Upjohn Institute New Hires Quality Index holds steady in September, but hiring volume and rates continue to slip for all racial and ethnic groups

KALAMAZOO, Mich.—The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job essentially held even, falling less than 0.1 percent over the month, to $20.12. Although this is down 5 cents from July’s record high, the current reading is up 1.0 percent from September 2022, 3.1 percent from right before the pandemic, and 9.0 percent since 2005. Hiring volume broke from its recent downward trend by rising 0.2 percent over the month; it nonetheless remains down 3.1 percent since September 2022, and below its prepandemic level from February 2020 for the second month in a row. Adjusting for population growth, hiring rates are 2.8 percent below the pre-COVID baseline and are just a hair above last month’s series low. Even as GDP growth jumped in the third quarter of 2023, hiring dynamics continue to slow, suggesting that the workers’ labor market is nearing its end.

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.

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.
During the strong labor market of the past few years, as shown in last year’s release, Black, Hispanic, and Asian-American newly hired workers made historic gains in their earnings power and had more opportunities to take new jobs. As the labor market continues to cool, especially in terms of hiring volume, have these racial and ethnic groups managed to continue to eke out gains or have their hiring dynamics plateaued? Or worse, are some of their gains already eroding, even as the overall economy remains relatively strong?

The graph below shows the hourly wage index separately for four racial and ethnic groups: White workers (salmon), Black workers (blue), Asian or Pacific Islander workers (dark red), and Hispanics or Latinx (green). Each index is normalized to the respective group’s own level in 2005 to better show relative changes. The incredibly fast growth in earnings power of Asian and Pacific Islander workers, which had risen 20 percent since 2005 as of last September, and 7.8 percent just since the pandemic, has ebbed notably; their earnings index has dropped 2.3 percent over the past 12 months. Although long-term growth for the other groups has been slower, none experienced the sharp recent dip of Asian and Pacific Islander workers. Black workers, for instance, saw gains of 0.8 percent over the year, and 6.5 percent since the pandemic, while for Hispanic workers the respective numbers were 1.4 percent and 2.0 percent. White workers have also seen recent gains of 1.4 percent over the year and 2.9 percent since COVID began. Since 2005, White workers have seen faster growth, 10.9 percent, than Black or Hispanic workers, but the latter groups have narrowed the gap more recently. Thus, aside from the dip in earnings power for newly hired Asian or Pacific Islander workers over the past year—and these workers have still seen among the fastest growth since the pandemic—the slowing labor market has not diminished earnings power growth for any of the racial and ethnic groups.

Although the newly hired workers themselves appear to be doing well in terms of their earnings power, how many opportunities are still available and being fulfilled? The next chart shows indexed hiring volume for each racial and ethnic group. Here the story is less sanguine. All groups have seen sharp declines in hiring volume over the past 12 months, ranging from a 2.0 percent decline for White workers and 2.5 percent decline for Hispanic workers, to 6.1 and 6.9 percent declines for Asian or Pacific Islander and Black workers, respectively. Whereas hiring volume is still up since the pandemic began for Asian or Pacific Islander and Hispanic workers, White workers and Black workers have seen net decline of 2.4 and
2.7 percent, respectively. Despite the more gradual declines for hiring volume of White workers, their series is at a record low.

Some of these trends reflect changing population composition as the country becomes more racially and ethnically diverse. We also examine hiring rates, or the number of newly hired workers per 1000 people, again indexed for comparison. The figure below shows that these hiring rates cluster much more closely together, but the recent declines are even steeper than for total hiring volume. Over the past 12 months, hiring rates are down 2.1 percent for White workers, 5.2 percent for Hispanic workers, 8.0 percent for Black workers, and a staggering 9.8 percent for Asian or Pacific Islander workers. Rates for each group are also all below their prepandemic levels, with the largest decline for Black workers, at 6.4 percent. Hiring rates for White and Hispanic workers, in turn, are near record lows. These trends demonstrate how much hiring has slowed and serve as an advance indicator that the labor market may not be as strong as measures of wage and earning growth suggest, especially since these latter measures reflect lagged changes more than current dynamics.
Commensurate with the recent declines in hiring generally being greater for Black, Hispanic, and Asian or Pacific Islander workers than for White workers, these groups’ shares of the hiring wage bill—the fraction of earnings power among all newly hired workers—have edged down over the past year or so after having shown earlier growth. Since the pandemic began, though, the collective wage bill share of Black, Hispanic, and Asian or Pacific Islander workers is up 0.9 percentage points, to 22.2 percent from 21.3 percent; since 2005, the collective share is up over 5 percentage points. However, the cooling labor market is likely to cause these shares to plateau for the near future.

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 October 2023 will be released during the first week of December 2023. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: 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, July 2022, and July 2023.

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 September 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.