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Upjohn Institute New Hires Quality Index inches back up in January 2020, up 0.1 percent over the month and the year, as part-time hiring slows

KALAMAZOO, Mich.— In January 2020, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job was essentially flat from both last month and a year prior, up less than 0.1 percent. The index had declined 0.6 percent over the previous month, and it remains well below its high reached in September 2019. In levels, the Index stood at \$16.65 in January, off from its peak of \$16.78, 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

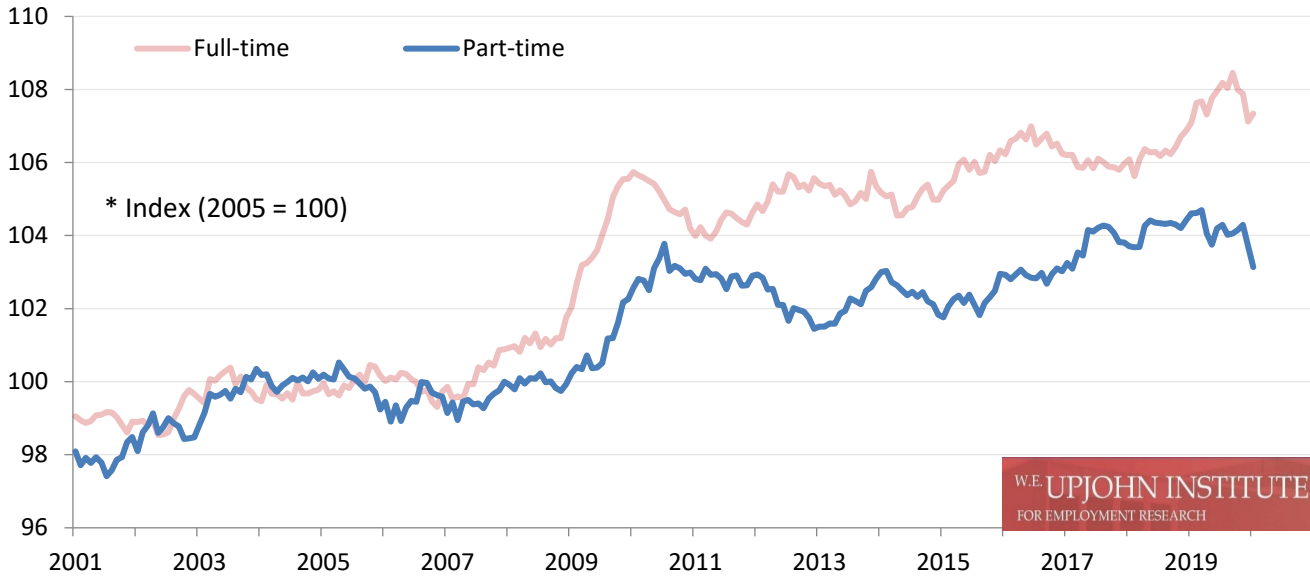
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.

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The infinitesimal blip upward in January has done little to reverse December's drop in the NHQI. As we wait for additional months of data to confirm whether the slowdown is the trend—especially as any effects of COVID-19 on hiring filter through—we examine another indicator of the maturity of the recovery: the degree of part-time hiring.

