

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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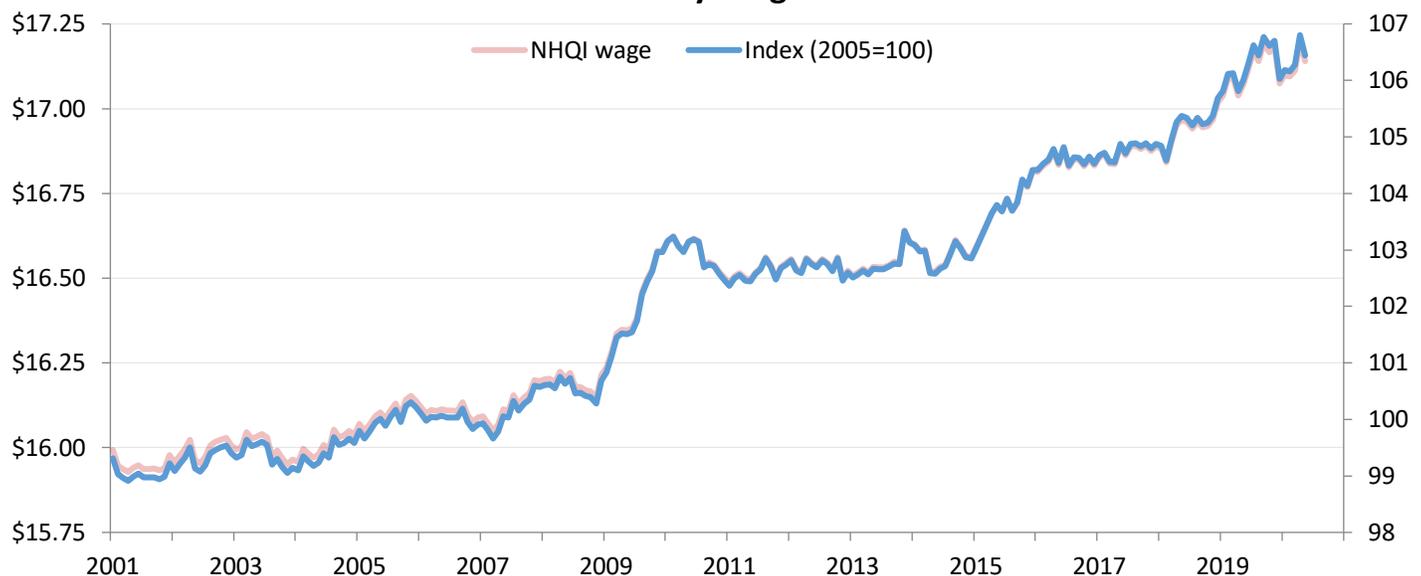
## Upjohn Institute New Hires Quality Wage Index slips 0.3 percent from April as hiring rebounds 4.4 percent over the month and 0.8 percent over the year

NOTE: As with last month, this month's release 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 May 2020, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job fell 0.3 percent over the month, reflecting the rehiring of many workers as businesses began to reopen. The wage index is still up 0.4 percent over the past 12 months. With the surge in recalls, hiring volume rose 4.4 percent from April, the sharpest one-month change in the history of the NHQI. Moreover, this rebound was fairly broad based across worker groups.

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

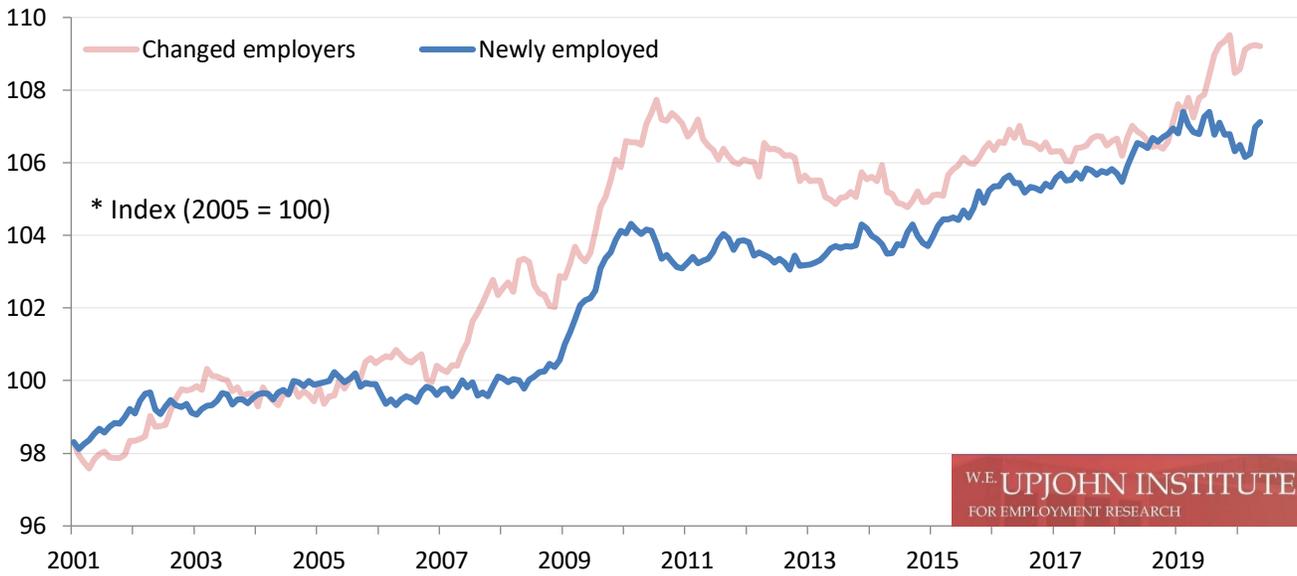
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.



