

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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NEWS RELEASE: FOR IMMEDIATE RELEASE WEDNESDAY, OCTOBER 30, 2019

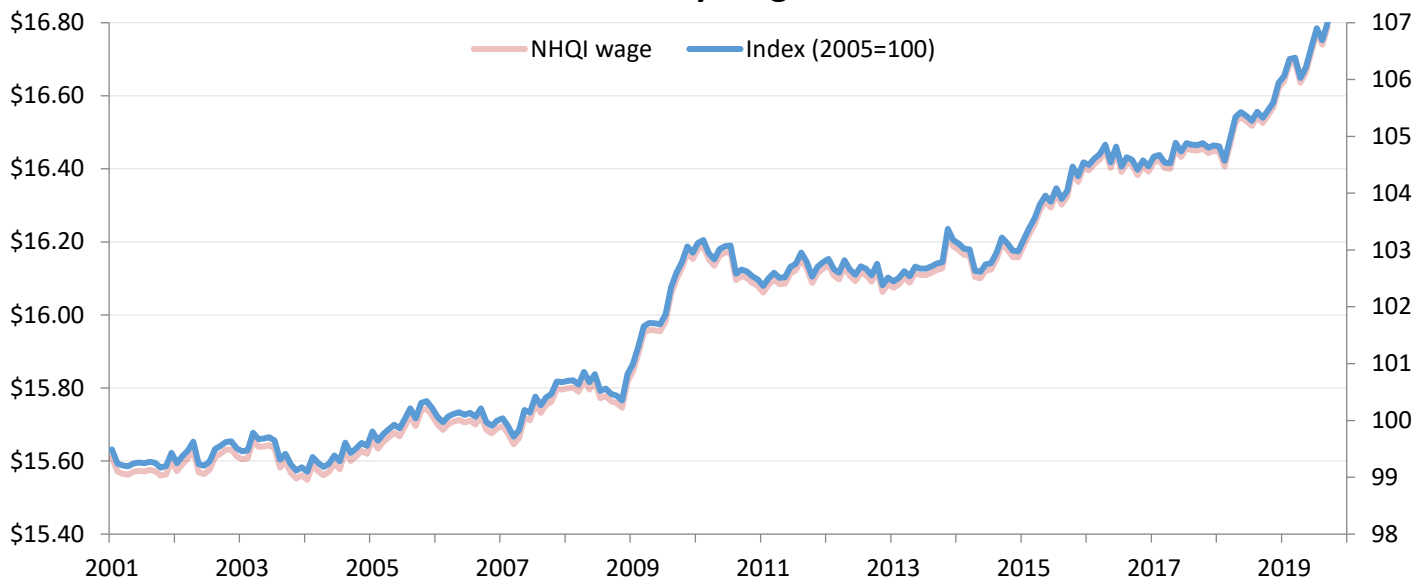
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## Upjohn Institute New Hires Quality Index for September up 1.6 percent from last year, but Black workers are not fully sharing this gain

KALAMAZOO, Mich.— In September 2019, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job rose 1.6 percent from a year prior, rising from \$16.53 to \$16.79. In contrast to last month's slight dip, this month marks a new index high—the sixth time this year a new all-time high has been reached. Hourly earnings power of new hires has risen a cumulative 7.0 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



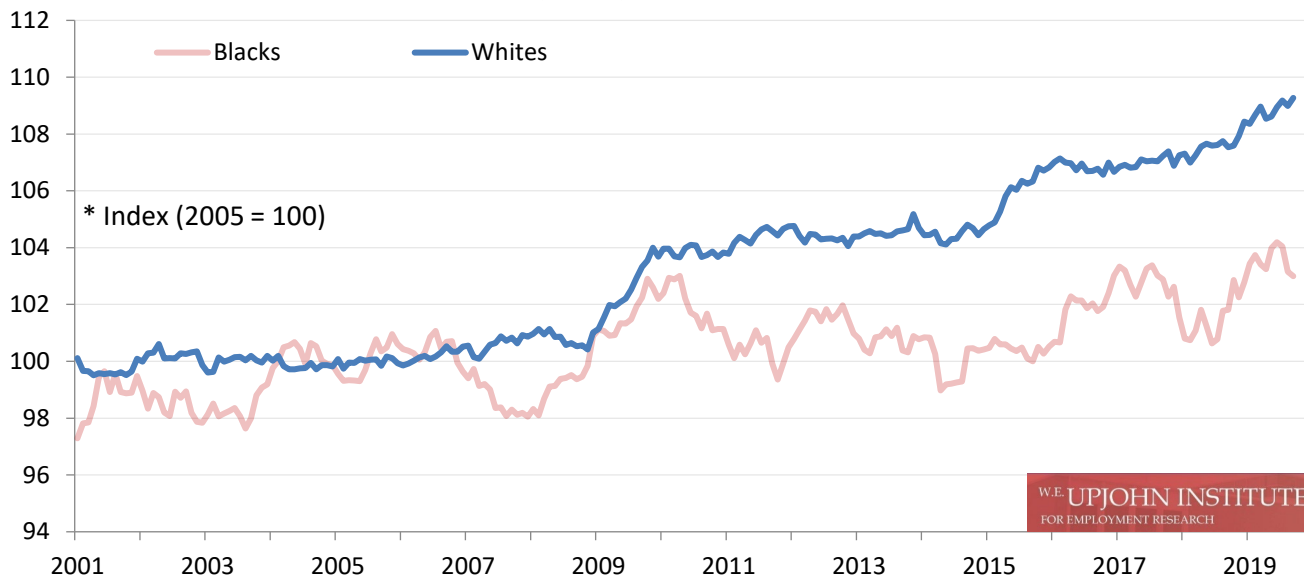
SOURCE: Upjohn Institute New Hires Quality Index

