

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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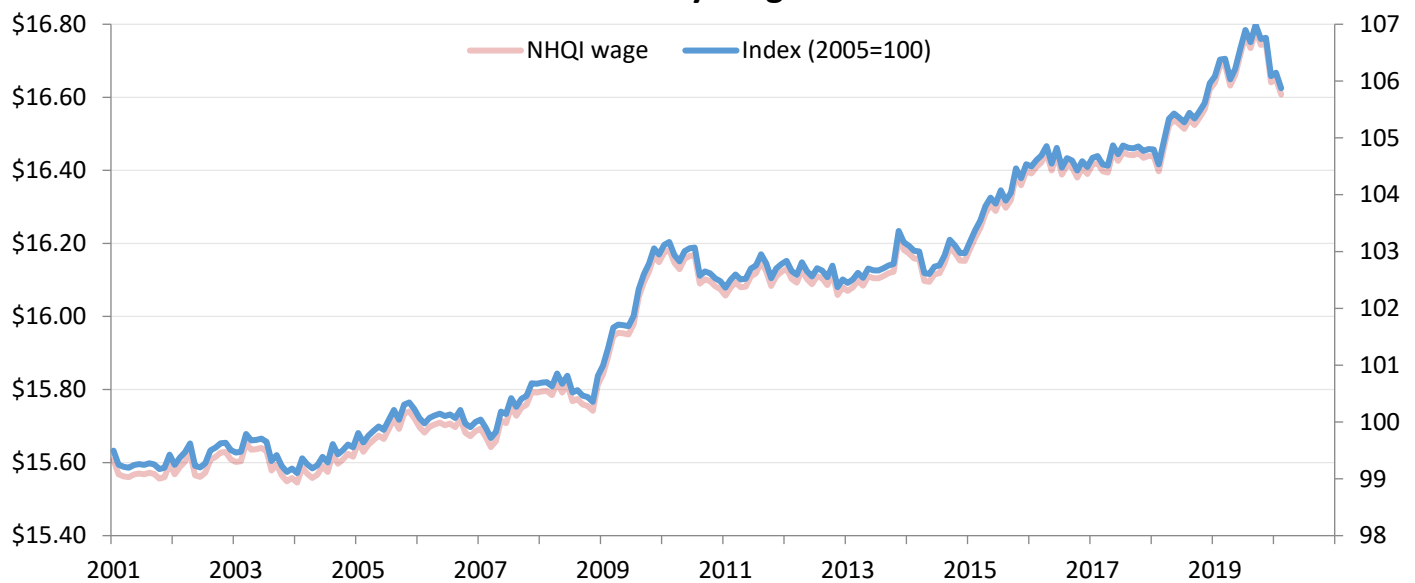
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Upjohn Institute New Hires Quality Index drops 0.5 percent in February 2020, as COVID-19 slows hiring

KALAMAZOO, Mich.— In February 2020, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job fell 0.5 percent over the year and 0.3 percent over the month; at \$16.50 in February, the index has now given up all gains during 2019. More ominously, the index for the volume of new hires fell sharply, by 2.8 percent over the month, the fastest decline in the history of the series. This may imply that COVID-19 was already affecting business hiring by mid-February.

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



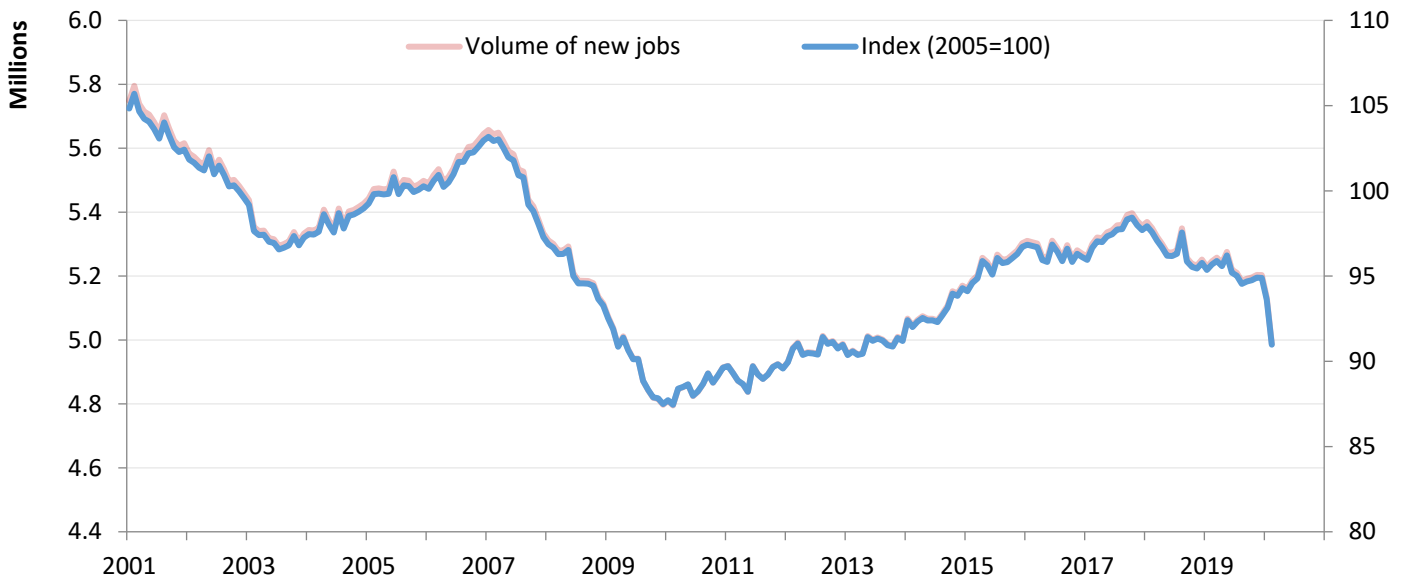
SOURCE: Upjohn Institute New Hires Quality Index

