

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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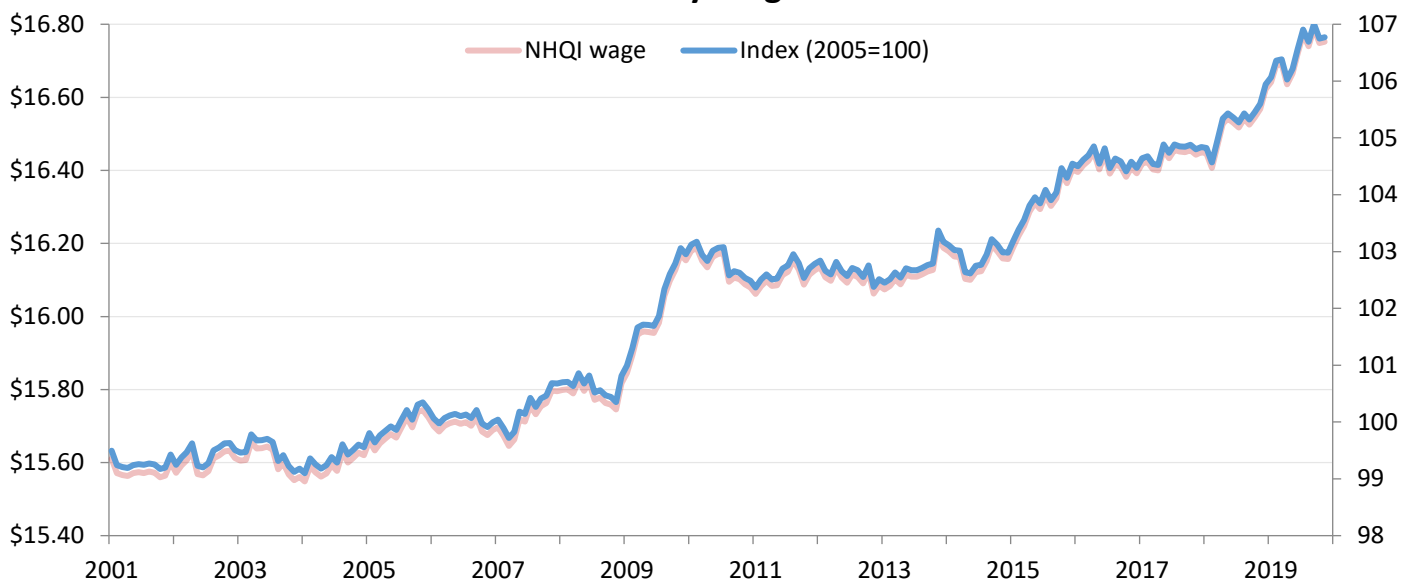
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Upjohn Institute New Hires Quality Index for November 2019 up 1.1 percent from last year, with job changers experiencing even stronger gains

KALAMAZOO, Mich.— In November 2019, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job rose 1.1 percent from a year prior, rising from \$16.57 to \$16.75. The index is essentially unchanged from the previous month; however, since 2005, the index is up 6.8 percent.

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



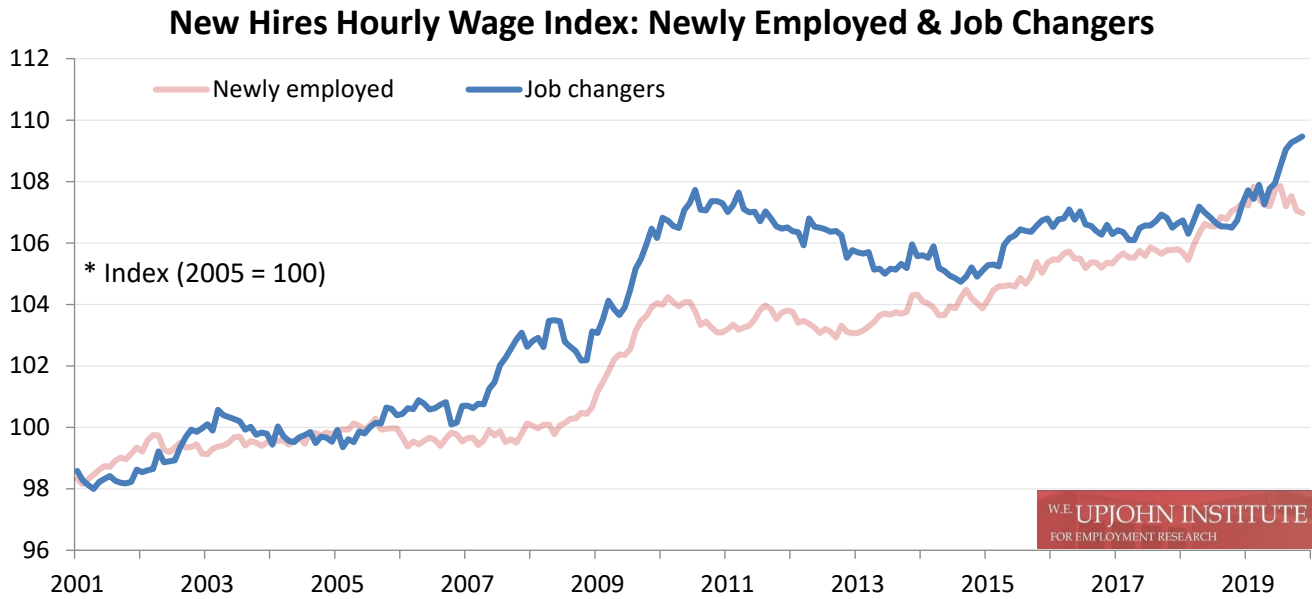
SOURCE: Upjohn Institute New Hires Quality Index

