

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

300 South Westnedge Avenue • Kalamazoo, Michigan 49007 • 269-343-5541 • www.upjohn.org

NEWS RELEASE: WEDNESDAY, FEBRUARY 5, 2020

CONTACT: JUSTIN CARINCI

carinci@upjohn.org

269-385-0431 or

BRAD HERSHBEIN

hershbein@upjohn.org

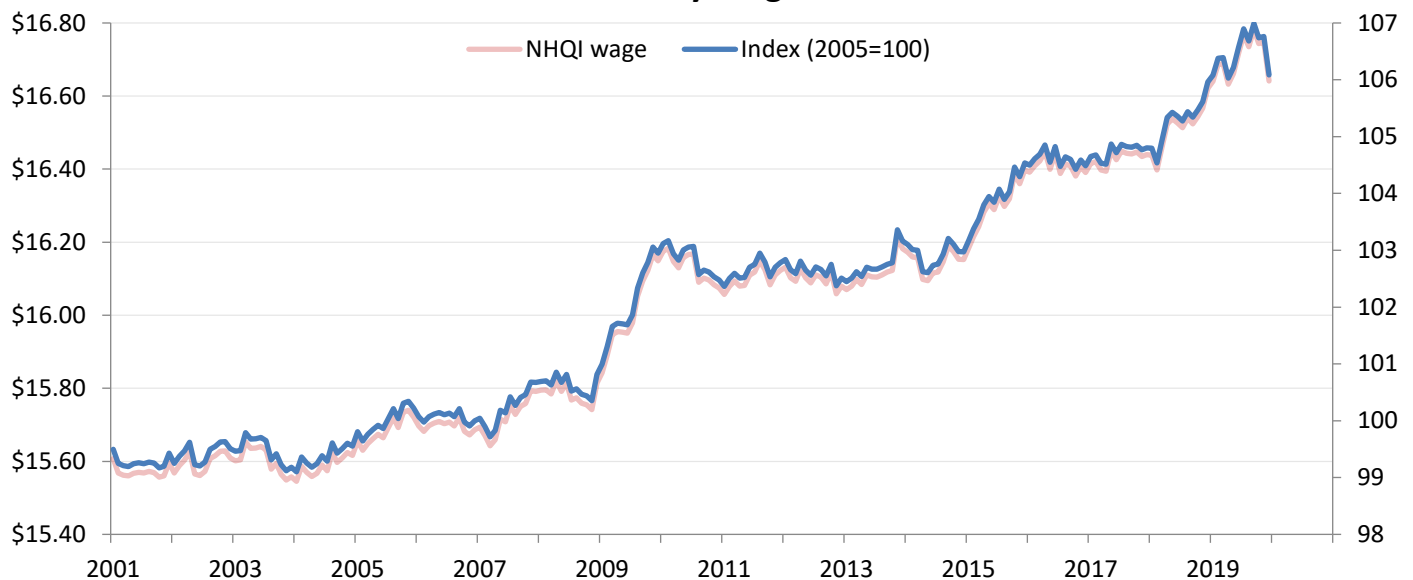
269-385-0437

Upjohn Institute New Hires Quality Index drops sharply in December 2019, giving up gains for year, as older workers continue to grow as share of new hires

KALAMAZOO, Mich.— In December 2019, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job was essentially flat from a year prior, up just 0.1 percent. The Index declined by 0.6 percent over the month, its sharpest one-month decline in several years. In levels, the Index stood at \$16.64 in December, down \$0.14 from its all-time high of \$16.78 in September 2019, but still up 6.1 percent from 2005.

