

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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NEWS RELEASE: JAN. 6, 2021

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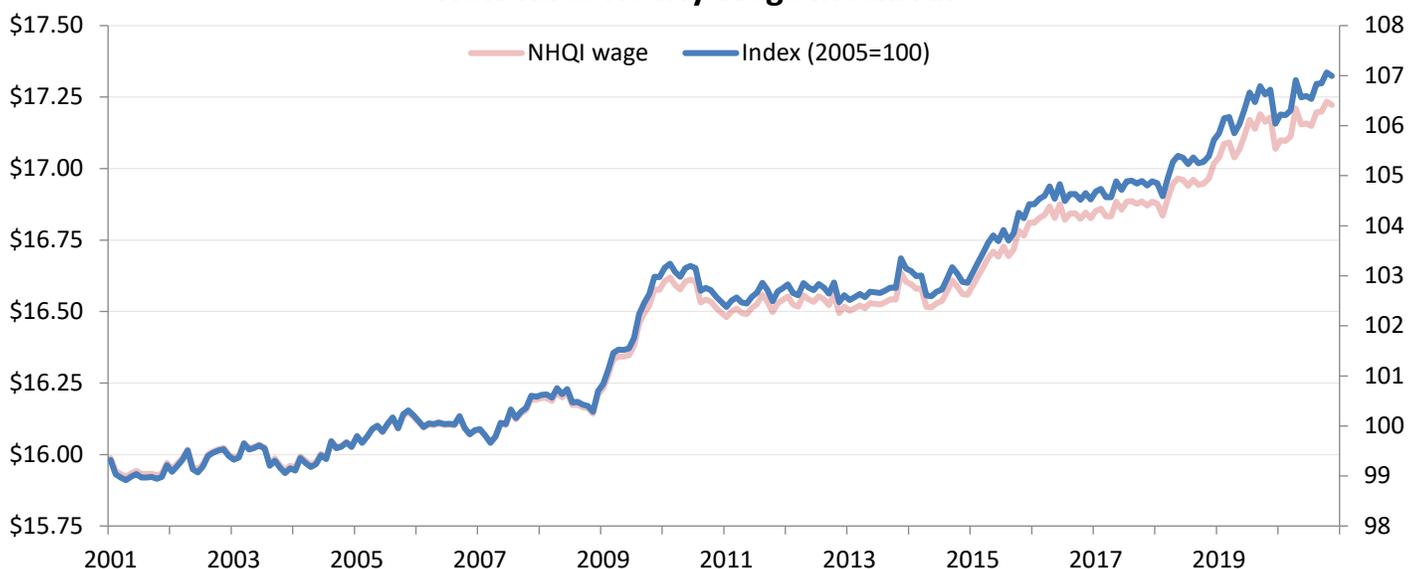
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## Upjohn Institute New Hires Quality Index for November 2020 holds steady, but young workers have not seen much of a hiring recovery

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job held steady between October and November 2020, at \$17.22. This represents a 7.0 percent increase over the index value in 2005, and a 0.3 percent increase since November 2019. As discussed in prior news releases, despite the vicissitudes the COVID pandemic has caused in labor markets, the NHQI wage index has proved remarkably stable over 2020, varying less than in 2019. Rather, hiring volume (as well as layoffs and other separations) has jumped around considerably, with three times the variation as in 2019. This volatility continued in November, as COVID case rates began to rise again and (raw) hiring volume fell to its lowest level since the crash in April. With cases (and death rates) continuing to rise at the end of 2020, even as vaccines had begun to be distributed, it is an open question whether these hiring patterns will continue into 2021.

