

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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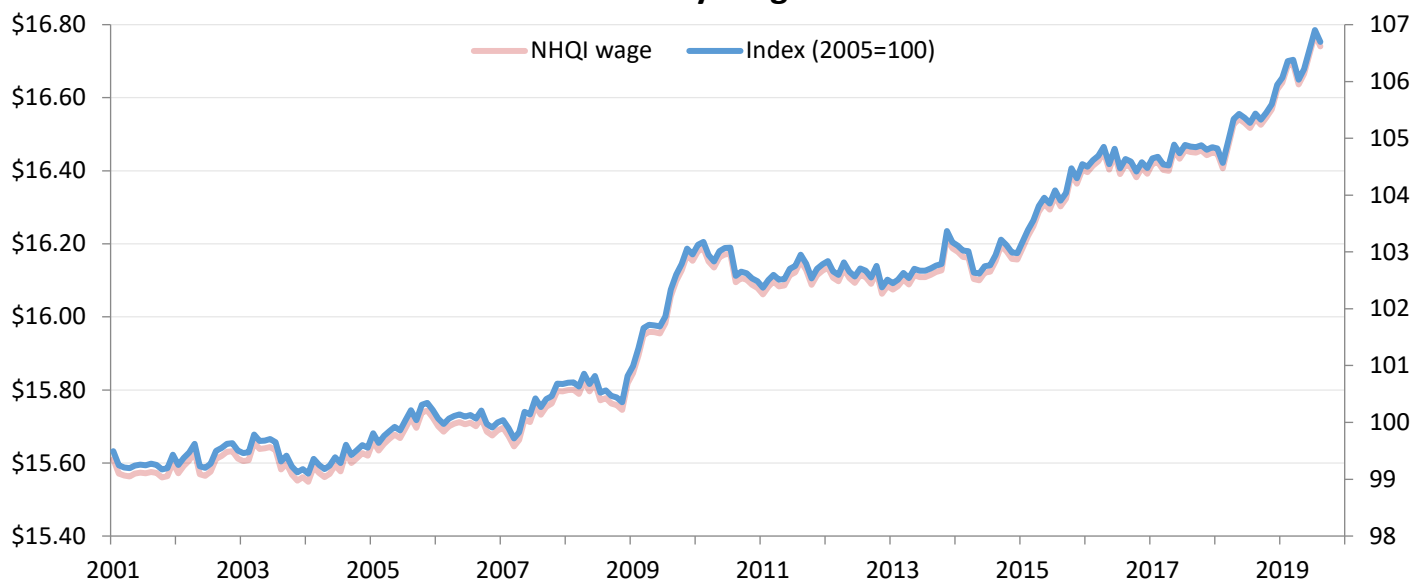
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## Upjohn Institute New Hires Quality Index for August 2019 up 1.2 percent from last year, changing mix of prime-age workers leads the way

KALAMAZOO, Mich.— In August 2019, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job rose 1.2 percent from a year prior, rising from \$16.54 to \$16.74. This mark is down 0.2 percent (3 cents) from last month's all-time high but still represents rapid year-over-year growth. Hourly earnings power of new hires has risen 6.7 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



