

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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NEWS RELEASE: JUNE 19, 2020

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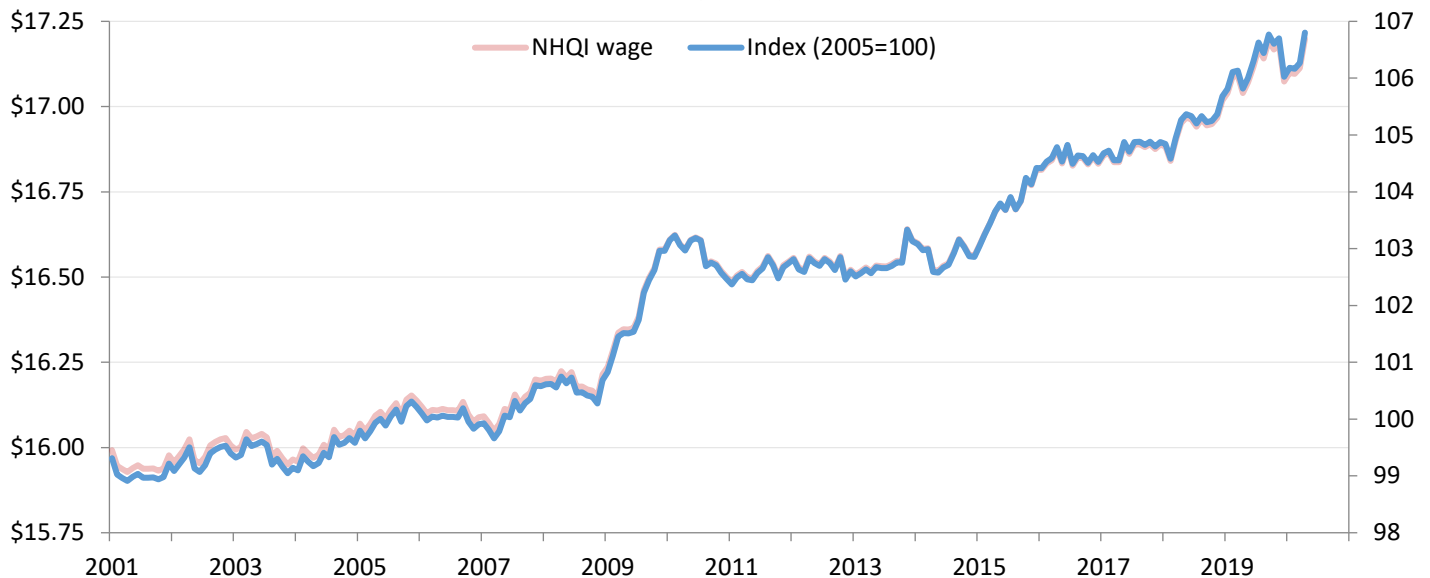
## Upjohn Institute New Hires Quality Wage Index edges up 0.9 percent in April 2020, even as hiring volume drops 2.8 percent due to COVID-19

NOTE: As with last month, this month's release incorporates new occupational wage data from the Bureau of Labor Statistics. This revision affects the entire wage index series. The principal result is a shift up in wage levels; indexed values and trends are minimally changed. This month's release also reflects a revision in the occupation coding structure used in the underlying data. This change affects levels and trends since January 2020. All statistics in this release use the revised data, and data on the NHQI website have also been updated.

KALAMAZOO, Mich.— In April 2020, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job rose 0.9 percent over the year and 0.5 percent over the month. At \$17.20 in April, the index is near its all-time high, reversing slight declines since last fall. This gain, however, is driven by sharp changes in the composition of new hires toward more educated workers, even as overall hiring volume dropped 2.8 percent over the year and 1.3 percent over the month.

