

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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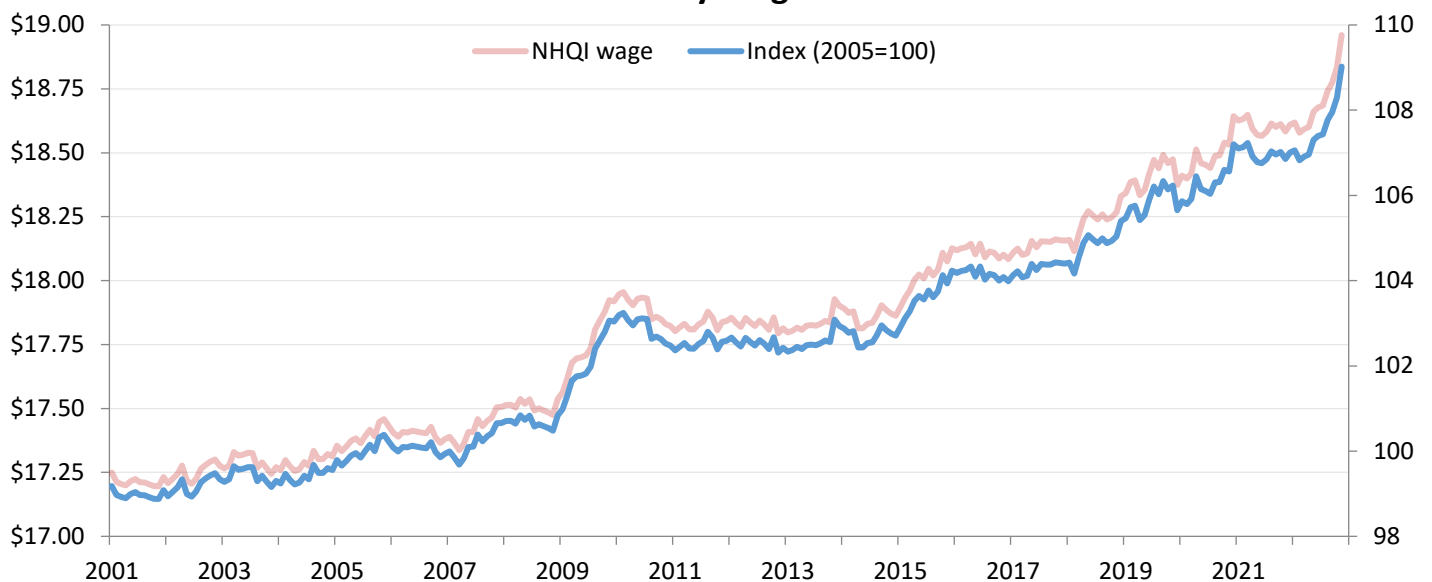
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## Upjohn Institute New Hires Quality Index high streak hits 7<sup>th</sup> consecutive month in November 2022, as hiring of older workers becomes more selective

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job increased by 0.7 percent between October and November, reaching \$18.96 and the seventh consecutive record high—the longest upward streak since the Great Recession. Over the past 12 months the index is up 2.0 percent; since 2005, it is up 9.0 percent. Hiring volume, however, continues to slow, dipping 0.3 percent over the month; it nonetheless remains 2.4 percent above its pre-pandemic (February 2020) level. (Adjusting for population growth, hiring rates are 0.7 percent above the pre-COVID baseline.) These indicators suggest the labor market is coasting—[Fed policies](#), [international concerns](#), and [consumer sentiment](#) are providing a headwind but not a hard brake. The gentle slowing may be good at a macroeconomic level, but likely will be disproportionately borne by individuals in lower-paying jobs that had recently—if perhaps temporarily—[seen their job market prospects rise](#) for the first time in decades.

