

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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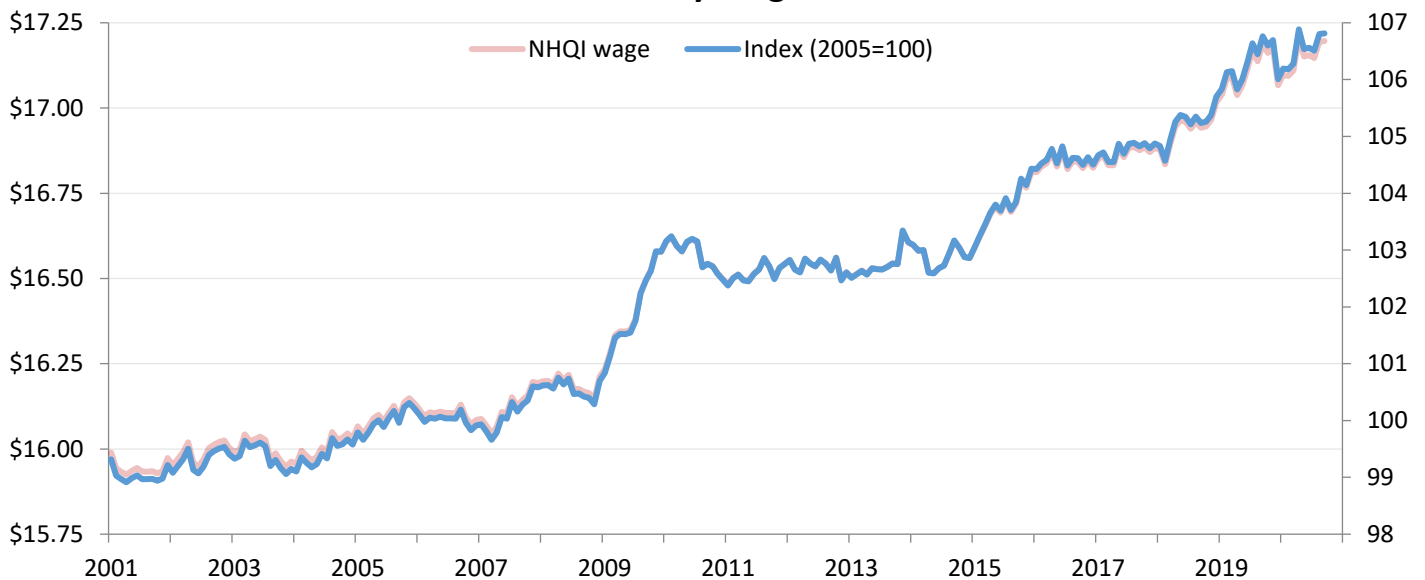
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Upjohn Institute New Hires Quality Index for September 2020 holds steady near all-time high, and Blacks and Hispanics show resilience in index

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job stayed flat between August and September 2020; it remains near its all-time high, with a current reading of \$17.20. This represents a 6.8 percent increase over the index value in 2005. Nonetheless, the index has changed relatively little on net since September 2019, having dipped over the winter before rising back to its current level, despite the COVID pandemic. However, in a possibly ominous sign, the hiring volume index fell in September for the first time since April, when many businesses were shuttered due to the initial surge in the pandemic. In the raw data, hiring volume is back to pre-pandemic levels, despite the fact that the [unemployment rate remains at 7.9 percent](#) and [UI claims \(across all programs\) still top 26.5 million](#).