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

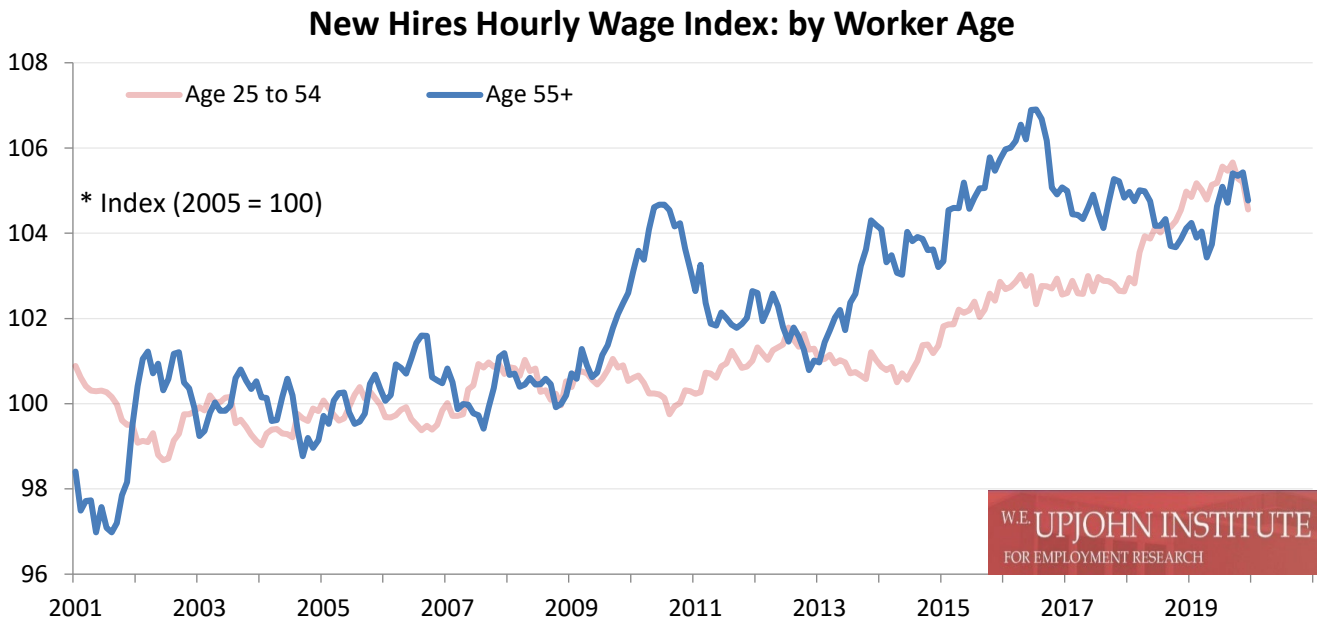
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.

W.E. UPJOHN INSTITUTE
FOR EMPLOYMENT RESEARCH

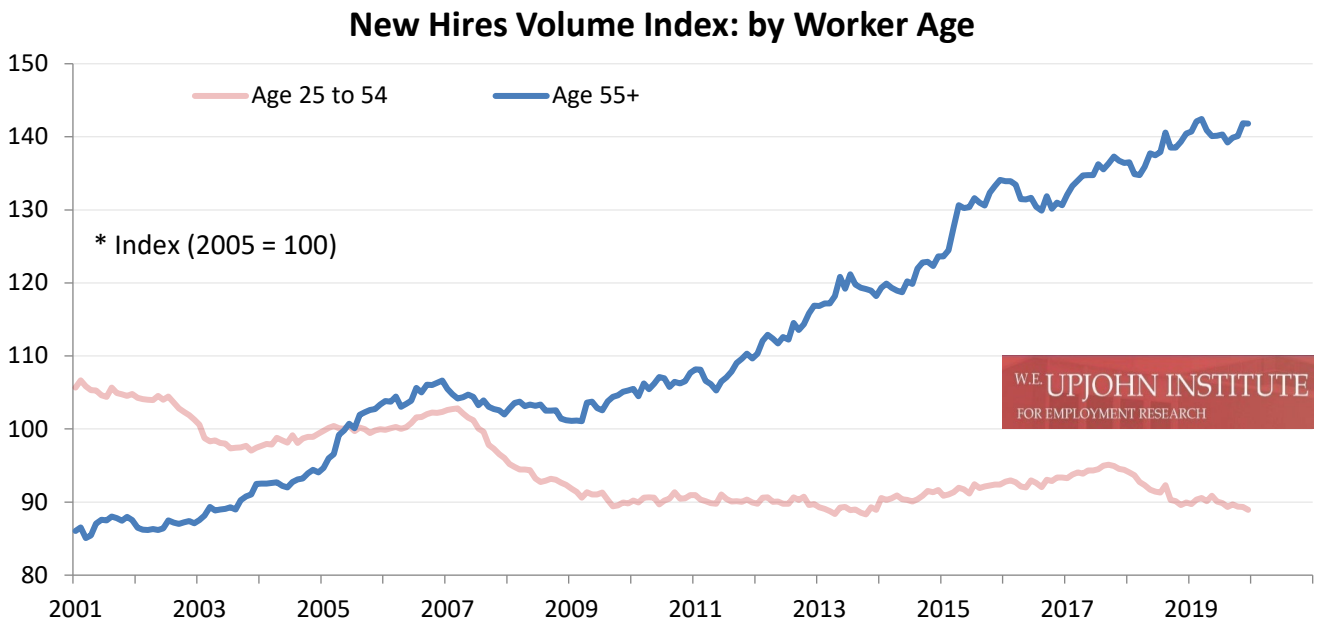
Although the sharp drop in the NHQI wage index in December is consistent with [last month's](#) release that the expansion may be slowing, it is prudent to observe several more months of data before making any strong claims: one month does not a trend make.

