

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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

NEWS RELEASE: MAY 3, 2023

CONTACT: JUSTIN CARINCI

carinci@upjohn.org

BRAD HERSHBEIN

hershbein@upjohn.org

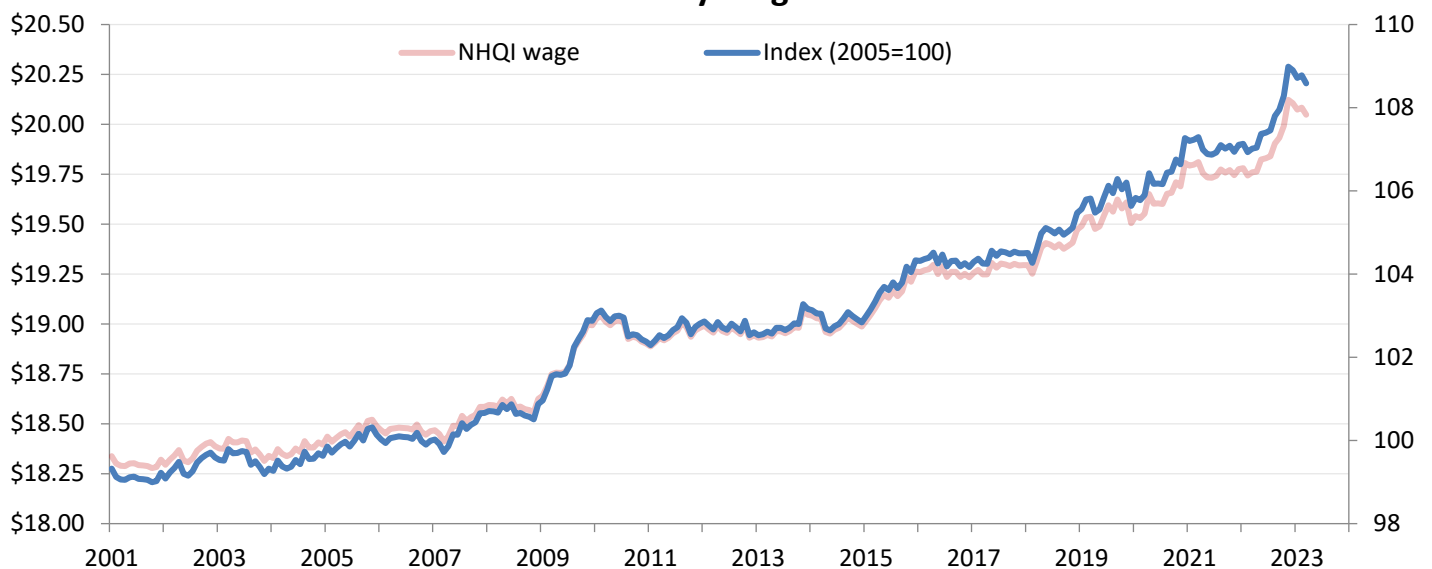
Upjohn Institute New Hires Quality Index slips 0.2 percent in March 2023, as hiring shifts from the less-educated to those with graduate degrees

NOTE: This month's release incorporates new [occupational wage data](#) from the Bureau of Labor Statistics. This revision affects the entire wage index series. The principal result is a shift up in wage levels; indexed values and trends are minimally changed. All statistics in this release use the revised data, and data on the NHQI website have also been updated.

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job dropped 0.2 percent between February and March of 2023, to \$20.05, or 7 cents below the record high reached in November. Over the past 12 months the index is up 1.5 percent; since 2005, it is up 8.6 percent. Hiring volume dipped 0.2 percent over the month, partially reversing a gain between January and February. Although hiring is down 2.1 percent from last March, it remains 2.1 percent above its pre-pandemic (February 2020) level. (Adjusting for population growth, hiring *rates* are 0.6 percent above the pre-COVID baseline.) It is still too soon to say whether the labor market—which has been incredible resilient over the past year—is finally beginning to soften.