It is useful to divide new hires into those who change employers (but are continuously employed) and those who are newly employed, exiting either unemployment or not having been in the labor force the previous month. The figure below shows the wage index for the two groups. For ease of comparison, an index value of 100 corresponds to values averaged over 2005 for both groups; the index thus shows relative deviation from that year. For workers who changed employers over the month, the index stands at 109.2, roughly the same in March and April, and near its all-time high. For the newly employed, the index is 107.1 and has steadily increased since January to near its all-time high. The increase in the latter series tells us that workers recalled

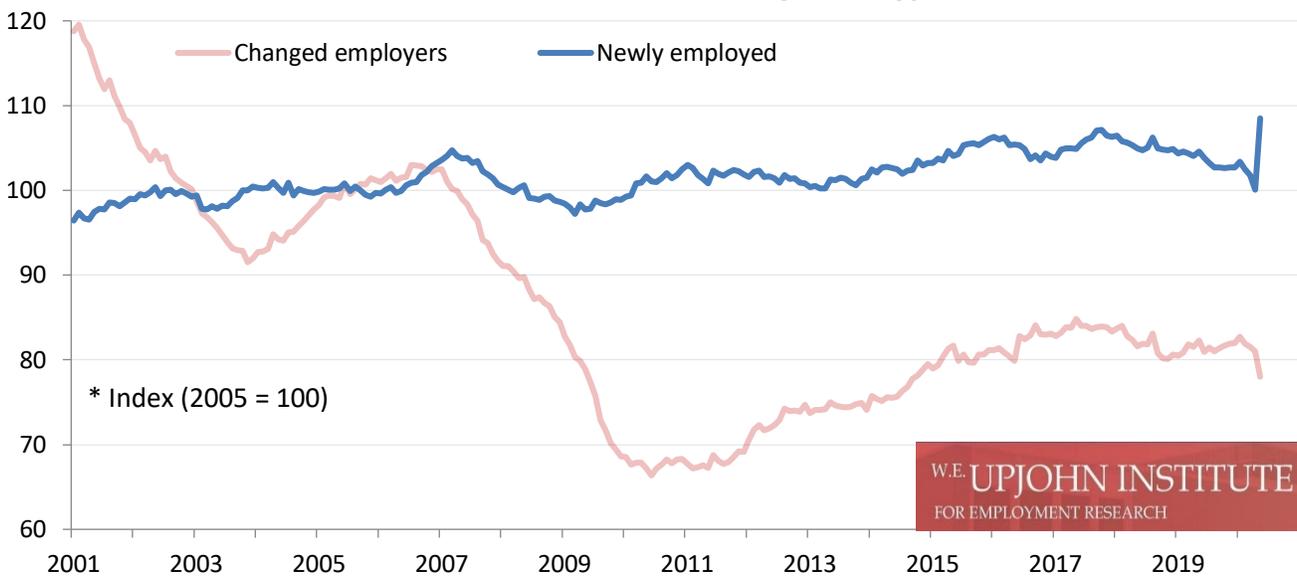
to work in May, unlike [those](#) who had [lost](#) their [jobs](#), were *not* disproportionately lower-paid; rather, newly hired workers in May had *higher* average earnings potential than those hired in January or February.

### New Hires Hourly Wage Index: by Hire Type



And there were a lot of them. The next figure shows the hiring volume for each type, again indexed to 2005. Hiring volume for newly employed workers has trended relatively little over the past 20 or so years, and while it had gradually been decreasing slightly since late 2017, the spike at the end shows how that changed in May. Volume shot up 8.4 percent over the month to an all-time high. Actually, because these values are based on 12-month trailing averages, the 8.4 percent jump understates the growth in hiring volume. In the raw monthly data, hiring volume for the newly employed reached 6.9 million, nearly *triple* the 2.4 million in April and double the 3.4 million from May 2019. Volume for individuals changing employers, in contrast, *fell* 3.8 percent from April (for the 12-month average), with even faster drops in the raw data.