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



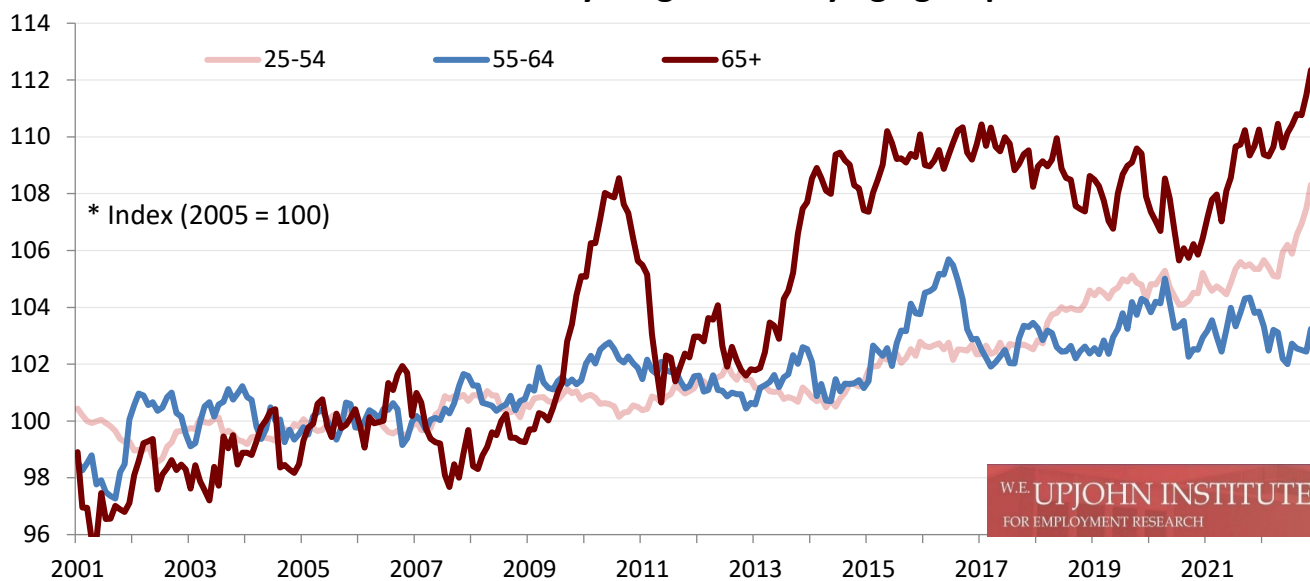
SOURCE: Upjohn Institute New Hires Quality Index

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.

Even as the U.S. economy defied fears of a recession in 2022, with [GDP growing at a 3.2 percent rate](#) in the third quarter and even [higher expectations for](#) the fourth quarter, [labor shortages](#) continue to frustrate employers and the Federal Reserve’s attempts to cool inflation. Many [analysts](#) point in [particular](#) to lowered labor force participation among older workers, who have been [slower to return to the workforce](#) than have younger age groups. To probe this issue in more detail, in this month’s NHQI release we focus on the hiring dynamics of older workers—those of ages 55–64 and 65+ — compared to prime-age workers of ages 25–54.

The graph below shows the hourly wage index separately for newly hired workers ages 25–54 (salmon), 55–64 (blue) and 65+ (dark red). Each index is normalized to the respective group’s own level in 2005 to better show relative changes. Although all age groups have seen increases over the past two decades, the wage index for the oldest age group shot up over 7 percent in 2013, and despite some prepandemic losses over the next several years, still outpaced the growth of the other age groups through 2019. Since February 2020, the wage index for the age 65+ group has jumped by 5.0 percent, more than recovering its earlier losses to reach an all-time high. Although the wage index grew by a somewhat slower 3.3 percent over the same time period for prime-age workers, this wage index, too, is at an all-time high. In contrast, the wage index for individuals ages 55–64 has *declined* over the past 33 months, by 0.9 percent. This implies that the tight labor market has helped not only prime-age workers move into higher-paying occupations but *also* workers above the traditional retirement age; at the same time, newly hired workers in their late 50s and early 60s do not seem to have gotten much benefit.

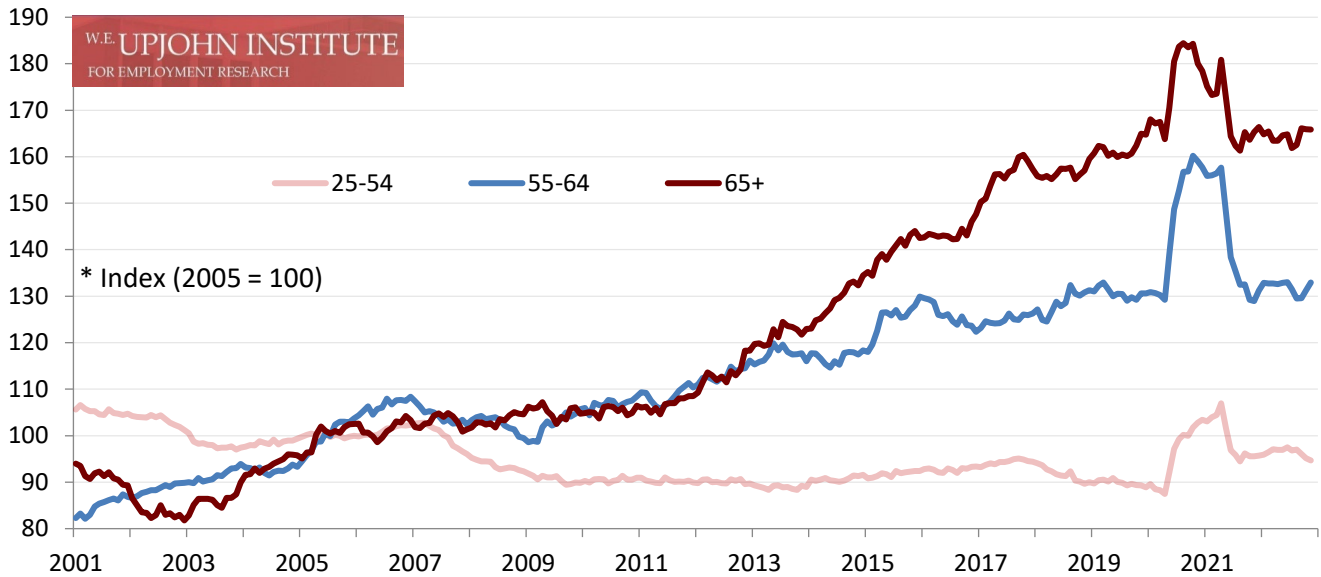
**New Hires Hourly Wage Index: by age group**