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

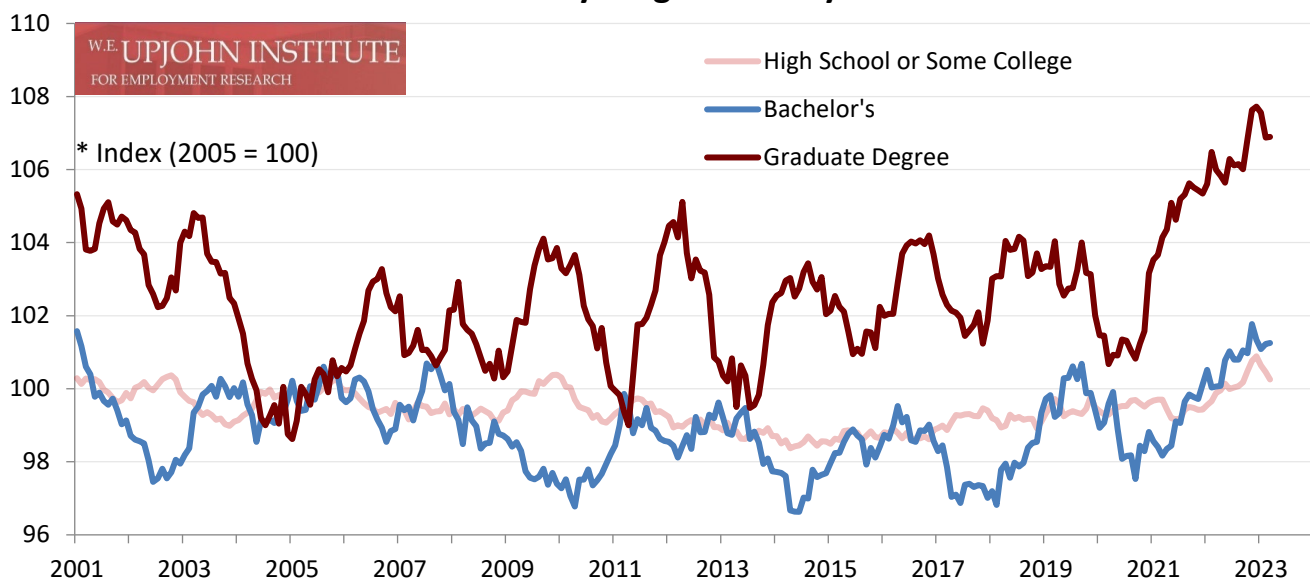
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.



Even as [economists](#) and other [analysts](#) wonder how much the Federal Reserve's actions are [slowing inflation](#) and [cooling the labor market](#), a long-running effort to improve career opportunities for workers without a bachelor's degree has been gaining steam. Projects like [STARS](#) and [Opportunity Occupations](#) aim to persuade employers to open up more positions for applicants with experience but not degrees, joining [initiatives from several states](#) to reduce bachelor's degree requirements for many public-sector jobs. There's some evidence that the tight labor market has [helped](#) these efforts, but what does the NHQI say about how successful they've been in moving the needle on hiring for these workers? We examine the issue in this month's release, focusing on patterns for newly hired workers with high school or sub-baccalaureate education, contrasting them with new bachelor's degree and graduate degree hires.

The graph below shows the hourly wage index separately for newly hired workers in these three education groups, with high school or some college in salmon, bachelor's degree holders in blue, and the graduate degree holders in dark red. Each index is normalized to the respective group's own level in 2005 to better show relative changes. The series are volatile, especially the one for holders of graduate degrees, but they generally indicate relatively little long-run trend growth for each group. This reflects the fact that the mix of occupations (and the NHQI wage index is primarily based on occupations) has not changed much within education group. Yet, some recent trends emerge. Among graduate degree holders, the wage index is up 5.4 percent since the beginning of the pandemic and, despite a slight dip over the past few months, the index remains well above its level from any point before the pandemic. The wage index for bachelor's degree holders is up a more modest 2.2 percent, and near—but still below—its all-time high. Among those with high school or some college without a bachelor's degree, the increase is only 1.0 percent, although it, too, is near a high point. Nonetheless, if many more workers without a bachelor's degree were successfully being hired into professional and managerial occupations, we would expect to see a larger increase in the wage index. That we don't suggests that efforts to broaden access to higher-paying jobs for workers with relevant experience but not a bachelor's degree has yet to gain much traction in the data.