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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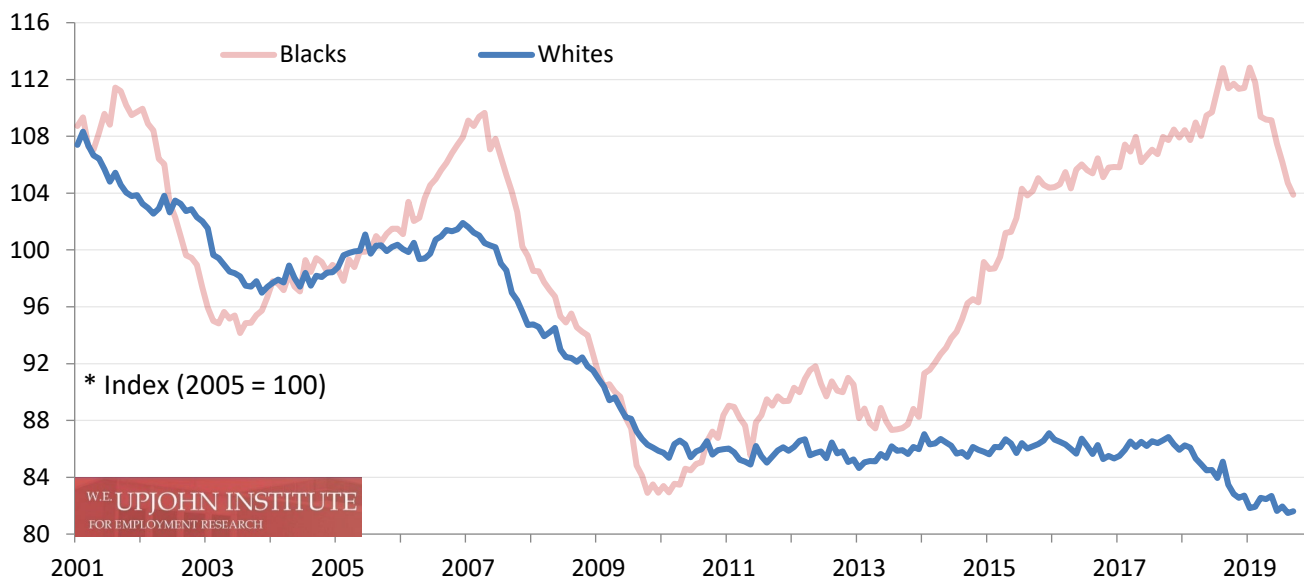
As the labor market has remained relatively tight, with the [unemployment rate at 50-year lows](#) and [individual wage growth still robust](#), the evidence suggests that [minority workers should especially stand to benefit](#). In this month's release, we examine the NHQI trends for white and black workers and see how the strong labor market has affected earnings power and volume of new hires by race.

## New Hires Hourly Wage Index: Blacks and Whites



The figure above shows the wage index for blacks and whites, where in each case values have been normalized to their levels in 2005 to more clearly show relative growth. Since the end of the Great Recession, whites have experienced two spurts in the wage index: one in 2015 and the other over the past year or so. As a consequence, their wage index is now 9.3 percent above its level in 2005, 5.2 percent above its level in 2010, and 1.6 percent over the past year. The wage index for blacks has trended quite differently, with considerable volatility rather than any sustained increase. As of September 2019, the wage index for blacks is only 3.0 percent above its level in 2005, and just 1.1 percent above its level in 2010 or over the past year. As a consequence, the gap in earnings power of new hires between the two groups has continued to widen over the past decade and a half.

## New Hires Volume Index: Blacks and Whites



On the other hand, the wage index is not the only indicator of the strength of new hires. The NHQI also includes the new hires volume, and this series is shown above for whites and blacks. In contrast to the wage index, the volume of new hires for whites has shown absolutely no growth since the end of the Great Recession, and was instead flat through 2017, before continuing to fall over the past 20

months to an all-time low. Blacks, however, saw hiring volume rebound sharply beginning in 2014, before reaching an all-time *high* at the beginning of 2019. Since the beginning of the year, though, volume has dropped sharply, by 7.9 percent. Nonetheless, hiring volume for blacks remains above its level in 2005. Combining the insights from this and the previous figure, fewer whites are starting new jobs than in the past, but when they do, the jobs tend to be significantly better. Commensurately, more blacks are taking new jobs than before, but they are scarcely any better in terms of earnings power.

Relative to this point of a long-sustained labor market recovery, we might have expected that blacks would have fared relatively better over the past year than whites, given the [evidence](#) on how [business cycles differentially affect disadvantaged groups](#). But, at least for new hires, this does not appear to have been the case according to the NHQI. To be clear, it is possible that there have been gains for black incumbent workers, or wage gains for newly hired black workers, within occupations, that the NHQI does not capture. Yet it seems something of a puzzle for both hiring dynamics and earnings power of blacks to decline even as the labor market remains fairly strong.

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 October 2019 will be released during the first week of December 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 September 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.