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Upjohn Institute New Hires Quality Index for April 2019 up 0.7 percent from last year, even faster growth for government sector

NOTE: This and last month's releases incorporate new occupational wage data from the Bureau of Labor Statistics. This revision affects the entire wage index series. The principal result is a shift up in wage levels; indexed values and trends are minimally changed. All statistics in this release use the revised data, and data on the NHQI website have also been updated.

KALAMAZOO, Mich.— In April 2019, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job rose 0.7 percent from a year prior, rising from \$16.52 to \$16.63. This marks 14 straight months in which the index has risen year over year, although the rate of growth has slowed down over the past two months, and the NHQI is no longer at an all-time high. Hourly earnings power of new hires has risen 5.9 percent since 2005, according to the index.

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



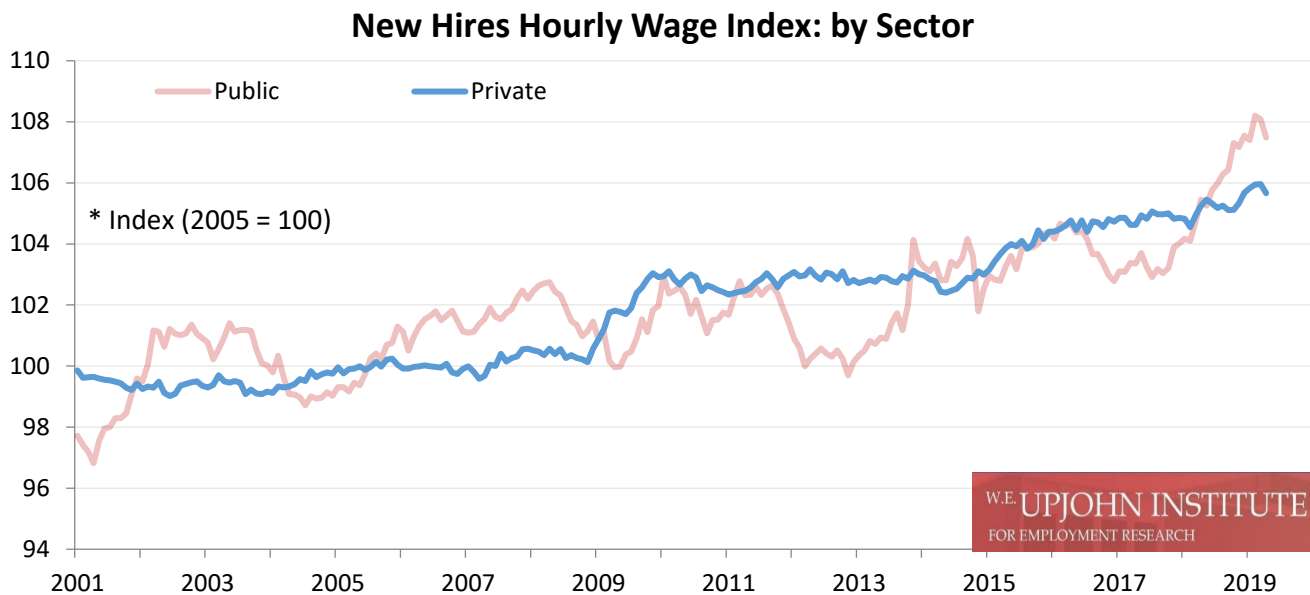
SOURCE: Upjohn Institute New Hires Quality Index

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.

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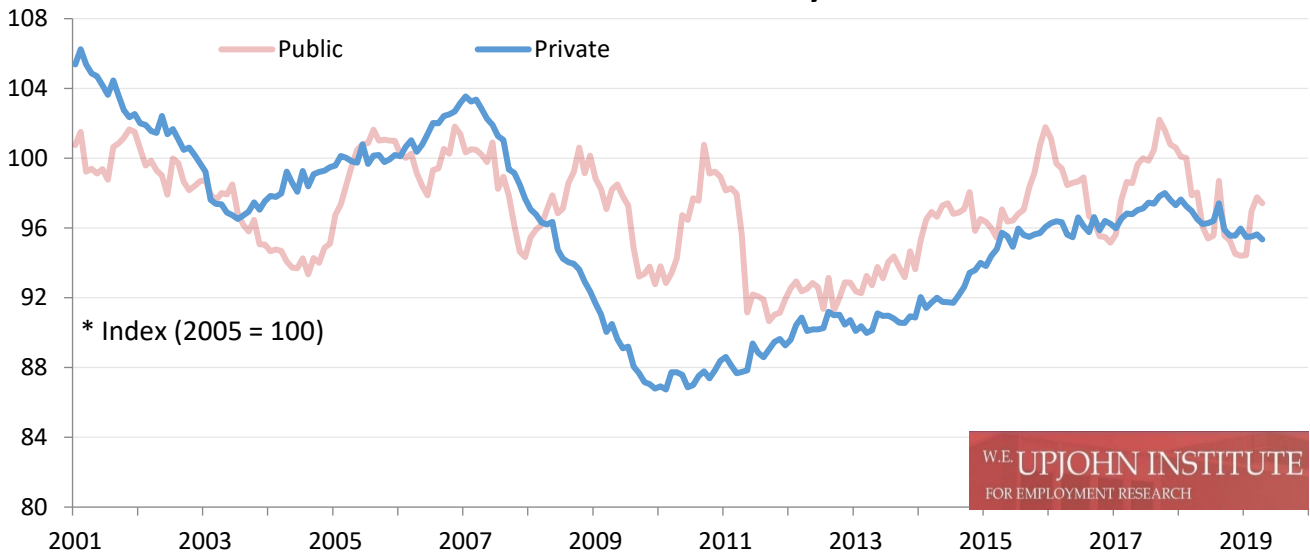
In this month's NHQI release, we focus on employment in the public and private sectors. Government employment has historically been relatively safe during recessions, but over 700,000 government workers lost their jobs during the Great Recession, and, unlike the private sector, [employment in the public sector still has not recovered to its previous peak](#). About 15 percent of all payroll employment today, this share is at its lowest since the 1950s. Moreover, government employment, perhaps because of [greater transparency in hiring and employment practices](#), has been [particularly beneficial](#) to the employment of [women](#) and [racial minorities](#). As the [labor market continues to strengthen](#), does the growth extend to the government sector, as well?

