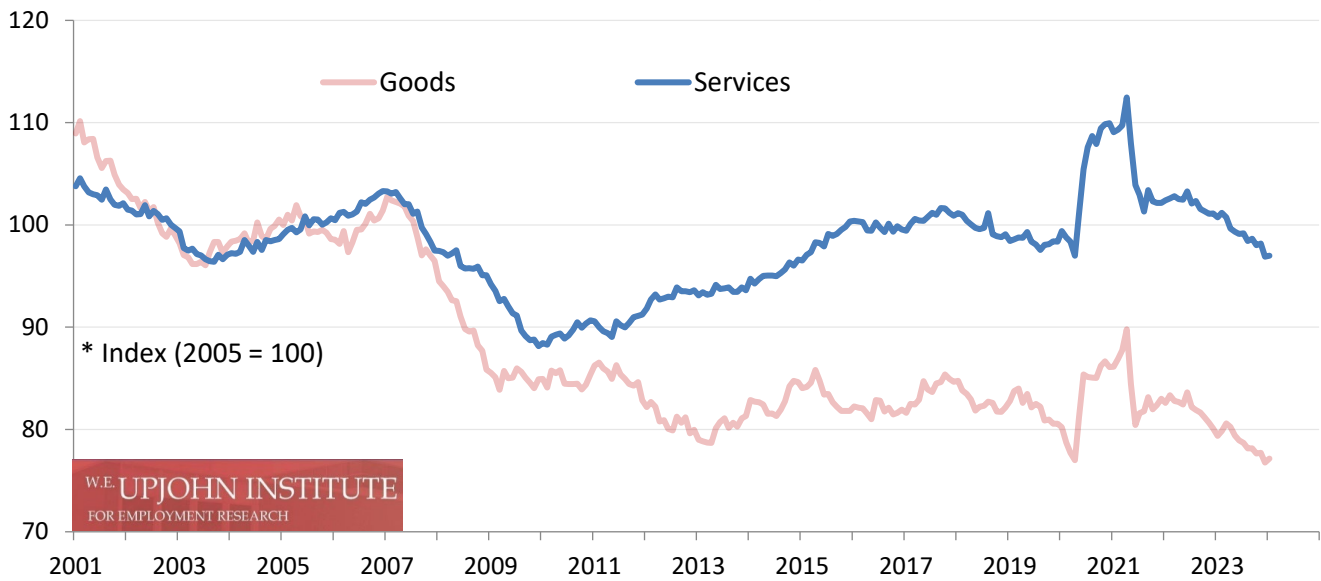
The recent strength in the economy—with GDP rising an annualized 3.2 percent in the fourth quarter of 2023—has surprised many pundits, and the uptick in payroll employment growth—revised up to 333,000 in December and an initial 353,000 in January—has suggested to [some commentators](#) that the U.S. labor market (and perhaps inflation risk) has plenty of wind left in its sails. But this growth has been uneven, with the job count over the year up just 257,000 in the goods-producing industries of mining, construction, and manufacturing, with the remaining growth of 2.7 million jobs coming from private services and government. This has occurred despite the dramatic [investments](#) announced in green energy, semiconductors, and other [advanced manufacturing](#) projects, some of which have been [mired in bureaucracy](#). In this month’s NHQI release, we revisit the hiring dynamics of the goods and services sectors.

The graph below shows the hourly wage index separately for newly hired workers in the goods-producing sector (salmon) and services-producing sector (blue). Each index is normalized to the respective group’s own level in 2005 in order to better show relative changes. At the beginning of 2023, both sectors had risen about 9.3 percent since 2005, although the goods sector has been more volatile owing to both its smaller size and greater sensitivity to business cycles. Over 2022, both sectors had grown briskly, with goods up 2.1 percent and services up 1.5 percent. During 2023, however, the two series diverged sharply, with the wage index for the goods sector plunging 2.0 percent—essentially giving up all its earlier gains—while the wage index for services essentially held even. Consequently, the NHQI wage index for services is just a smidge off its record high from last summer, even as the wage index for goods is back to where it was two years ago. The overall slowdown in the NHQI is thus driven by the rapidly cooling goods-producing sector.



