

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

300 South Westnedge Avenue • Kalamazoo, Michigan 49007 • 269-343-5541 • www.upjohn.org

NEWS RELEASE: FEBRUARY 3, 2021

CONTACT: JUSTIN CARINCI

carinci@upjohn.org

or

BRAD HERSHBEIN

hershbein@upjohn.org

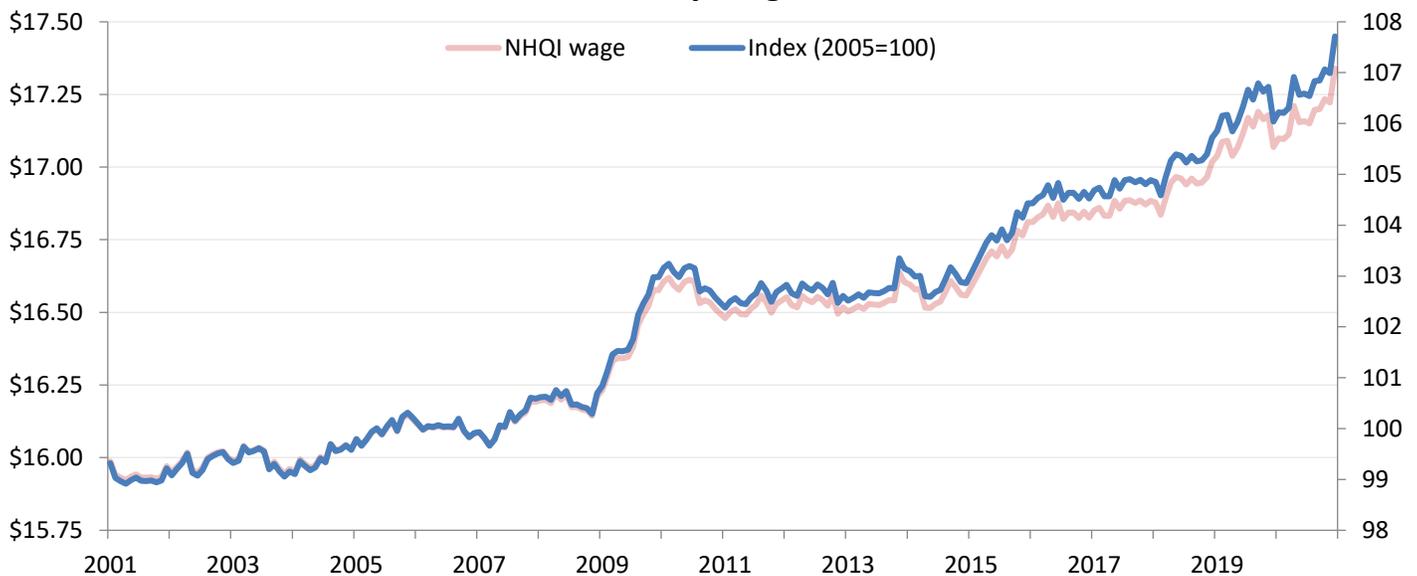
269-385-0437

Upjohn Institute New Hires Quality Index for December 2020 reaches another all-time high, even as hiring continues to fall

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job shot up in December 2020, reaching \$17.34. This represents a 0.7 increase from November 2020, a 1.6 percent increase from December 2019, and a 7.7 percent increase from 2005. Yet, this is not cause for celebration but an indication that hiring became skewed toward higher-paying jobs near the end of 2020, as COVID case rates, mortality rates, and economic restrictions increased, [depressing job growth](#) in the most affected industries. Raw (unsmoothed) hiring volume in December was at its lowest since April. A relief package passed by Congress in December, and another now being debated, along with slowly accelerating vaccine distribution, may yet accelerate hiring recovery. But thus far, any such recovery remains in limbo.