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



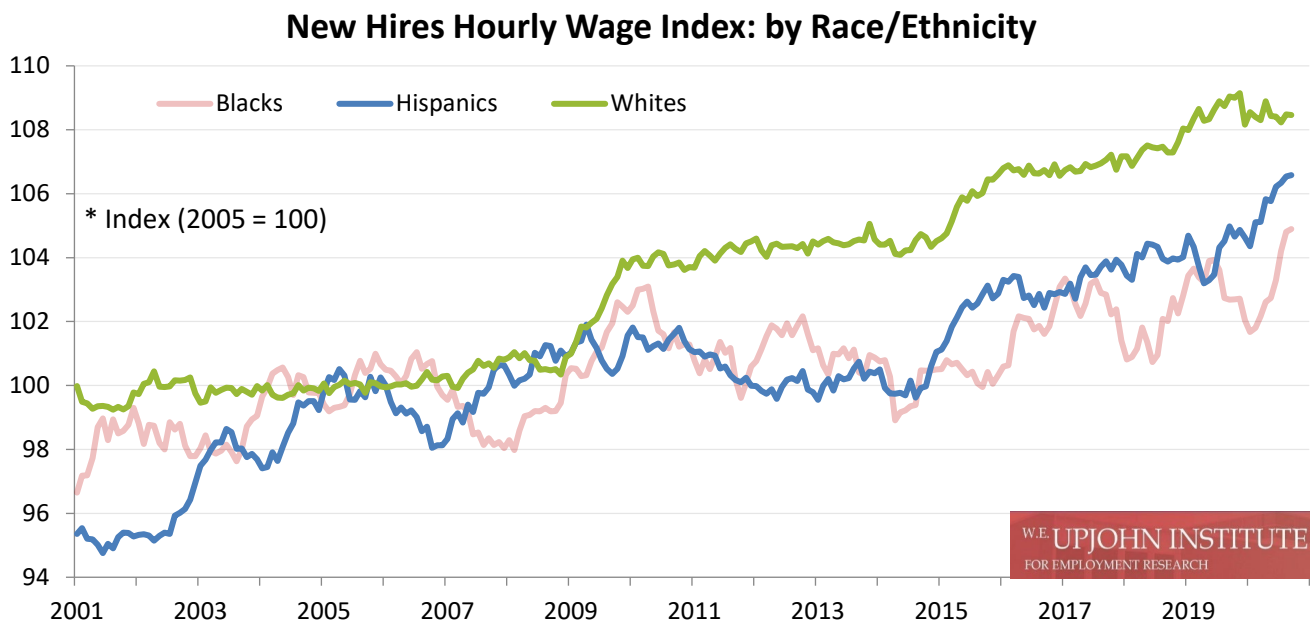
SOURCE: Upjohn Institute New Hires Quality Index

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
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It is no [secret](#) that the [recession](#) brought by the COVID-19 pandemic has disproportionately hurt [workers of color](#). Even before the pandemic, however, [Blacks had not been enjoying hiring success](#) to the same extent as Whites in terms of their wage index or their hiring volume. In this month's NHQI release, we revisit NHQI trends by race and ethnicity (including Hispanics) to see COVID's impact.

The graph below shows the wage index for Blacks, Hispanics, and Whites, each indexed to its value in 2005 to better show relative change. The wage index for Blacks is the lowest of the three and currently stands at 104.9, or 4.9 percent above its 2005 level. In contrast, the index for Hispanics is 6.6 percent above its 2005 level, and the index for Whites is 8.5 percent above its 2005 level. The three indices began to diverge during the Great Recession, with Blacks and Hispanics experiencing a decline during the recovery that Whites did not. Still, all three have grown since 2015. More recently, since the beginning of 2020, the wage index for Whites has been stagnant, while it has grown quickly for both Blacks and Hispanics: up 3.2 and 2.1 percent, respectively, between January and September. This growth had begun *before* the pandemic.

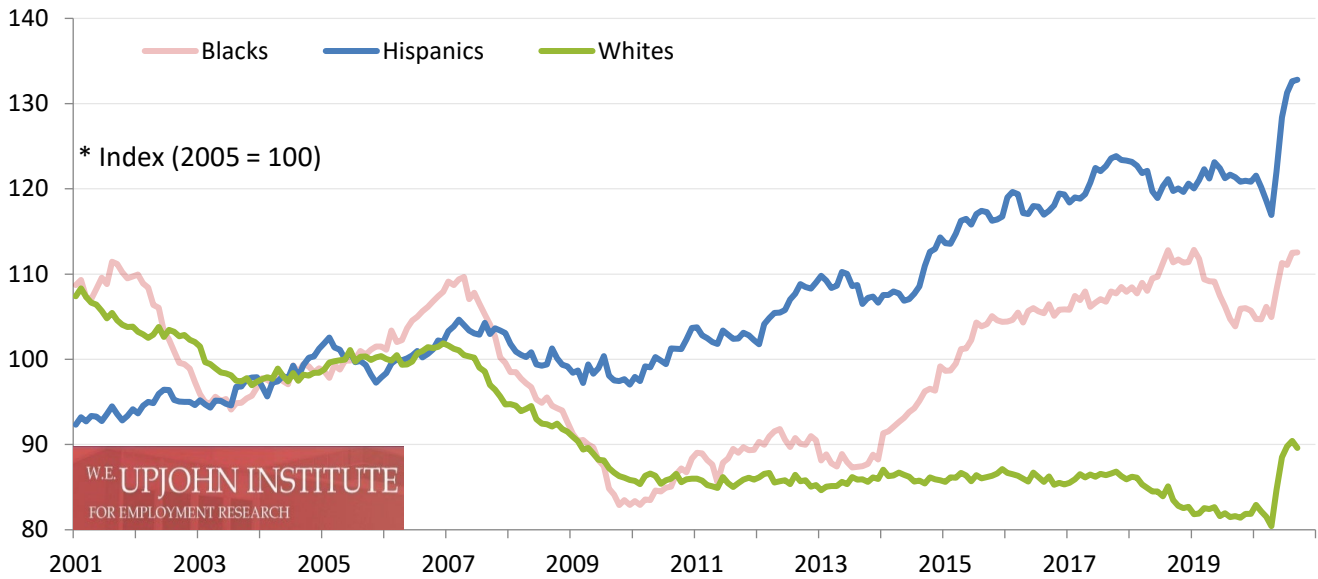


This rapid growth for Blacks and Hispanics represents a modest convergence with Whites, even though a sizable gap remains. Of course, the relative gains could be due to compositional changes in who is getting hired. One concern, for instance, would be that fewer Blacks and Hispanics are being hired in lower-paying occupations, relative to Whites. This story would be consistent with a weaker recovery among workers of color, who are over-represented in lower-paying occupations. This compositional shift in hiring would mechanically raise the wage index for these groups.