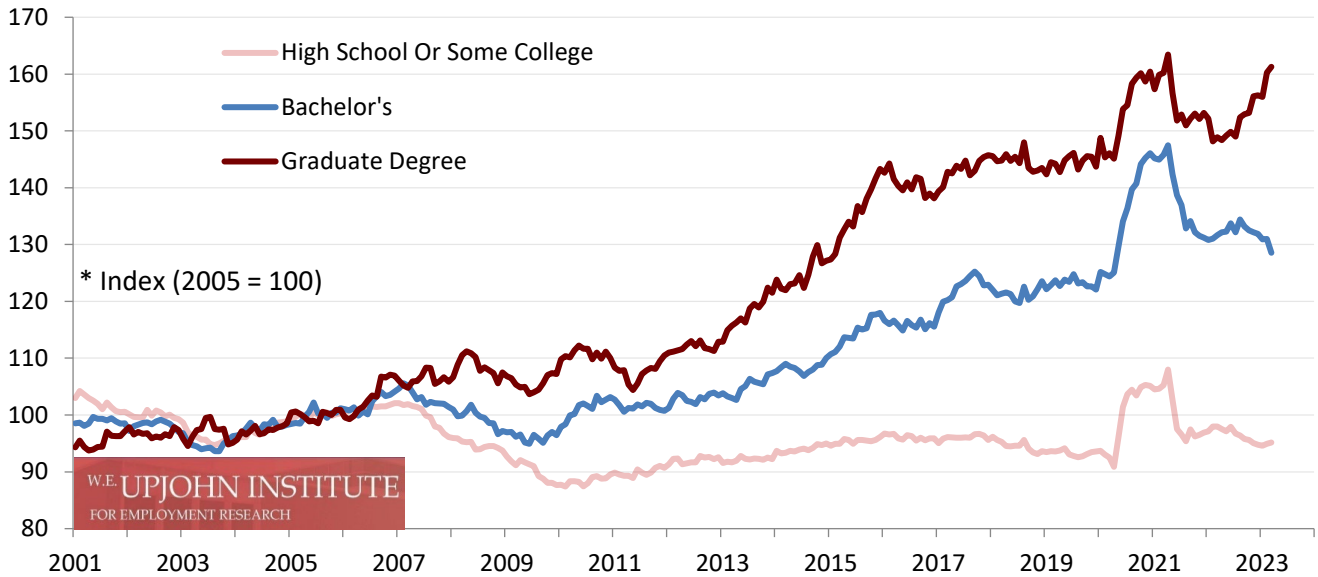
New Hires Hourly Wage Index: by education



Moreover, while hiring volume has surged 8.3 percent over the past year for graduate-degree holders, it has slowed considerably over the same period for workers from the other two education groups. For

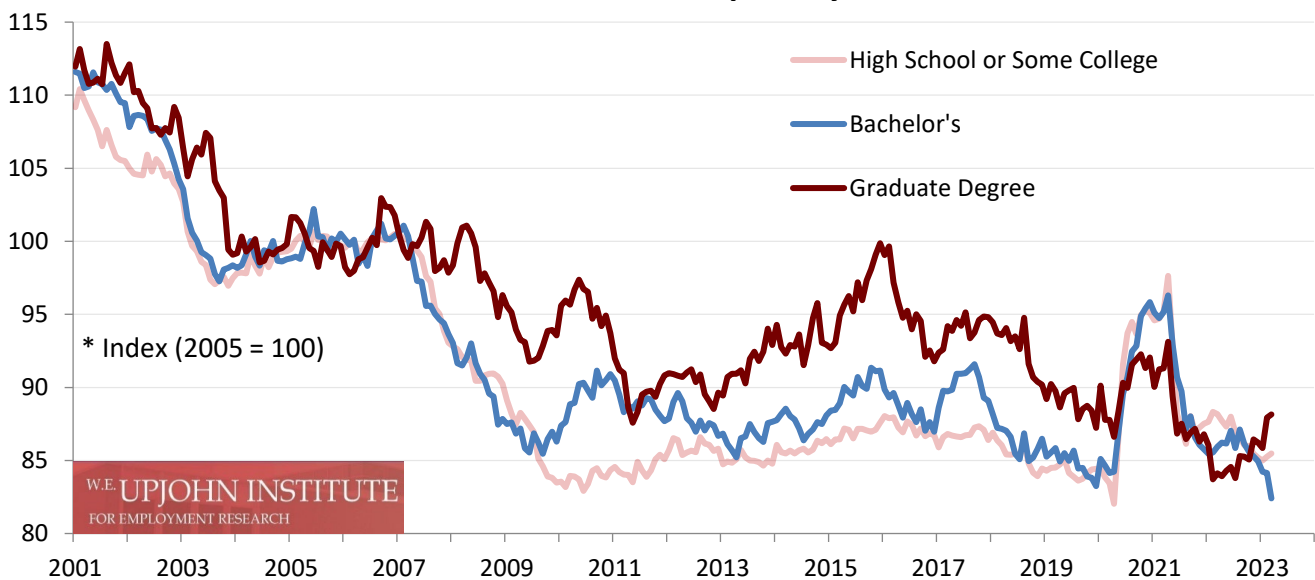
workers with a bachelor's degree, hiring volume is down 2.4 percent over the year, although it's still up 3.0 percent from pre-pandemic levels. Those with high school or sub-baccalaureate education show similar, if slightly weaker hiring, with volume down 2.9 percent over the year, but up 2.3 percent since February 2020. Again, these patterns are inconsistent with an acceleration in labor market opportunities for workers without a bachelor's degree.