The figure below shows the wage index (normalized so that the year 2005 equals 100) for the public (government) and private sectors. As most new hires are in the private sector (about 7.4 for every government hire), the private series resembles the overall series shown above. The series for the public sector is somewhat more volatile but has also risen. In fact, much of the acceleration in the overall NHQI wage growth since 2018 appears to be concentrated in the public sector: over the past 16 months, the public-sector NHQI is up 3.3 percent, but the private-sector NHQI is up only 0.8 percent. This means that government is hiring individuals into higher-skilled and higher-paying occupations faster than the private sector. Given the private-sector recovery has [helped many low-wage workers](#), this is not entirely surprising.



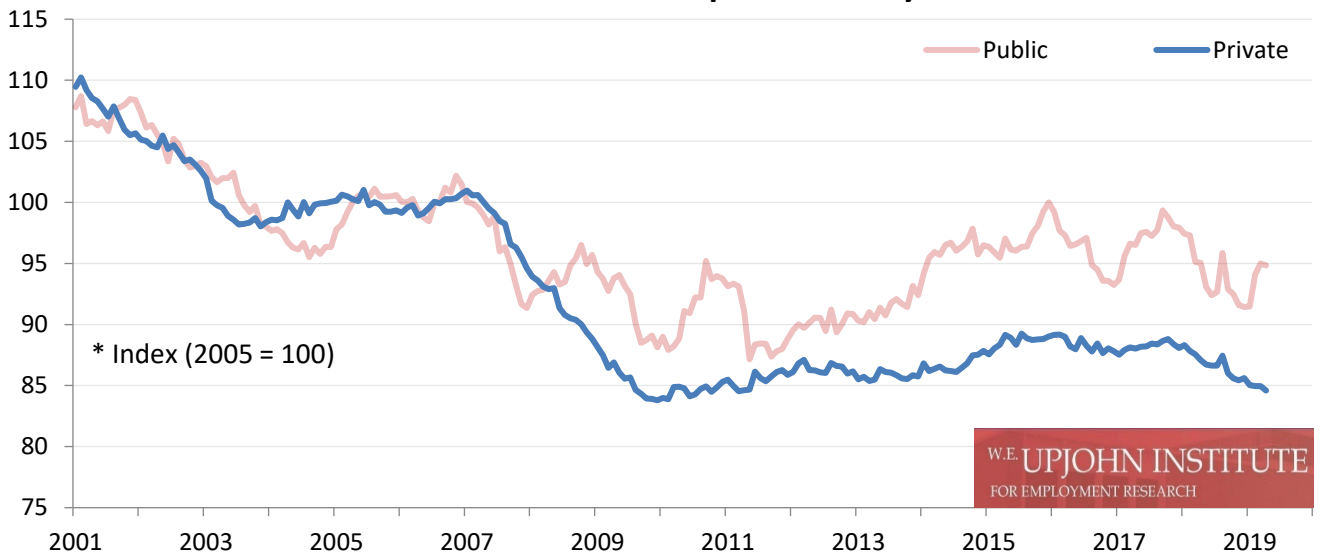
The next figure shows that hiring volume in neither sector has returned to its 2005 level. Although, in the private sector, hiring volume began falling sharply in 2007 (even before the recession officially began), the public sector had a much more muted response until 2011, when the effects of the recession on public budgets presumably hit home. Nonetheless, government hiring volume still fell less proportionately than in the private sector and has outpaced that sector throughout most of the recovery. Interestingly, even as the wage index has accelerated for both sectors—although much more so for the public sector—since 2018, the volume index has declined. This does not necessarily imply a weakening market or less opportunity for less-skilled workers; rather, [given other indicators](#), it may imply better matching to preferred jobs.

New Hires Volume Index: by Sector



The last graph adjusts hiring volume for population size, showing hires per capita. As with the previous graph, the recovery in the government sector’s hiring rate has outpaced that in the private sector, somewhat contrary to the received wisdom, and this gap has grown over the past 16 months. Whereas in 2012 hiring per capita rates were about 10 and 14 percent below 2005 levels for the public and private sectors, respectively, in April 2019, they were about roughly 5 and 15 percent below 2005 levels. These trends suggest that employment dynamics in the government sector may be even more robust than in the already bustling private sector.

New Hires Volume Per-capita Index: by 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: 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 May 2019 will be released during the first week of July 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 April 2019. 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.