In the meantime, we examine hiring by age groups in this month's release. The country is [getting older](#) and [labor force participation rates have been rising among older workers](#). It turns out that older

workers also have played a growing role among newly hired workers. The figure below shows the wage index for two age groups of workers: prime-age—those between 25 and 54—and workers at least age 55. In each case, the wage index has been normalized to levels in 2005 to more clearly show relative growth. Both series finished 2019 around 4.5 percent above their respective levels in 2005. For the older workers, much of this gain had come during the Great Recession or between 2013 and 2016, with the index sliding somewhat over the past four years from its previous high. In contrast, growth in the index among prime-age workers was more muted until 2018.



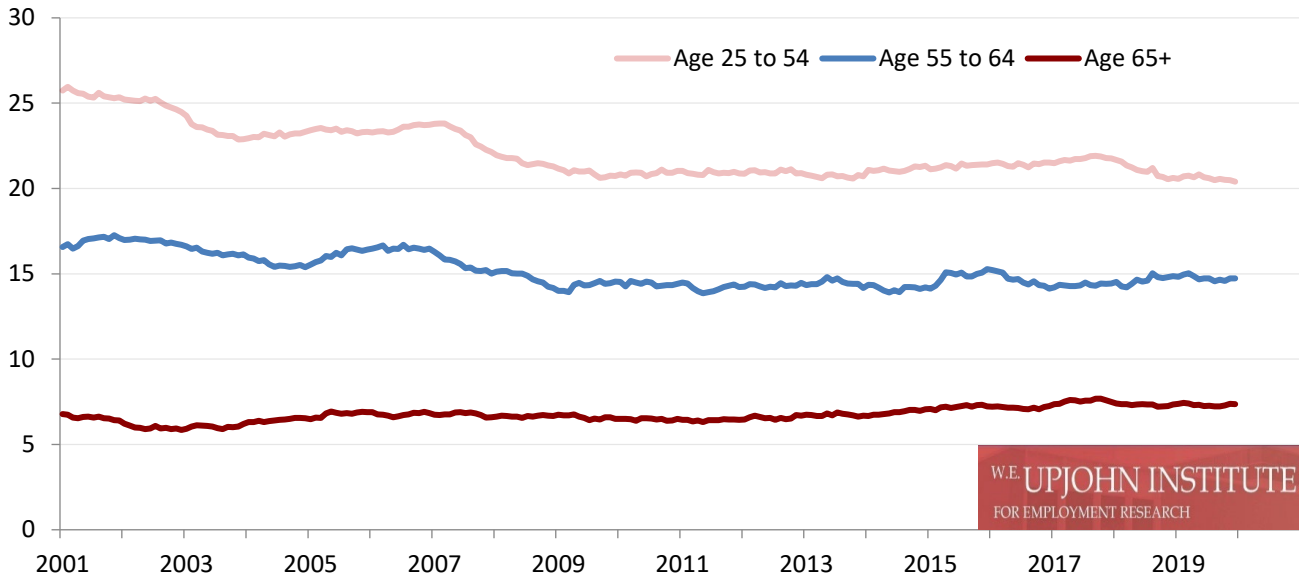
We can understand a bit more about these trends by also considering hiring volume, shown in the figure below. Around the time of the increase in the wage index for prime-age workers, the volume index began to decline, and it is now back at its near-record lows from late 2013.