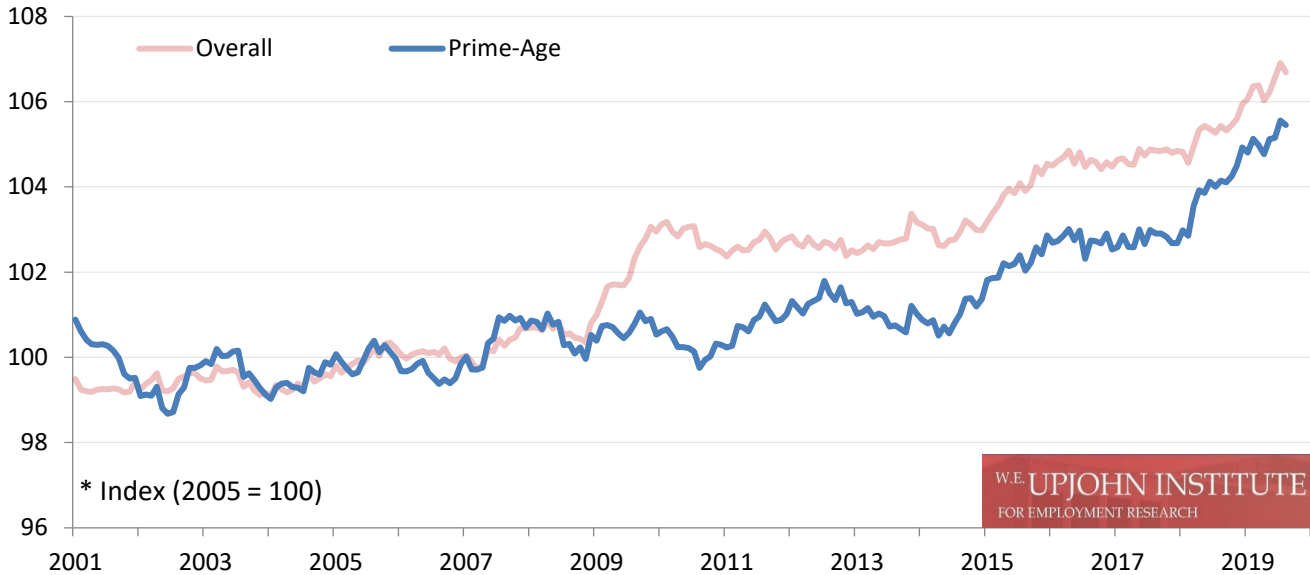
SOURCE: Upjohn Institute New Hires Quality Index

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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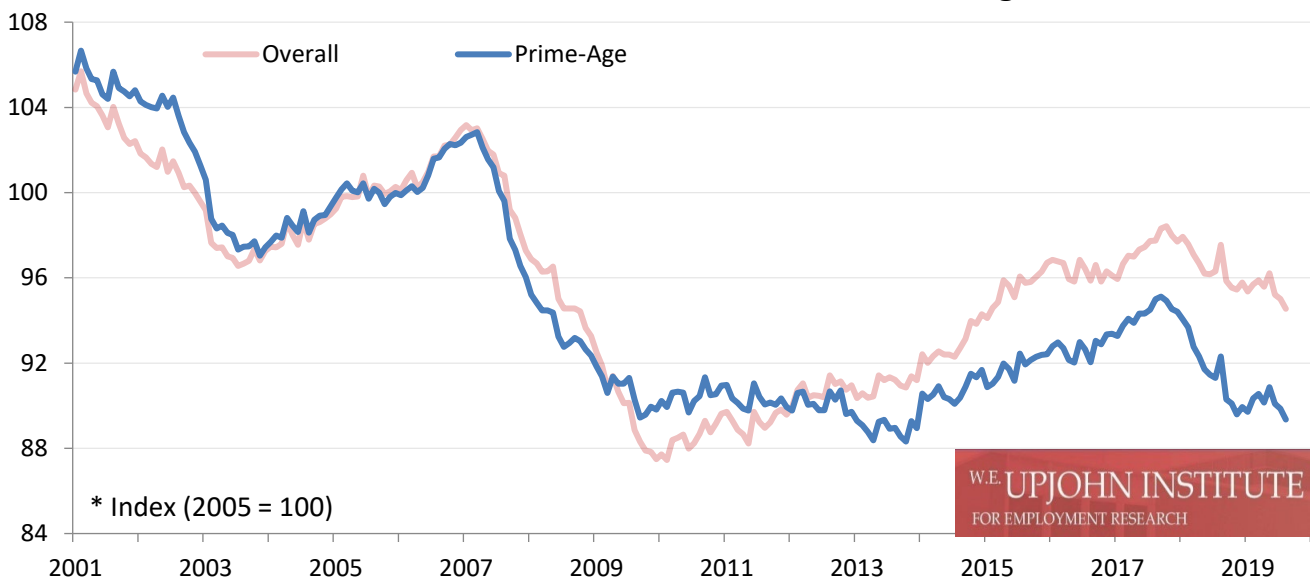
Over the past four years, the prime-age labor force participation rate—the share of 25–54 year-olds with a job or actively looking for one—[has risen by about 2 percentage points](#) and stands (as of August 2019) at 82.6 percent. However, in recent months, this recovery has slowed, and the rate remains about half a percentage point below its pre-recession peak and 1.5 percentage points below its all-time high in the late 1990s. [With fears that structural changes in the economy](#) may have caused the prime-age labor force participation rate to be near maxing out, we focus this month's NHQI release on prime-age workers.