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

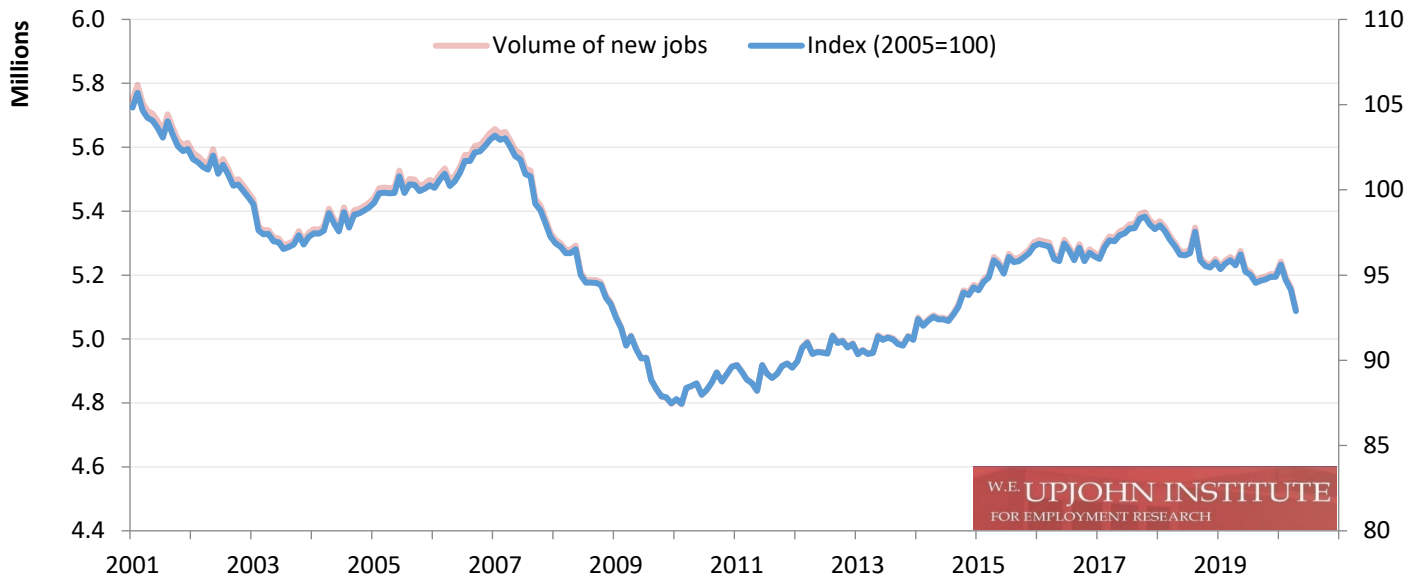
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.

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With this month's revisions, the drop in hiring volume is not as steep as previously reported, although the rate of decline is still the fastest three-month drop since the Great Recession. Hiring volume has been slowing since the beginning of 2018, but as of April 2020, NHQI hiring volume is at a level last reached in late summer of 2014. Adjusted for population growth, however, it is at a series low, more than 3 percent below the trough reached during the Great Recession.

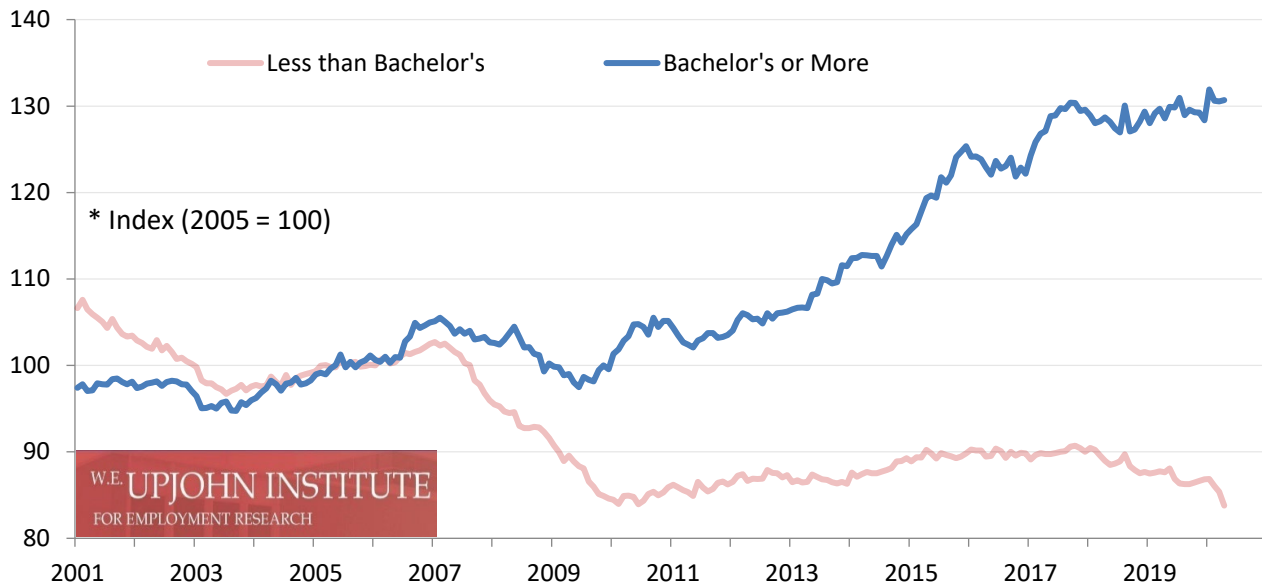
Furthermore, recall that these index values are based on a 12-month rolling average, which smooths abrupt transitions. In the raw data for April, hiring volume was 3.61 million, off the scale in the chart below, and down more than 800,000 from April 2019. The rapidity of this decline is almost certainly due to COVID-19 shutting down large parts of the economy.