New Hires Volume Index: by education



Trends in aggregate hiring volume reflect, in part, changes in the underlying population who have different levels of education. The graph below thus presents *hiring rates*, or hiring volume per capita, again normalized to levels in 2005. These hiring rates shrink the gaps between the different education groups, and cast longer-term trends in a new light—decadal declines rather than increases—but they do not change the *recent* patterns.

New Hires Volume Per-capita: by education

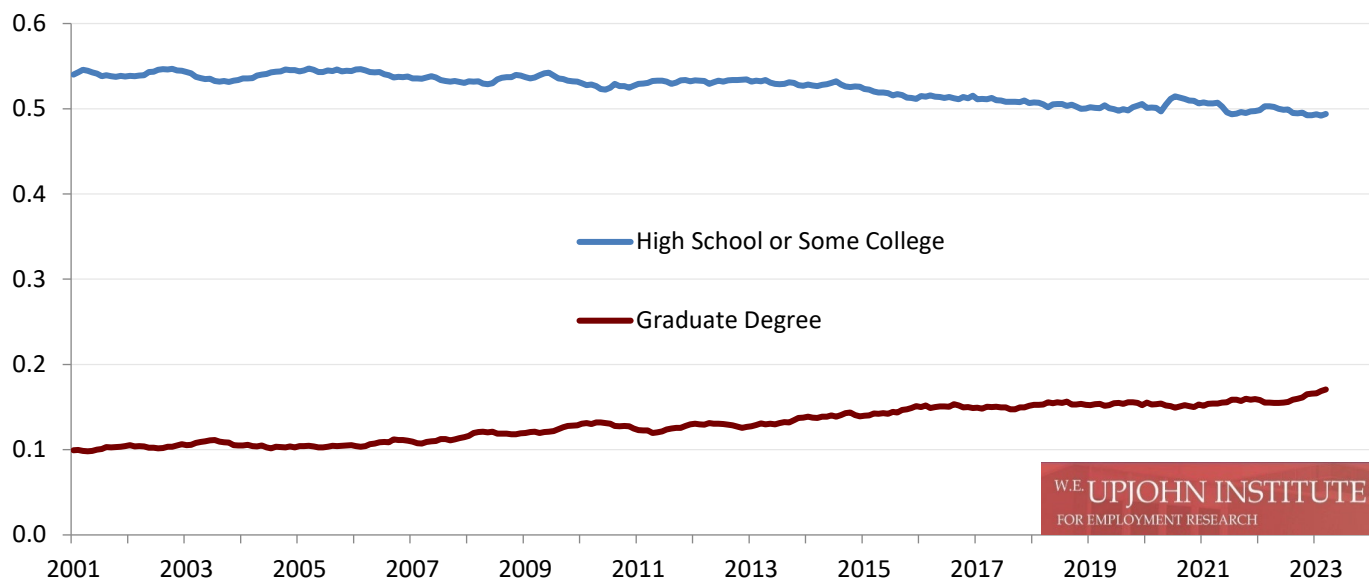


Hiring rates for workers with high school or sub-baccalaureate education have fallen 3.1 percent over the past 12 months, and even those for workers with a bachelor's degree have slipped, by a larger 4.1 percent

and to an all-time low. Only for graduate degree workers have hiring rates risen over the year, with an increase of 4.8 percent, although they are barely at prepandemic levels. These signs suggest that the strong labor market of the past two years may be cooling, at least for all but the most-educated workers.

The upshot is that the new hires wage bill share—the fraction of total earnings power among all new hires accruing to a specific group—has continued to increase for workers with a graduate degree. Although this share was 10.0 percent in 2001, it stands at 17.1 percent today, gaining 1.6 percentage points just in the past year. In contrast, the new hires wage bill share for workers who completed high school or some college but without a bachelor’s degree has fallen from 54.0 percent at the dawn of the millennium to 49.4 percent in March 2023, with a drop of 0.9 percentage points over the past 12 months. Workers with lower levels of education have experienced [real wage](#) gains since the pandemic, but gains in occupational mobility do not seem to have followed.

New Hires Wage Bill Shares: by education



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: https://www.upjohn.org/sites/default/files/2021-05/NHqi_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 April 2023 will be released during the first week of June 2023. 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 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 those who report bring 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 March 2023. 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.