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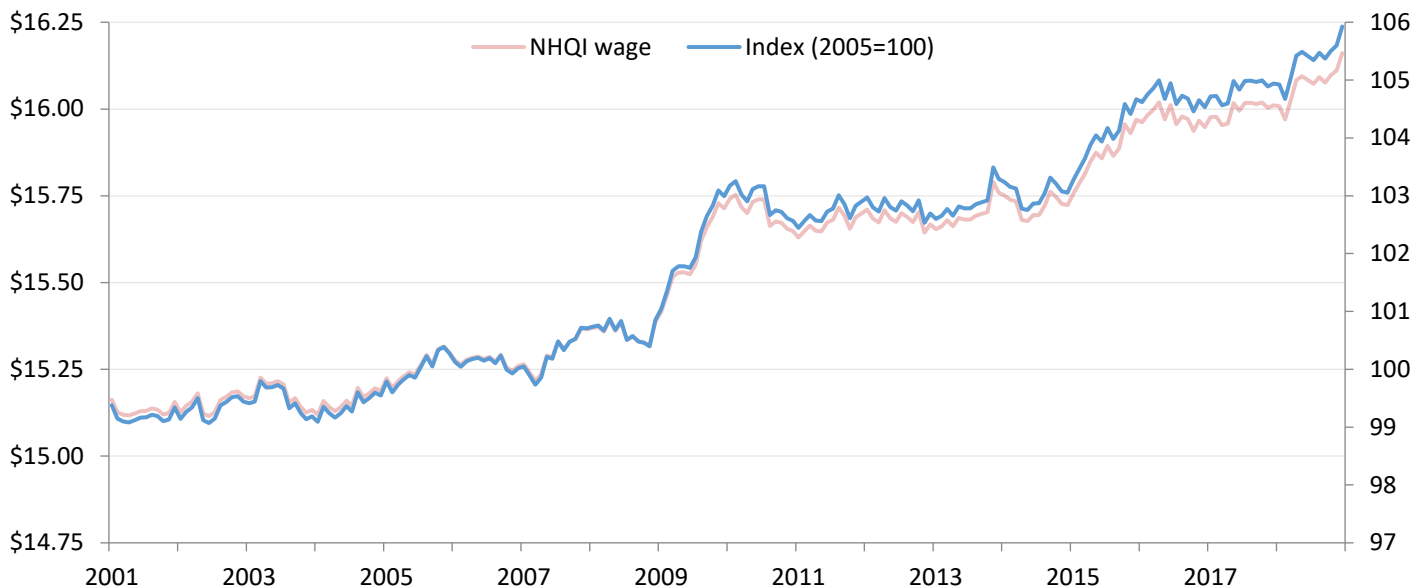
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Upjohn Institute New Hires Quality Index for December 2018 shows overall 0.9 percent uptick, lagging growth for job changers

KALAMAZOO, Mich.— In December 2018, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly wages of individuals starting a new job rose 0.9 percent from a year prior, to \$16.16. Hourly wages of new hires have risen 5.9 percent since 2005, according to the index. Over the past month, the wage index rose by 0.3 percent. (This month's NHQI release was delayed by one week by the federal government shutdown.)

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

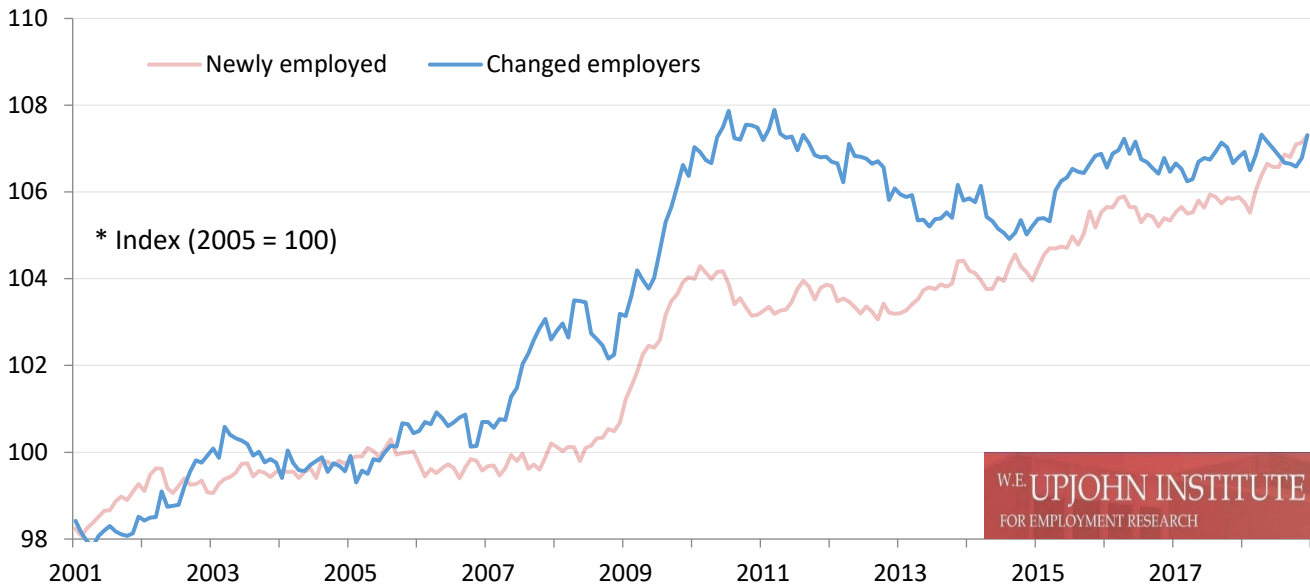
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.