## New Hires Hourly Wage Index, Overall and Prime-Age



The figure above shows the wage index both for overall new hires, repeated from the first figure, and for prime-age new hires aged 25 to 54. The two series tracked closely until the onset of the Great Recession, when the overall index shot up sharply but the prime-age index remained relatively flat. In part, this divergence was due to selective hiring during the downturn, which affected non-prime-age workers more severely. Despite the opening of this gap, the two have moved roughly in parallel since, with perhaps some convergence in the last 20 months. Since January 2018, the overall wage index has risen 1.8 percent, and the prime-age wage index is up 2.4 percent.

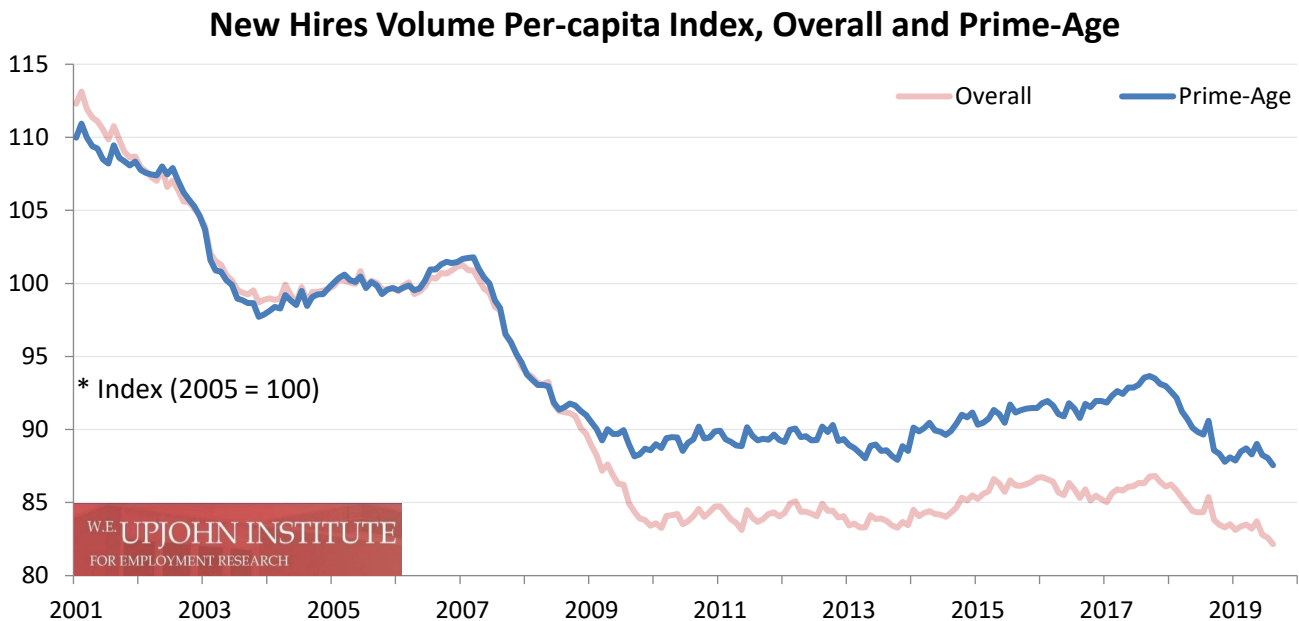
## New Hires Volume Index, Overall and Prime-Age