If this were the case, we would expect a slowdown in hiring volume for Blacks and Hispanics, but the figure below shows this is not the case. Hiring volume for Hispanics has been steadily increasing since the beginning of the series (driven by their increasing number in the population). Despite a slowdown in 2018 and 2019, and the sharp, universal dip in April of this year, the surge since has been strong, and hiring volume in September was 9.3 percent above its level in January. For Blacks, hiring volume began to grow quickly in 2014 (driven mostly by increased hiring rates per capita), before dipping moderately in the second half of 2019.

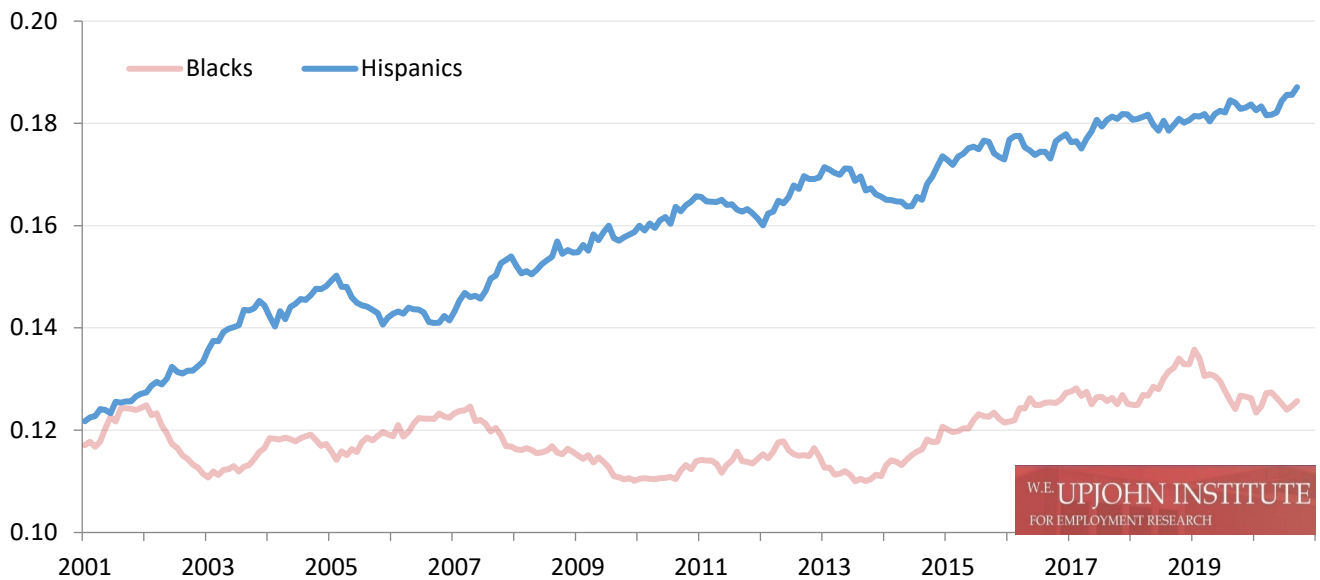
Nonetheless, volume has rebounded 7.5 percent from January to September, just a hair below the 8.0 percent jump for Whites (who started from a lower base.)

New Hires Volume Index: by Race/Ethnicity



Thus, hiring overall for Blacks and Hispanics has not fallen relative to Whites. In fact, given the rise in the wage index of the first two groups, their shares of the wage bill—the aggregate earnings power of all newly hired workers—have continued to rise (albeit slightly) during the pandemic. For Blacks, the wage bill share rose from 12.3 percent in January to 12.6 percent in September—above its level in 2007, before the Great Recession. For Hispanics, the wage bill share reached 18.7 percent in September, up from 18.3 percent in January and a series high. There is still significant churn in the labor market, with both hiring and separations elevated from pre-pandemic levels, and people of color have borne the brunt of the recession’s impact on the labor market. But the NHQI shows that their hiring picture may not be as bleak as commonly thought.

New Hires Wage Bill Share: Blacks and Hispanics



These statistics and many more, 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 here: 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 October 2020 will be released during the first week of December 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](#), [July 2019](#), and [July 2020](#) 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 September 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.