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**

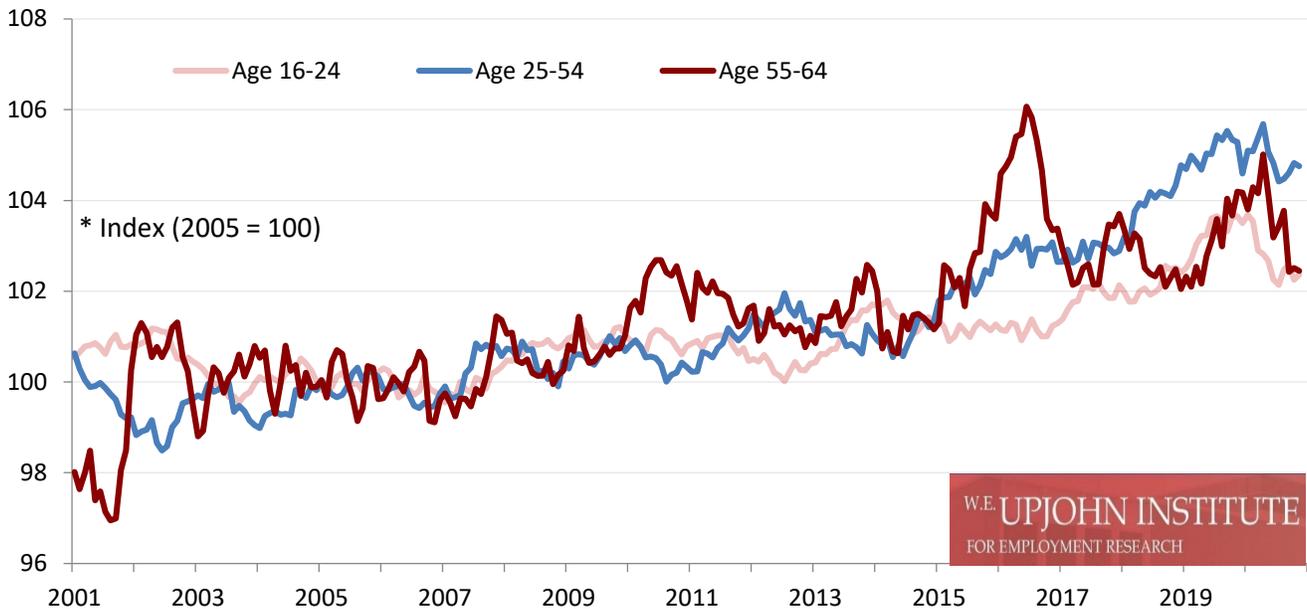


SOURCE: Upjohn Institute New Hires Quality Index

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 [well known](#) that [young people](#) have [borne the brunt](#) of the COVID recession, with early job losses driven by their heavy concentration in badly affected industries, such as food services and retail trade. But how have they fared compared to individuals from other age groups in terms of their recovery, at least through November? In this month's release, we examine the NHQI for individuals aged 16 to 24, those aged 25 to 54, and those aged 55 to 64. The chart below shows the wage index, with each group normalized so that a value of 100 represents its level in 2005; deviations thus show percentage changes from this year for each group.

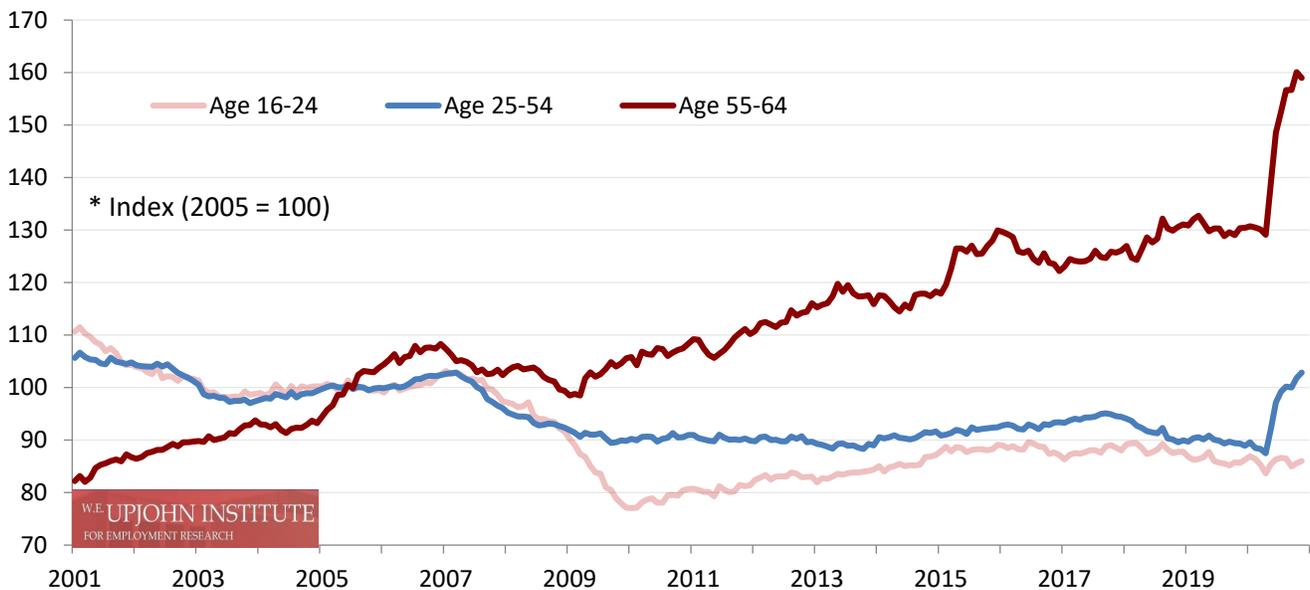
**New Hires Hourly Wage Index: by age group**