To put these wage index trends in context, we need to examine the trends in hiring volume for each group. The graph below presents these hiring volume indices, again normalized to their own levels from 2005. Over the past two decades, hiring volume of workers age 65+ has doubled, and it’s jumped by nearly 50 percent for those ages 55–64. For prime-age workers, on the other hand, it’s actually declined by 7 percent. Much of these long-term movements are driven by changing demographics and the aging of the population, but the shorter-term changes since the pandemic are less affected by these issues. In particular, since February 2020, hiring volume has increased by 7.0 percent for prime-age workers and by 1.7 percent for workers ages 55–64. For the oldest group of workers, however, hiring volume has dipped

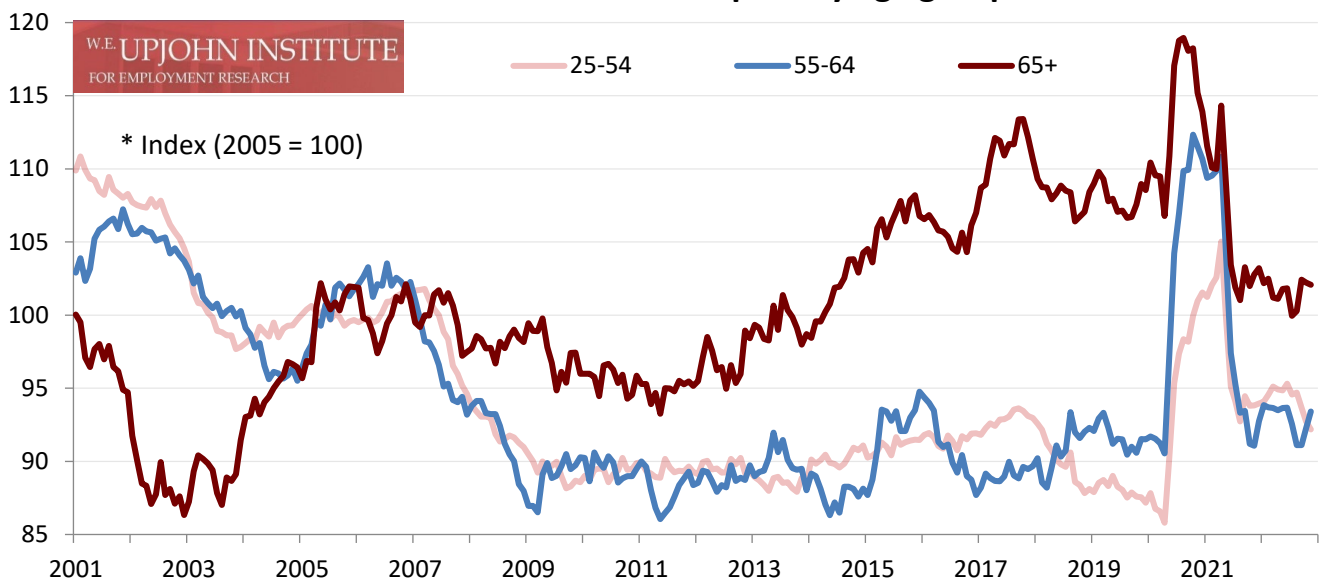
slightly, by 0.8 percent. While the wage index and the volume index have both increased since the pandemic for prime-age workers, the patterns have been mixed for the older age groups. Notably, the higher wage index and lower volume index for individuals ages 65+ imply that fewer hires have been occurring among lower-paying occupations than prior to the pandemic but that hiring into higher-paying occupations has not dropped off. For individuals ages 55–64, the story is reversed, if somewhat milder.