### New Hires Volume Index: All



Moreover, this drop in hiring volume hasn't been borne equally by all groups: workers with less education experienced steeper declines, accelerating preexisting trends. Whereas hiring volume for workers with a bachelor's degree or more changed little between February and April, volume for workers without a bachelor's degree fell 4.4 percent over the year, and 1.9 percent between March and April. (In the raw monthly data, volume is down about 25 percent from April 2019.) Indeed, hiring volume for this latter group is at a series low, even as hiring volume for the more educated group is near a series high.

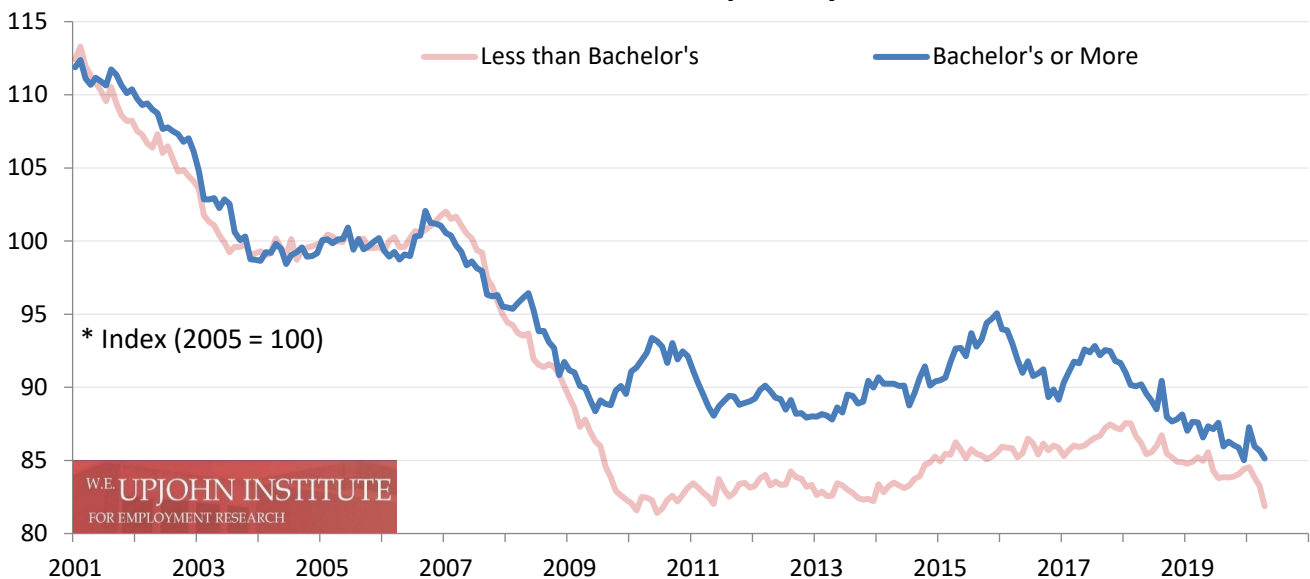
## New Hires Volume Index: by Education



This reflects that government-ordered business shutdowns, as well as drops in consumer demand, were concentrated among businesses that disproportionately employ, and hire, less-educated workers. However, as dire as this picture looks, many businesses began to reopen by May, and the [employment report](#) from that month showed a net increase of 2.5 million jobs, heavily concentrated in these same types of businesses. This suggests we should expect at least a partial rebound in the May NHQI.

Even such a partial rebound, however, is unlikely to reverse the longer-term trend of reduced hiring of less-educated workers. Even on a per-capita basis, where the hiring rate never recovered after the Great Recession, less-educated workers still trail their more-educated counterparts, despite being more heavily concentrated in industries with greater rates of turnover.

## New Hires Volume Per-capita: by Education



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](http://www.upjohn.org/nhqi). The full report, including methodology, can be found at [http://www.upjohn.org/nhqi/reports/NHQI\\_report.pdf](http://www.upjohn.org/nhqi/reports/NHQI_report.pdf).

All data are typically updated during approximately the first week of the second month following the reference of the data release month. For example, data for May 2020 will be released during the first week of July 2020. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: [www.upjohn.org/nhqi/signup](http://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 April 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.