All three age groups have seen increases since 2005, but the fastest gains have occurred among prime-age workers, those aged 25 to 54. As of November, their wage index is up 4.8 percent from the base period, with notable growth during 2018 and 2019, but a slight dip since. The younger group of workers had similar recent trends, although growth has been slower earlier, and thus their wage index is up only half as much, 2.4 percent, since 2005. The older group of workers has had a more volatile wage index, with cumulative growth similar to that of the youngest workers. All three groups have seen drops since the end of 2019, predating the COVID crisis, although the declines have been larger for both older and younger groups.

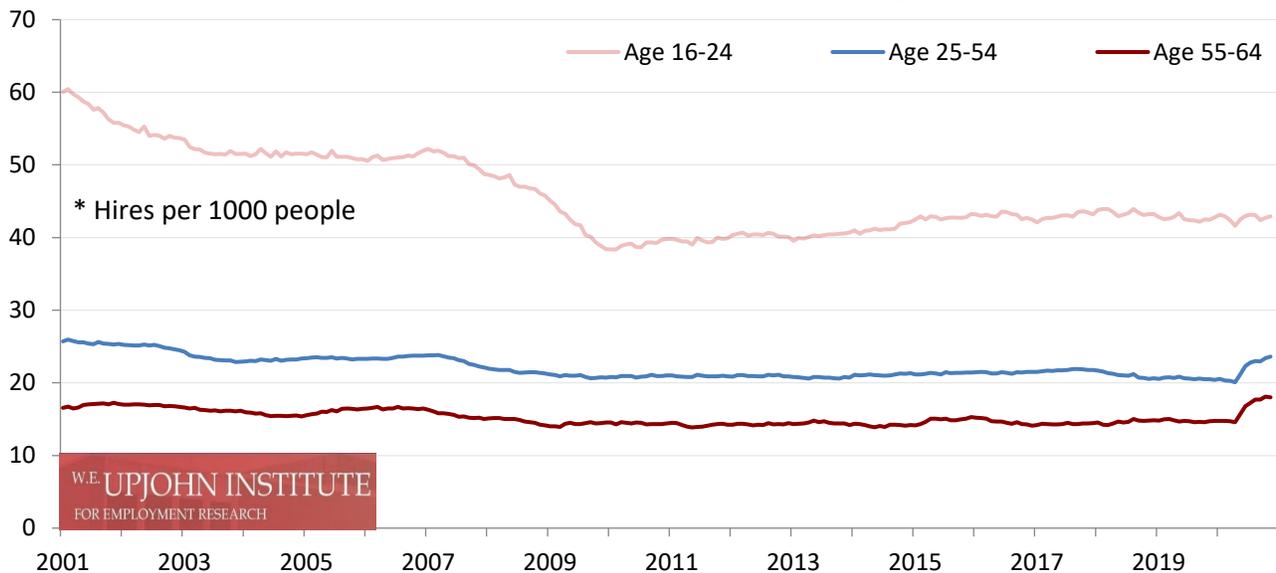
That the overall index is still near an all-time high while the age-group indices have fallen is an example of [Simpson's paradox](#) and points to the role of shifts in the age distribution of newly hired over time. Indeed, the COVID recession appears to have catalyzed these changes in the age distribution, as can be seen in the figure below, which plots hiring volume (again indexed to 2005) for the three age groups. Hiring volume has risen steadily for the older group of workers, mostly reflecting the large cohort of Baby Boomers passing into this age group over the past 20 years; prior to the pandemic, volume was up nearly 30 percent since 2005 for these workers. Hiring volume for the other two age groups had been gradually declining over time, with some reversal—stronger for the youngest workers—due to the long recovery from the Great Recession. These patterns changed abruptly in the spring of 2020.