### New Hires Volume Index: by Hire Type



Given the surge in May hiring of the newly employed, who accounted for *more than the full share of all new hires*, a key question is which demographic groups constituted the increase? More specifically, was the increase driven by the same groups that experienced large employment losses in April?

## Characteristics of Job Losses and Newly Hired

	Job losses In April	Newly Hired in May
<i>Sex</i>		
Men	47.7	48.6
Women	52.3	51.4
<i>Age</i>		
16-24	19.8	26.0
25-34	20.8	21.6
35-44	16.3	17.0
45-54	17.0	13.8
55-64	16.4	14.1
65+	9.7	7.6
<i>Race/Ethnicity</i>		
White	56.8	59.3
Black	12.7	11.8
Native American	0.8	1.1
Asian/Pacific Islander	7.1	5.1
Multiracial	2.1	1.8
Hispanic	20.5	21.0
<i>Education</i>		
Less than HS	12.4	13.6
HS diploma	30.4	32.2
Some college	31.6	31.3
Bachelor's	18.5	16.0
Graduate	7.1	6.9

NOTE: Job losses are calculated as transitions from employment in the previous month to non-employment (including nonparticipation in the labor force) in the current month; the status of employed but away from work for “other reasons” is treated as nonemployed to account for coding error (see [note on page 6](#) in the BLS Employment Situation report).

SOURCE: Author’s calculations from the Current Population Survey.

Compared to job losses in April, newly hired workers in May were younger, less likely to be Black or Asian, less likely to be a college graduate, and slightly less likely to be female. This pattern is mostly consistent with the recall affecting lower-paid workers, although the weak hiring rebound for Black workers is especially disturbing. Additionally, weaker hiring for more-educated and older workers, relative to their losses, may indicate a shift to permanent job separations and deserves close monitoring.<sup>1</sup>

We can also examine the pattern of job losses and newly hired workers by occupation, which is even more closely tied to earnings power than demographics. As shown in the next table, while for the most part the occupational distribution of newly hired in May is similar to that of job losses in April, there are some notable exceptions. First, creative workers (arts, design, entertainment, and sports), personal care workers, and to a lesser extent food prep and service workers—all jobs that typically require personal contact or proximity to crowds—had a smaller share of May hires than job losses. Even with business reopenings that had begun, many of these workers did not return to their jobs. On the other hand, architecture and engineering workers, healthcare practitioners, office support workers, and production workers had faster hiring than their April job loss shares. Many of these jobs take place in settings where risk of virus exposure is relatively low, or where workplaces changes to reduce exposure can—perhaps—be accommodated. (Healthcare practitioners, likely in physician offices, falls into the latter category.)

<sup>1</sup> Hiring and job losses for earlier months are available on request.

## Occupations of Job Losses and Newly Hired

	Job losses in April	Newly Hired in May
Managers	6.9	5.2
Business & Financial	2.4	2.7
Computer & math	1.1	0.9
Architecture & Engineering	0.8	1.4
Life, Physical, & Social Sciences	0.4	0.5
Community & Social Service	0.8	0.9
Legal	0.6	0.5
Education, Training, & Library	6.0	5.9
Arts, Design, Entertainment, & Sports	2.9	1.4
Healthcare Practitioners	3.7	4.7
Healthcare Support	3.1	3.0
Protective Service	1.3	1.3
Food Preparation & Serving	12.1	11.6
Building/Grounds Cleaning & Maintenance	5.6	5.6
Personal Care & Service	7.1	4.6
Sales	11.0	11.3
Office & Administrative	10.2	12.3
Farming, Fishing, & Forestry	0.5	1.4
Construction & Extraction	6.1	6.3
Installation, Maintenance, & Repair	2.4	2.5
Production	6.3	7.4
Transportation & Material Moving	8.7	8.7

NOTE: See note to previous table.

SOURCE: Author's calculations from the Current Population Survey.

If newly diagnosed COVID-19 cases continue to accelerate, as they were doing at press time, it is likely that hiring will again shift away from highly exposed occupations (and thus disproportionately affect demographic groups in them). Even if transmission can be slowed, however, there are growing signs of both job losses and reduced hiring in higher-paid occupations (and the demographic groups disproportionately in *them*), suggesting that the labor market as a whole is likely to remain weak for at least the near future, and likely well into 2021.

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 June 2020 will be released during the first week of August 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 May 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.