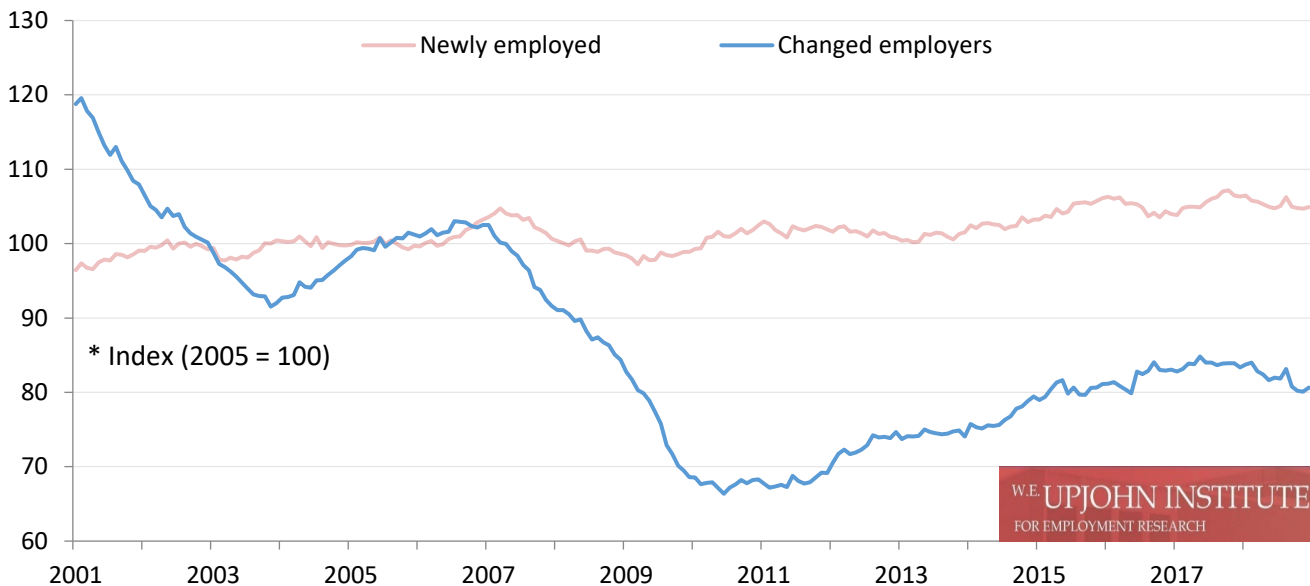
With a growth rate of 0.9 percent from the previous December, the year 2018 marked the fastest growth in the NHQI wage index since 2015, when the year-over-year growth was 1.6 percent. In contrast, NHQI wage growth was 0.4 percent in 2017 and -0.1 percent in 2016. This implies that the earnings power of newly hired workers, based on their occupations and demographic characteristics, rose sharply relative to the previous two years.

As 2018 was also a strong year for [employment growth](#), several [reports claimed](#) that a [rising quits rate](#) indicated a stronger labor market and upward pressure on wages. While that may be, the NHQI shows that the overall growth in the wage index in 2018 was driven by the newly employed—those transitioning from nonemployment—rather than individuals changing employers.¹ Among the newly employed, the wage index is up 1.3 percent over the year, but the increase for those moving from one job to another is a much smaller 0.5 percent. Since the end of the Great Recession, job switchers have seen little net change in the wage index—at odds with theories of workers escaping from jobs for which they were overqualified and presumably underpaid. Conversely, newly employed workers have experienced a wage index gain of nearly 3 percent, much of it since 2015. This pattern is consistent with skill upgrading among new workers.

New Hires Hourly Wage Index: Newly Employed and Job Changers



New Hires Volume Index: Newly Employed and Changers



¹ One caveat is that the NHQI captures only job changers who don't move residences. However, [evidence](#) suggests that job changes associated with moving have been declining in recent decades.

Indeed, as the graph above shows, hiring volume declined over 2018 for workers changing employers, by about 3.3 percent, reversing some of the gains made in recent years. Even if quit rates have been rising, they do not seem to be matched with job changes as measured in the NHQI. As a result, the wage bill for the newly employed—the share of earnings power among new hires held by those transitioning from nonemployment to employment (as opposed to job changers)—increased slightly in 2018, to 0.636, or 63.6 percent. The share had been declining from the end of the recession until 2017, as the volume of job changers increased, but the reversal means that the wage bill shares seen in the first decade of the 21st century are unlikely to return anytime soon. Whether this will affect the [long-held maxim](#) that much of an individual’s career earnings gains come from switching jobs remains to be seen.

New Hires Wage Bill Share: Newly employed



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: http://www.upjohn.org/nhqi/reports/NHQI_report.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 January 2019 will be released during the first (partial) week of March 2019. 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 change 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 the [July 2018 press release](#).

4. Does the NHQI count self-employed workers?

No, the NHQI excludes self-employment or people who work for themselves.

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 December 2018. 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.