### New Hires Volume Index: by age group



A more complete picture merges if we examine indices of hiring *rates*—the number of hires per 1,000 individuals—to control for population aging. As shown in the next graph, the slight decline for workers age 65+ in hiring *volume* is more dramatic when expressed as a hiring *rate*: a reduction not of 0.8 percent but 6.8 percent, and to a rate last experienced in mid-2014. Nonetheless, despite this sharp decline, hiring rates for this oldest age group are still above where they were during all of 2001–2014. It’s the past few years prior to the pandemic that were unusual for senior hiring, not necessarily the rate today.

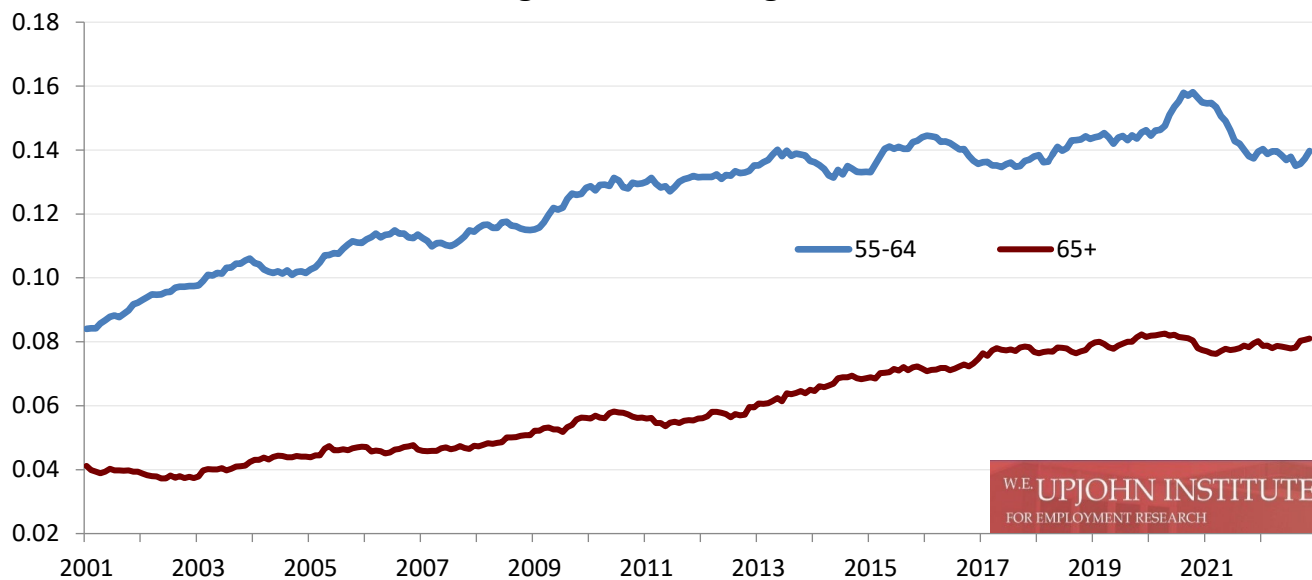
### New Hires Volume Per-capita: by age group



Hiring rates for the other two age groups are above their prepandemic averages—by 2.0 percent for individuals ages 55–64 and by 6.3 percent for prime-age individuals. Still, these hiring rates are in both cases below their levels from before the Great Recession.

Another way to put these trends in perspective is by looking at each group’s share of the wage bill—the share of the earnings power of all newly hired workers in a given time period. Because of population aging, the fraction of the population ages 55–64 and 65+ have both increased over the past two decades, and this has helped increase their respective wage bill shares, to 14.0 and 8.1 percent, respectively. The opposite trends in the wage and volume indices for each of these groups since the pandemic, however, have largely offset to mitigate recent trends in their wage bill shares—since February 2020, the share for 55–64 year-olds has fallen by 0.6 percentage points, to about its level in 2018, while the share for 65+ year-olds is down by a bare 0.1 percentage point. Although these older workers are less likely to take a new job than they were immediately before COVID, they are still taking more new jobs—and higher-paying ones—than they were just a few years prior.

**New Hires Wage Bill Shares: Ages 55-64 and 65+**



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: [https://www.upjohn.org/sites/default/files/2021-05/NHOI\\_report\\_0.pdf](https://www.upjohn.org/sites/default/files/2021-05/NHOI_report_0.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 2022 will be released during the first week of February 2023. 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 press releases for [July 2018](#), [July 2019](#), [July 2020](#), [July 2021](#) and [July 2022](#).

### 4. Does the NHQI count self-employed workers?

No, the NHQI excludes the self-employed (including independent contractors).

### 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 2022. 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.