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Upjohn Institute New Hires Quality Index for October 2019 up 1.2 percent from last year, contrasts with Cornell's new Job Quality Index

KALAMAZOO, Mich.— In October 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 \$16.55 to \$16.75. The index is slightly down from last month's all-time high, by 0.2 percent, but the hourly earnings power of new hires has risen a cumulative 6.8 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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Last month, Cornell Law School released its [Job Quality Index](#) (JQI), which also purports to measure the quality of jobs. Their index, which begins in 1990, shows a long-term fall, with much of the decline concentrated in the mid-1990s and the years surrounding the Great Recession. Why do the NHQI and the JQI diverge so drastically over the last 20 years? What is each measuring?

The two indices are quite different, both in intent and construction. First, the NHQI tracks *newly hired workers* while the JQI is based on the entire stock of employment, including incumbent workers.

Second, the NHQI is based on workers' occupations and demographic characteristics—who people are and what they do—while the JQI is based on jobs across industries—the types of businesses people work for. The NHQI [technical report](#) discusses this distinction at length, and why occupations better capture earnings power than industries. Third, the NHQI is designed to capture earnings power based on the composition of workers being hired, not actual wages, per se, while the JQI does capture average actual wages at the industry level.

However, the NHQI is a composite average of occupational wages statistically adjusted for the characteristics of workers being hired. The JQI starts with an average of industry-based wages, but takes the ratio of the count of employment above the average to the count of employment below the average, and then makes some additional statistical adjustments. This ratio approach is the main source of divergence between the two indices. The NHQI shows that, since 2005, the earnings power of newly hired workers has risen, suggesting job quality has also improved. The JQI shows that, over the same time, the share of employment above the mean wage has fallen relative to the share of employment below the mean wage. As such, it is not so much a measure of average job quality so much as a measure of the *variance* in job quality. The indices thus highlight different things. Over the past 15 or 20 years, the *average* new job is of higher quality, although the range in quality across jobs (as captured by wages) has also increased—or, put differently, wage inequality has grown.

In practice, the NHQI has risen because new workers are increasingly hired into higher-paying professional and managerial occupations, and these hires also have greater levels of education and experience. In turn, the JQI has fallen in practice because employment has grown faster in low-paying industries such as food services and hospitality (although not necessarily in low-paying occupations within those industries) at the expense of higher-paying industries such as manufacturing and skilled trades, at the same time as wages have grown faster at the high end, raising the overall average and raising the share of employment below it.¹ These two trends are not mutually exclusive, and highlight that there are fewer relatively high-paying job opportunities available today than in the past for workers with little post-high school education or training. Newly hired workers have greater skills, but wage growth has not benefitted everyone equally, and inequality has increased. Both indices thus tell different parts of a larger story, and of the [importance of improving both worker preparation and the availability of good jobs](#).

NHQI statistics, 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 at 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 November 2019 will be released during the first week of January 2020. 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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¹ The JQI is thus sensitive to wage inequality and the skew at the top. To see this, note that if one industry experiences faster wage growth than every other industry, but all experience the same employment growth, the average wage will rise, as will the share of employment paying below this average, causing the JQI to fall. Did job quality decline because one industry's workers got better paid? Similarly, if one industry saw wages fall faster than the others, the JQI could increase, although it seems strange to argue job quality rose in this case.

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 October 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.