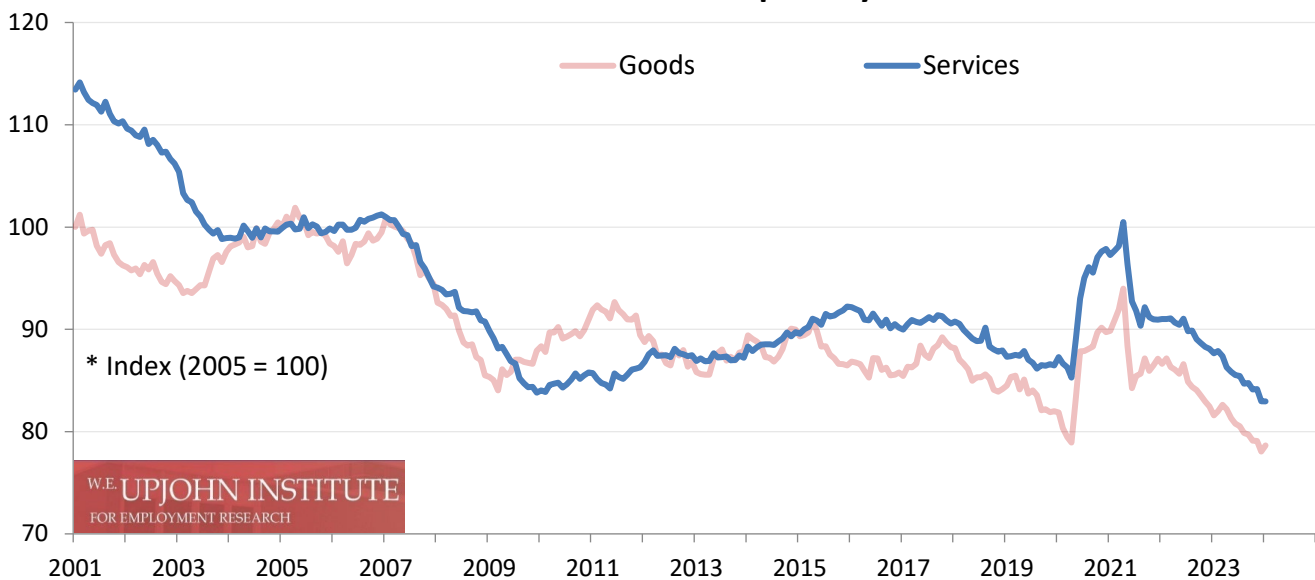
In contrast to the diverging wage indices between the two sectors, the hiring volume in both sectors has followed a similar trajectory: downward. Aside from a blip in early 2023, hiring volume has been dropping in each of the sectors since the summer of 2022; over the past 12 months, volume in goods is down 2.8 percent and volume for services is down even more, 3.7 percent. Both series are also well below their prepandemic hiring volumes (2.0 percent for goods and 1.8 percent for services), which was not the case a year ago. Indeed, hiring volume in the goods sector is hovering at record lows, whereas volume in services was considerably lower in the aftermath of the Great Recession.

New Hires Volume Index: by sector



Of course, the services sector has expanded more rapidly than the goods sector, so when we examine hiring on a per-capita basis, capturing *hiring rates*, these differences are mitigated. The figure below shows that indexed hiring rates are essentially at record lows for *both* sectors, with especially sharp declines over the past 20 months. Of note is that hiring rates for the services sector are down twice as much from their prepandemic level as are hiring rates for the goods sector, down 4.3 percent and 2.1 percent, respectively. The rapid slowdown in hiring for services belies the job gains in this sector, indicating they have come from reductions in job-leaving more than continued hiring and suggesting the labor market recovery is more mature than perhaps many commentators realize. For the goods sector, the declines in both the wage index and hiring point to growing weakness, especially for the types of relatively well-paying jobs that don't require a bachelor's degree. If federal grants are to stimulate this sector, they will need to come soon.

New Hires Volume Per-capita: by sector



Despite the lagging goods sector, the pandemic recession and its recovery have proved unusual in another respect. Whereas in each previous recession and recovery, hiring in the goods sector ratcheted down relative to hiring in the service sector, this has not been the case since the pandemic. The graph below captures the goods sector's wage bill share of new hires—the share of the combined earnings power of goods sector hires compared to all new hires. Although this share clearly declines after the early 2000s tech recession and the Great Recession, it has proved remarkably stable since COVID: down just 0.2 percentage points since February 2020. If the unprecedented foray into federal industrial policy pays dividends in the coming years, this wage bill share may even rise.

New Hires Wage Bill Share: Goods sector



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/NHQB_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 February 2024 will be released during the first week of April 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 January 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.