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.



The wage index has now fallen over 1 percent from its all-time high of 107.0 in September 2019—this is the largest decline since the series began. As the next figure shows, the volume of new hires also fell suddenly and sharply in February, with the number of new hires dipping below 5 million for the first time since late 2013. This 2.8 percent decline over the month is also the largest drop in the volume series and is possibly related to COVID-19 depressing hiring sooner than thought.

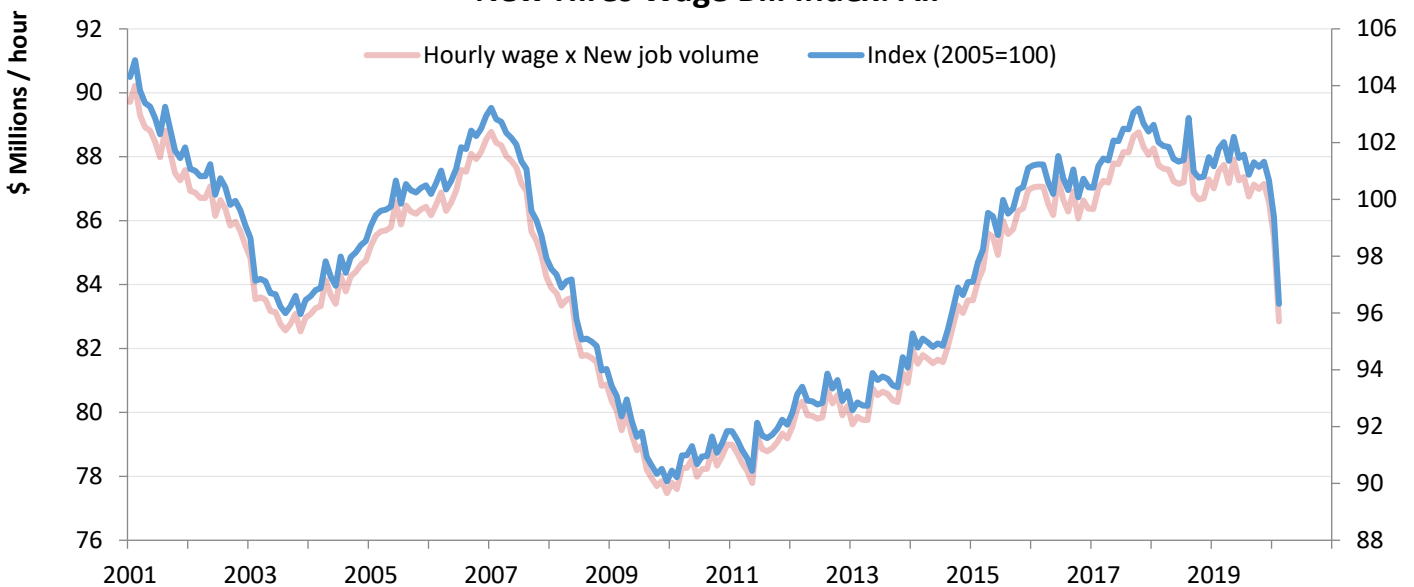
New Hires Volume Index: All



It is unusual for the wage index and hiring volume both to fall simultaneously; during the Great Recession, the wage index rose as volume fell, as the relatively few workers who got hired in this period were on average in higher-earning occupations. As the impacts of COVID-19 on the labor market continue over the coming months, we will continue to track this pattern to see whether the series continue to move together. Since many of the idled industries (retail, food services, accommodations, personal services) disproportionately hire for relatively low-skilled and low-paying occupations, it is possible the NHQI wage index will rise in the near future, reflecting the absence of hiring in many of these occupations.

Nonetheless, as a consequence of the recent declines in both the wage and volume indices, the wage bill index—capturing the earnings power of all new hires collectively—has also plunged. This index now stands at 96.3, about its level in late 2014 during the recovery, and in mid-2008, several months into the recession.

New Hires Wage Bill Index: All



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 March 2020 will be released during the last 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 February 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.