Upjohn Institute New Hires Quality Index edges up 0.1 percent in April 2023, but hiring volume drops 1.0 percent as labor market for foreign-born workers slows

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job ticked up less than 0.1 percent between March and April of 2023, to $20.06, or 6 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 8.7 percent. Hiring volume, in contrast, plunged 1.0 percent over the month and is down 2.8 percent since last April; nonetheless, it remains slightly—1.1 percent—above its pre-pandemic (February 2020) level. (However, adjusting for population growth, hiring rates are now 1.0 percent below the pre-COVID baseline.) With a debt ceiling crisis, stubbornly high inflation and rising interest rates, and slowing hiring, the evidence is mounting that the labor market is cooling.

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.

Title 42, a temporary rule implemented in the early stages of the pandemic that allowed federal authorities to turn away migrants at U.S. borders for public health reasons, expired in May. Although its
ending does little to change U.S. immigration policy, and concerns over a surge in refugees and other migrants have so far proven ill-founded, it has sparked renewed conversation about foreign-born workers, especially in a period where the labor market has run hot and vacancies remain elevated. As covered in a release a year ago, foreign-born workers suffered greater job losses than native-born workers during the beginning of the pandemic but also benefitted from a stronger recovery. With signs that the labor market is now cooling, we reevaluate in this month’s release the relative hiring profiles for foreign-born and native-born workers.

The graph below shows the hourly wage index separately for newly hired workers in these two groups, with the native-born in salmon and the foreign-born in blue. Each index is normalized to the respective group’s own level in 2005 to better show relative changes. Although the profiles of each group were fairly similar into the Great Recession, since 2012 the wage index for the foreign-born has steadily outpaced that for the native-born, and the gap has grown wider since the pandemic. Since February 2020, the foreign-born’s wage index is up 3.3 percent, versus a gain of 2.6 percent for the native-born. The difference would be wider still if not for a recent and sharp decline over the past six months in the index for the foreign-born, even as the index for the native-born stayed flat. Although it’s too soon to be sure, this pattern would be consistent with the labor market softening, as immigrants, many of whom are on visas, can be a bellwether for labor demand. Nonetheless, since 2005, the wage index for the foreign-born has grown 16.3 percent, more than twice as fast as the native-born’s 7.1 percent.

![New Hires Hourly Wage Index: by Native/Foreign-born](image)

Additionally, as shown in the graph below, hiring volume has held up better among the foreign-born than the native-born. Whereas the number of new hires among the native-born has slipped 3.4 percent over the past 12 months, foreign-born hiring volume has dipped just 0.3 percent. Indeed, hiring volume for the native-born is at approximately prepandemic levels, while volume for the foreign born is still up more than 7 percent from its level in early 2020. This evidence would seem to point in the opposite direction from the pattern indicated in the wage index, but to get a more complete picture it is important to examine not just hiring volume, but hiring rates.
The graph below thus presents hiring rates, or hiring volume per capita to adjust for population growth, again benchmarked to levels in 2005. This graph reverses the pattern immediately above, stressing the importance of differential population growth of the foreign-born, even during the pandemic and aftermath. Here we observe not only lower hiring rates for the foreign-born over the past decade but also a sharper decline over the most recent 12–18 months. That hiring rates have been declining for both groups over the past year, and to levels near their prepandemic lows, further suggests that labor market dynamism is declining.

Despite this slowdown, the longer-term growth in the foreign-born’s wage index, as well as higher hiring volume, implies that that their new hires wage bill share—the fraction of total earnings power among all new hires accruing to the foreign-born—has increased over time, from about 17–18 percent during the Great Recession to about 19–20 percent today. As indicated in the final graph, this gradual increase has continued during the pandemic, with the foreign-born’s new hires wage bill share up a percentage point
since the pandemic began. The recent drop in their wage index has brought their wage bill share down just 0.3 percentage points since its all-time high last November. If the labor market continues to slow, as widely expected, hiring and job quality among the native-born may also begin to fall rapidly, catching up with the decline among the foreign-born. If this happens, though, the share of the new hires wage bill accruing to foreign-born workers will continue its upward trajectory.

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/nhq.

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 May 2023 will be released during the first week of July 2023. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: www.upjohn.org/nhq/signup.

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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 April 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.