## New Hires Volume Index: by age group



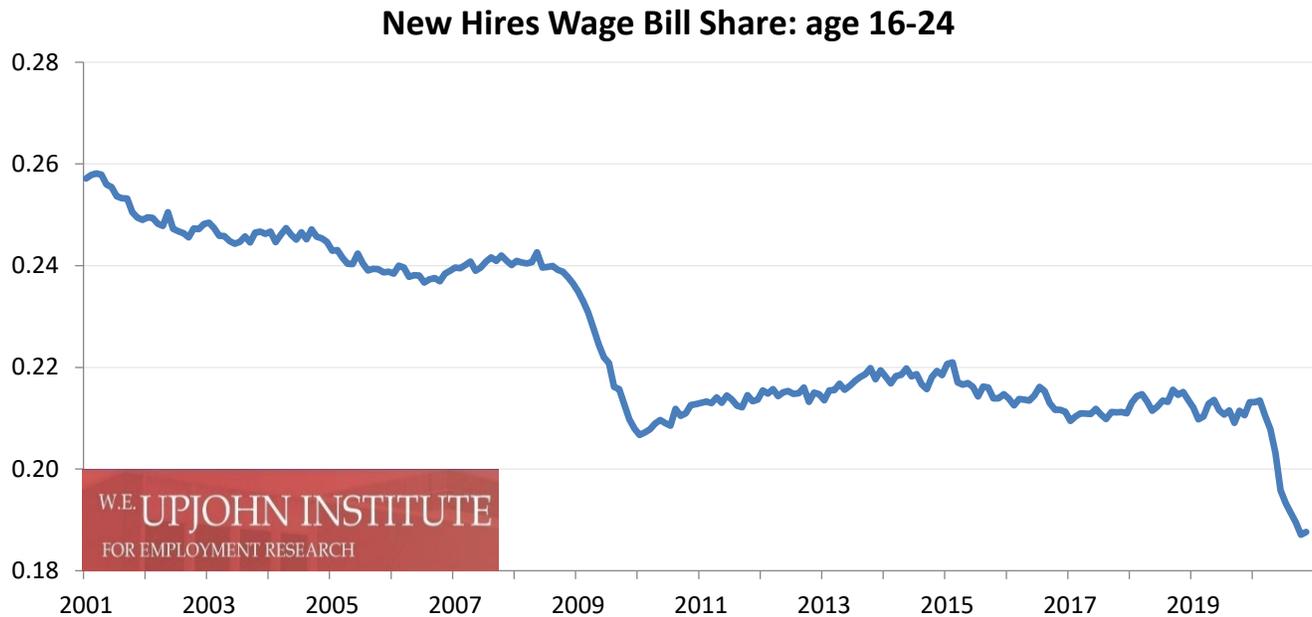
Hiring volume fell sharply in March and April for all groups, although since the data shown represent 12-month moving averages, these declines aren't visible in the graph. What is visible is the strong rebound in hiring that began in May—at least for the two older age groups. For prime-age workers, hiring volume is up 17.5 percent since April, and for the oldest group it is up an even larger 23.1 percent. For the youngest age group, however, hiring volume is up just 2.8 percent—despite this age group [suffering larger proportional losses in March and April](#).

## New Hires Volume Per-capita: by age group



That the younger age group has had a recovery in employment at all is due to its initially much larger hiring volume per capita, as shown in the graph above. (Young workers also have much higher job separation rates, although this isn't shown; the higher hiring and separation rates imply greater "churn" for the youngest workers.) Young workers, despite suffering a persistent decrease in hiring rates following the Great Recession, were—pre-pandemic—still about twice as likely to be newly hired as a

prime-age individual, and three times as likely as an individual aged 55 to 64. But the larger proportional gains among the older groups imply that the share of young workers among the newly hired has fallen over the past several months, a continuation of a trend that has concentrated around recessions. This stylized fact can be seen in the following graph of the wage bill share—the share of the aggregate earnings power of all newly hired workers. (Since hiring volume rates have changed dramatically while the wage index has been more stable, changes in the wage bill share are driven by changes in who is being hired rather than changes in their earnings power.)



The wage bill share of newly hired workers aged 16 to 24 was one-fourth in 2002 and had declined another percentage point to 24 percent before the onset of the Great Recession. That downturn decreased the share by another 3 percentage points, with little change over the following decade. The COVID recession has reduced the share by a further 2.5 percentage points, and it now stands at 18.8 percent. If the experience of the previous recession continues, it is unlikely for the share to recover, and it may instead fall even further.

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](http://www.upjohn.org/nhqi).

The full report, including methodology, can be found here: [http://www.upjohn.org/nhqi/reports/NHOI\\_report.pdf](http://www.upjohn.org/nhqi/reports/NHOI_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 December 2020 will be released during the first week of February 2021. 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](#), [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 November 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.