For older workers, hiring volume has continued to steadily increase. One might surmise that these relative differences are driven by the aging population, but they are not. The next chart shows the

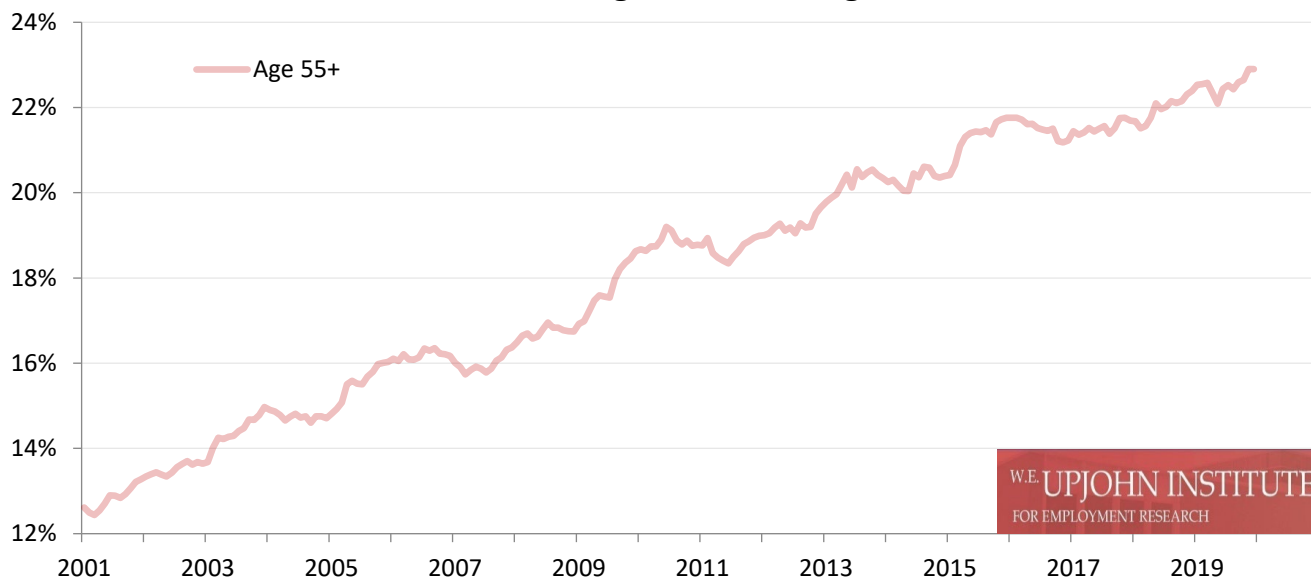
hiring rates, in terms of hires per 1000 individuals, for these workers, with the 55+ age group further broken down into the 55–64 and 65+ categories. One can see that the hiring rate decline among prime-age workers, while slight, is real; over the last two years it has fallen from 21.8 hires per thousand people per month to 20.4. The rate for those 55–64 rose slightly from 14.4 to 14.7, and the rate for those 65+ has held steady since 2018, at around 7.4. The 65+ age group is the only age group to have seen its hiring rate rise since 2005, however, up from 6.8.

New Hires Volume Per Thousand People: by Worker Age



The graphs together suggest that hiring among prime-age workers has shifted somewhat toward the more highly skilled, with the less-skilled seeing a slight reduction in their hiring propensity. Older workers, on the other hand, are more likely to see hiring extend further down the skill ladder, with this additional volume pulling the wage index down.

New Hires Wage Bill Share: Age 55+



These recent trends, although a continuation of the maturing recovery, do not take away from the growing importance of older workers among the earnings power of new hires. The last chart depicts the share of the wage bill—the product of the wage index and the volume of new hires—accounted

for by workers 55+. In 2001, these older workers accounted for about one-eighth of the earnings power of all newly hired workers; by the end of 2019, older workers accounted for 23 percent of the wage bill. This rise has paralleled the increase in older workers' share of the incumbent workforce, which grew from 13 to 24 percent over this period. Nonetheless, this implies that older workers are not just sticking with their employers as they age, but still actively taking new 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 January 2020 will be released during the first week of March 2020. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: www.upjohn.org/nhqi/signup.

The W.E. Upjohn Institute for Employment Research is a nonprofit, nonpartisan research organization devoted to finding and promoting solutions to employment-related problems. The views expressed in the report are those of the author and do not necessarily reflect the views of the W.E. Upjohn Institute. Visit us at www.upjohn.org.

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 December 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.