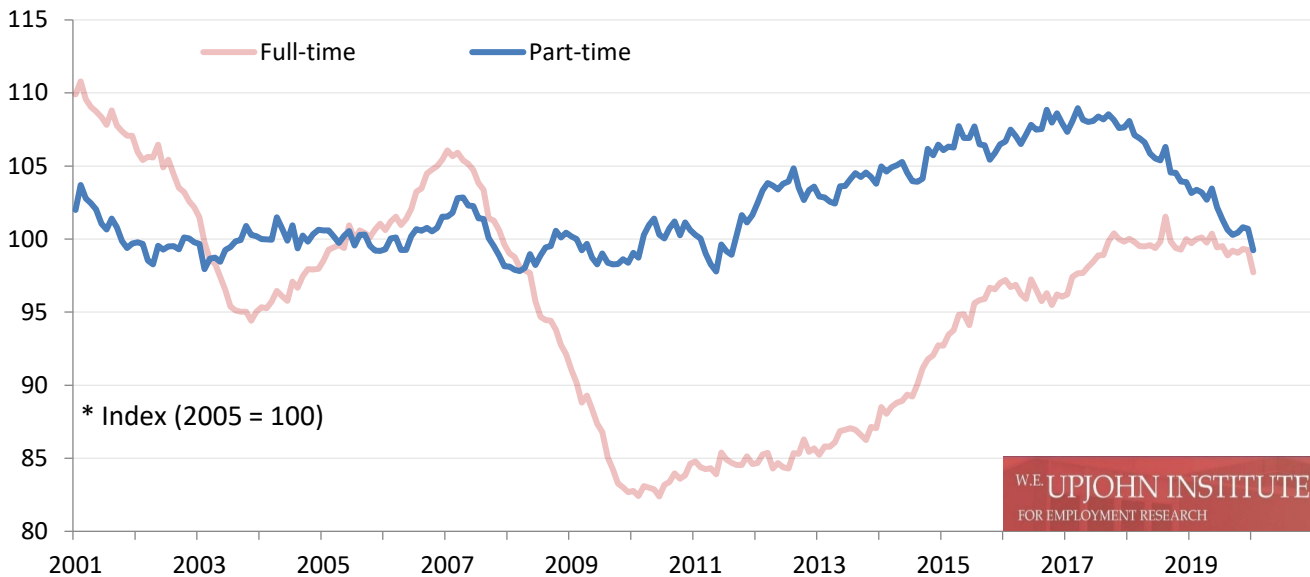
The share of hires for part-time jobs [rises during recessions and falls during recoveries](#), but there can also be shifts in the quality, or earnings power, of these jobs. The figure below shows the NHQI wage index for full-time and part-time hires. In each case, the wage index has been normalized to levels in 2005 to more clearly show relative growth. Although the index rose sharply for *both* groups during and immediately after the Great Recession, growth has generally been faster for full-time hires, especially between the summers of 2018 and 2019. Although both series have declined over the past few months, the index for full-time hires stands at 7.3 percent above its level in 2005, while that for part-time hires is up less than half as much, at just 3.1 percent. This growth pattern is not surprising if jobs normally associated with higher earnings power were temporarily shifted from full-time to part-time when the labor market was weak and have gradually been switching back.

New Hires Hourly Wage Index: by FT/PT status



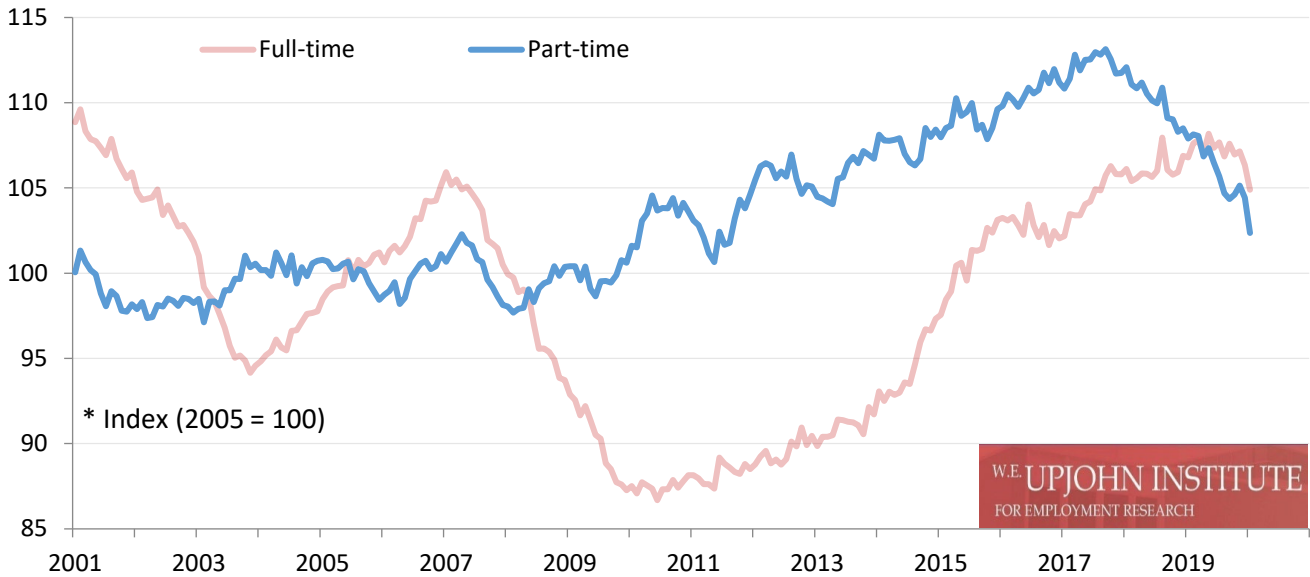
Indeed, the following figure shows hiring volume for both groups of hires, again indexed to 2005. Hiring volume fell sharply among full-time workers during the recession, with growth accelerating only in 2014.