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



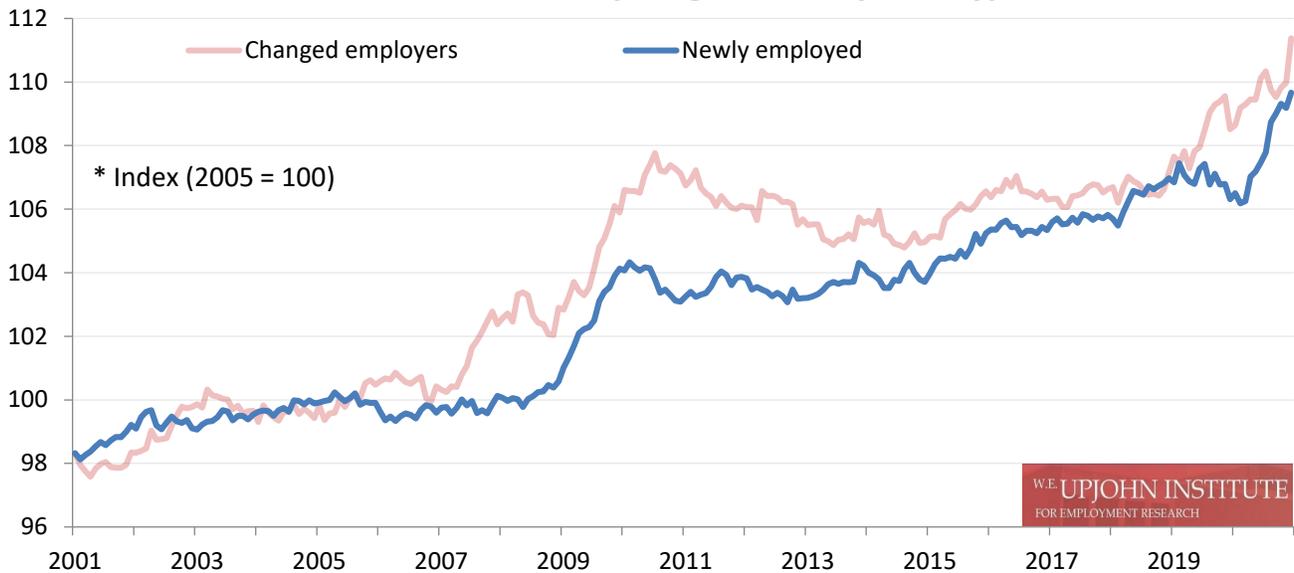
SOURCE: Upjohn Institute New Hires Quality Index

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
FOR EMPLOYMENT RESEARCH

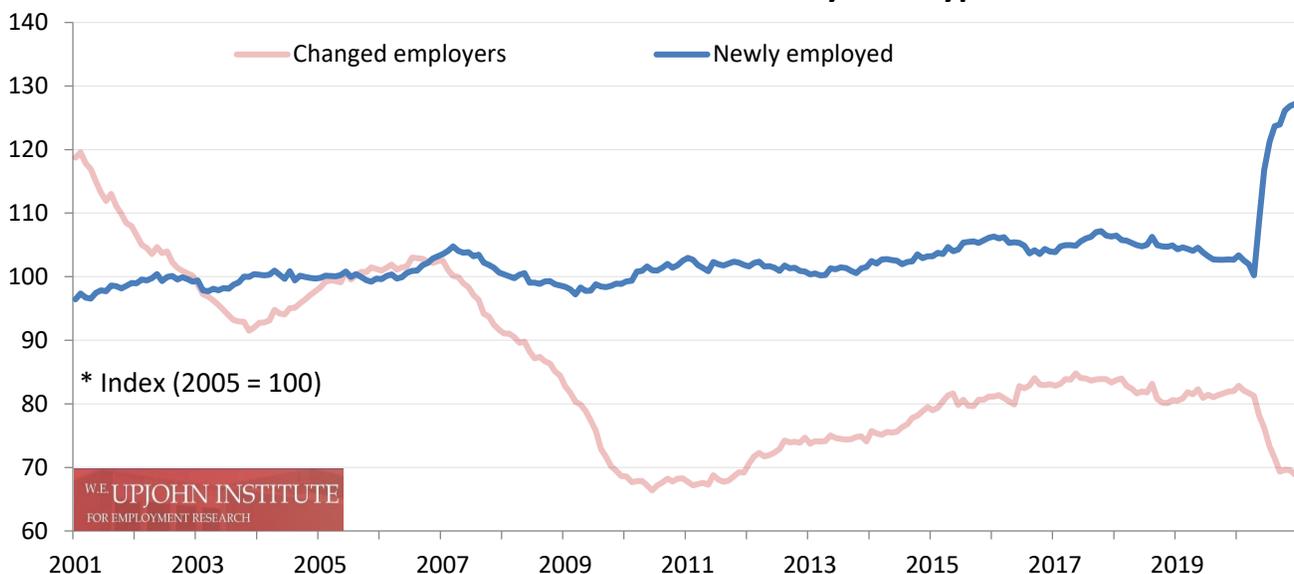
As the employment recovery has stagnated (with hope, only temporarily), we focus this month on the two different groups of newly hired workers: those who changed employers but held jobs in both the previous and current month, and those who transitioned from nonemployment to employment. The former group represent an important part of the job ladder, as workers advance in their careers and take new job opportunities. The latter represent a collection of first-time workers, those returning to the labor force, and — particularly important over the past several months — the unemployed finding new jobs. The chart below shows the wage index for these two worker groups, 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 Hire Type