However, even though prime-age workers appear to be catching up in wage index growth, their hiring volume has fallen behind. Although hiring volume remains depressed for most groups, overall hiring volume is down 5.5 percent from 2005, while that for prime-age workers is down nearly twice as much at 10.7 percent. The prime-age decline has been especially rapid since the end of 2017, wiping out nearly all the recovery since the recession trough. In contrast, overall hiring volume has kept most

of its recent gains. As a consequence, the total share of new hires that are prime-age has fallen from 54 percent in 2010 to just under 50 percent over the past 12 months.

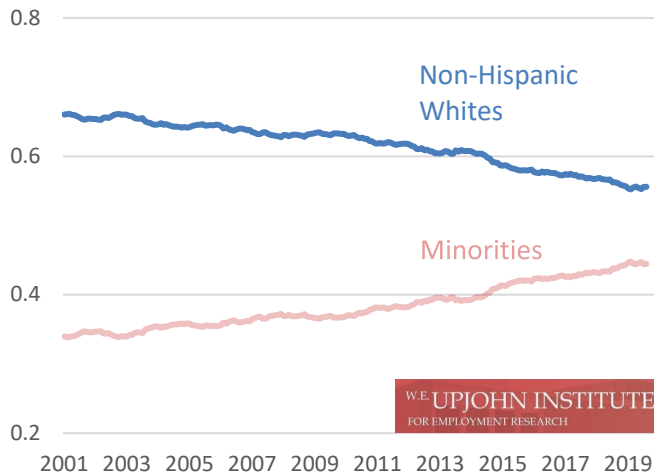
On the other hand, the total share of the civilian household population that is prime-age has also fallen between 2010 and today, from about 53 percent to 49 percent, mostly due to aging of baby boomers. When we thus look at hiring per-capita, as in the figure below, we find that prime-age workers have experienced *less* of a decline than workers overall.



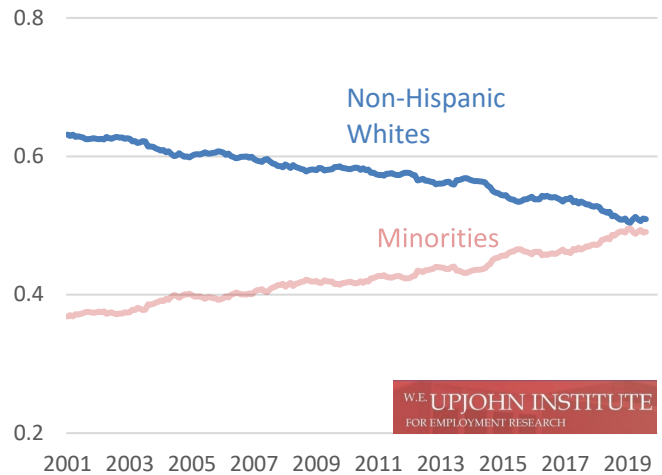
Finally, the mix of new hires has been changing not just in age, but in racial and ethnic composition, as well. The two figures below show the new hires mix both overall and for prime-age workers. Among all new hires, the share that are racial or ethnic minorities has increased 9 percentage points from 2005 to today, reaching 44.4 percent. (This compares with about 39 percent of all wage and salary workers.)

For prime-age workers, though, this share is even higher, at 49 percent. (This compares with about 41 percent of all prime-age wage and salary workers.) Relatively soon, the majority of new prime-age hires will comprise people of color; among new prime-age hires coming from non-employment, [this shift has already happened](#). However, given the growing share of new hires that are age 55 or above (now about 19 percent), and the lower representation of people of color in this age group, it will be some time longer before people of color are the majority of *all* new hires.

## NHQI New Hires Share



## NHQI New Hires Share, Age 25-54



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: [http://www.upjohn.org/nhqi/reports/NHQI\\_report.pdf](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 September 2019 will be released during the last week of October 2019. 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 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](#) and [July 2019](#) press releases.

### 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 August 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.