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.

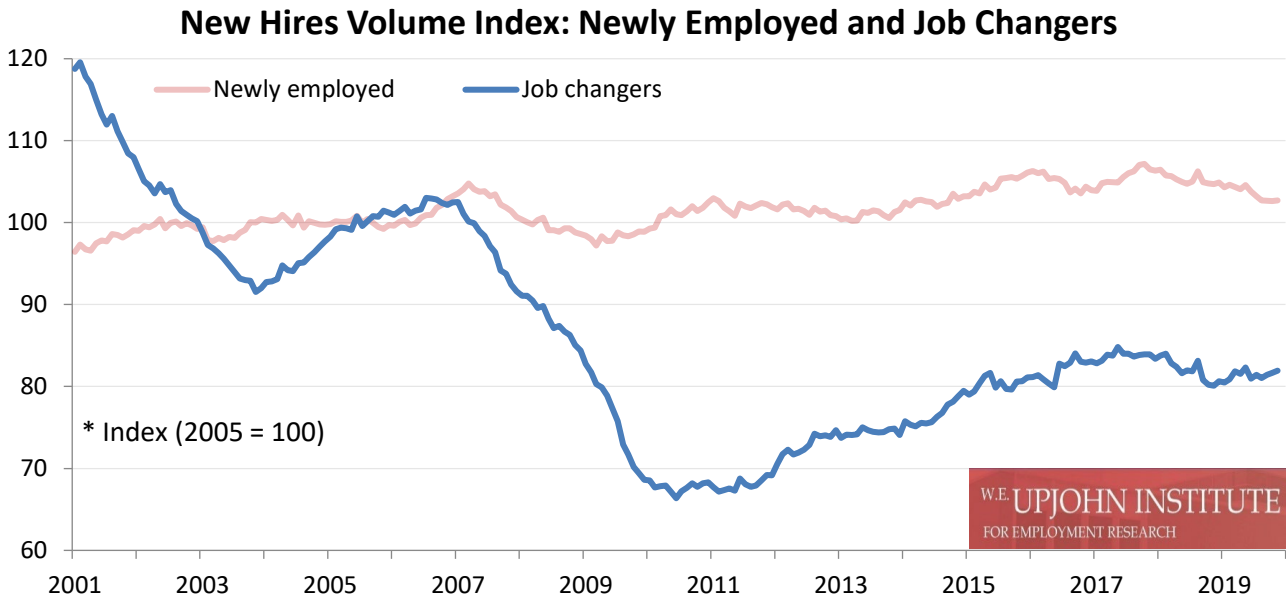


As the United States continues its longest expansion, both in terms of [economic growth](#) and [job gains](#), [pundits](#) and even [well-regarded economists](#) are asking when it's going to end. By examining trends in the NHQI for two different groups of new hires—those moving into employment from non-employment, and those switching jobs from one employer to another—it may be possible to shed some light on the question. If, for example, there remains excess slack in the labor market, and more potential for the expansion to continue, we might expect hiring volume for the first group to be increasing, as more individuals from the sidelines enter the workforce, while supply pressures keep growth in the wage index relatively muted. Job switchers should see both rising hiring volume *and*

wage index as they move to higher-paying positions. On the other hand, if the expansion has less room to run, hiring volume should be stagnant or declining, although the wage index could still rise if the workers who are getting hired are in disproportionately higher-paying occupations.



The figure above shows the wage index for both groups of hires, in each case normalized to levels in 2005 to more clearly show relative growth. Over the past 12 months, the wage index for job changers has grown sharply, up 2.6 percent, while the wage index for the newly employed has been stagnant. These trends alone don't tell us much, so the figure below presents trends in hiring volume for each group.



Although we have covered the long-term behavior of each series in the past (see the [December 2018 release](#)), here we focus on more recent trends. Both series reached relative highs in late 2017, but have declined since then: 3.7 percent for the newly employed and 2.1 percent for job changers. These declines are similar if instead of the overall hiring volume we look at the *hiring rate*. They also

accord with the [slowdown in job growth in 2019](#) relative to the previous year. While the expansion may not be over yet, the patterns are consistent with it reaching maturity.

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 December 2019 will be released during the first week of February 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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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 November 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.