Both series have risen substantially over time and are at all-time highs, with the wage index for those changing employers at 11.4 percent above its 2005 level, and that for the newly employed 9.7 percent above its earlier benchmark. The sharp growth among the latter group is especially notable, having increased 3.3 percent since the pandemic began, quite a bit faster than the still-rapid 2.0 percent bump for those changing employers. To make sense of these numbers, however, requires examining them in conjunction with hiring volume, as in the next graph.

New Hires Volume Index: by Hire Type

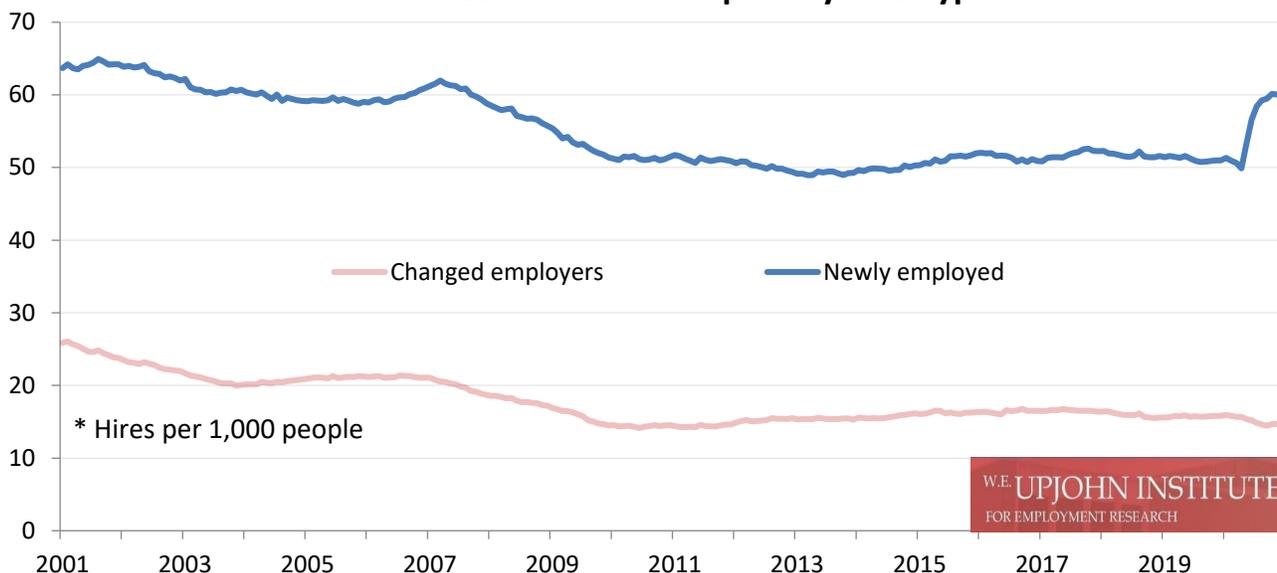


Hiring volume among workers changing employers is normally considerably more cyclical, as evidenced by the movement in this series around the early 2000s tech recession and the Great Recession. The speed and depth of employment losses during the spring of the COVID-19 recession, and the initially rapid recovery, have disrupted the usual patterns. Although hiring volume for workers changing employers has fallen to levels not seen since the trough of the Great Recession, volume among the newly employed has surged to 27 percent above its level in 2005, reflecting the large number of workers recalled during the summer and early fall. However, the trajectory of both series seemed to have slowed in recent months.