New Hires Volume Index: by FT/PT status



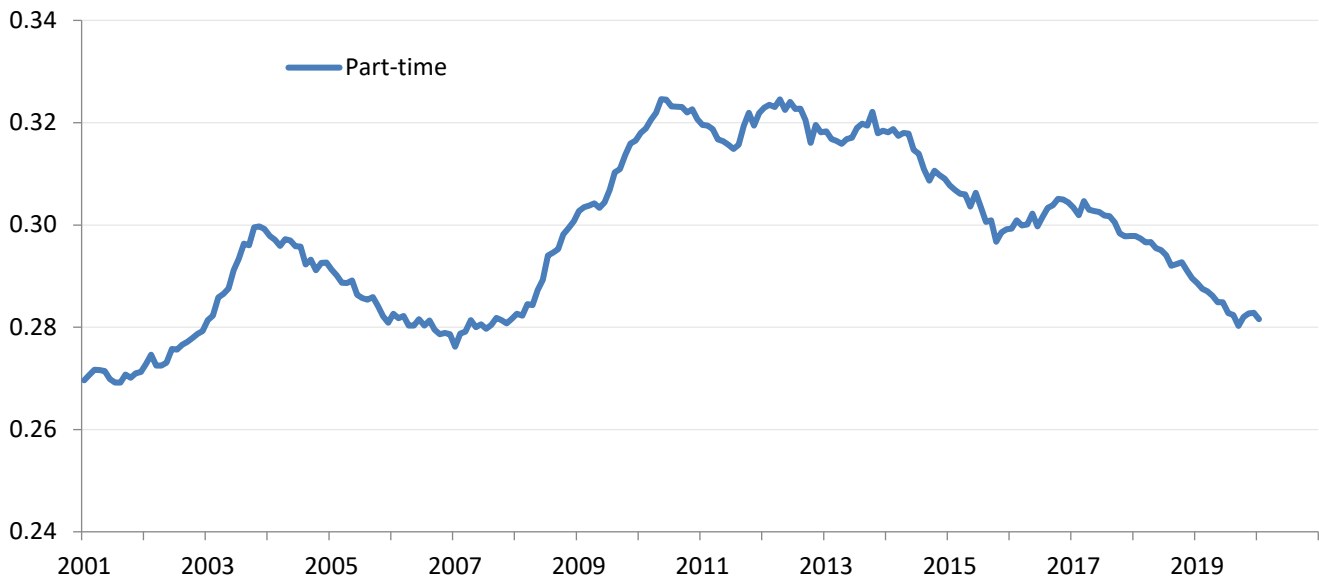
The volume of full-time hires did not recover to its 2005 level until late 2017, and it remained at that level until dropping in recent months. In contrast, part-time worker hiring volume barely fell during the recession before steadily beginning to grow through 2017. Only in the past two years has part-time hiring volume begun to come down. This pattern is consistent with a gradual and relatively weak recovery.

New Hires Wage Bill: by FT/PT status



The figure above shows the indexed wage bills of both groups of hires, capturing the aggregate earnings power by reflecting both the wage index and the volume of hiring. Whereas the index of part-time hiring volume has continuously exceeded that of full-time hiring volume since 2008, the wage bill pattern reversed in 2019. Nonetheless, the series remain unusually close to each other for this stage of the labor market expansion, and the recent decline in the wage bill for full-time hires, although small, is a possible warning sign of slowdown.

New Hires Wage Bill Share: Part-time



The last figure, above, provides additional evidence on the late stage of the expansion. The share of the wage bill belonging to newly hired part-time workers is around 28 percent, the same share as in 2007, and down four percentage points from its peak above 32 percent in the aftermath of the Great Recession. Based on historical trends, there is limited scope for the share to fall much farther.

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 February 2020 will be released during the first week of April 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 January 2020. 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.