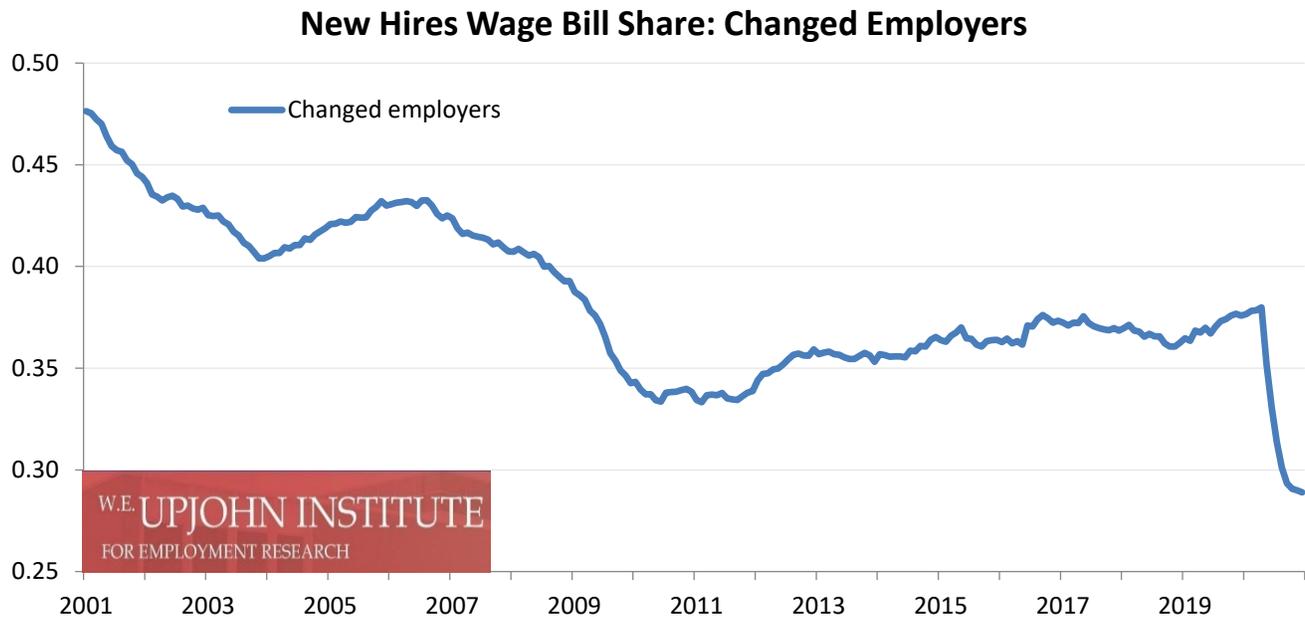
Faster growth in the wage index for those changing employers, in conjunction with constant or even rising volume, is generally associated with a strong labor market. But faster wage index growth with drops in hiring volume generally implies a weak labor market, with hiring disproportionately occurring among those with higher earnings potential. This appears to be the current case. Moreover, the rise in both the wage index and hiring volume for the newly employed suggests that workers being rehired have also disproportionately been those with higher earnings potential. Put differently, workers with lower earnings power have lagged in the recovery thus far, and there is yet any sign that this has begun to change.

Nonetheless, there are also signs that the labor market is not as dire as it was during the Great Recession. The graph below, for instance, rescales hiring volume by population. Thus, the series for those changing employers can be interpreted as a job transition rate, and that for those newly employed as a rate of transition from nonemployment to employment. During the aftermath of the Great Recession, the job transition rate fell by about one-third, from just over 21 hires per 1,000 workers to just over 14 hires per 1,000. Over the past year, this rate has fallen much less, from 15.8 to 14.7 (albeit from a lower base). Meanwhile, the rate of exit from nonemployment jumped substantially in the summer but has stagnated since last August. These patterns indicate – again – that the labor market is not functioning that badly among those still employed, but hiring out of nonemployment had paused even before the latest COVID surge.

New Hires Volume Per-capita: by Hire Type



The spike (and then pause) in the rate of transition out of nonemployment implies that the wage bill share of newly hired workers changing employers fell substantially over last year, and to a series low. This is to be expected and should continue during the recovery as more of the jobless move back to employment. However, the test of the recovery, over the longer term, is whether, when and to what extent this share rebounds.



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 January 2021 will be released during the first week of March 2021. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: www.upjohn.org/nhqi/signup.

The W.E. Upjohn Institute for Employment Research is a nonprofit, nonpartisan research organization devoted to finding and promoting solutions to employment-related problems. The views expressed in the report are those of the author and do not necessarily reflect the views of the W.E. Upjohn Institute. Visit us at www.upjohn.org.

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 December 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.