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NEWS RELEASE: SEPTEMBER 3, 2025

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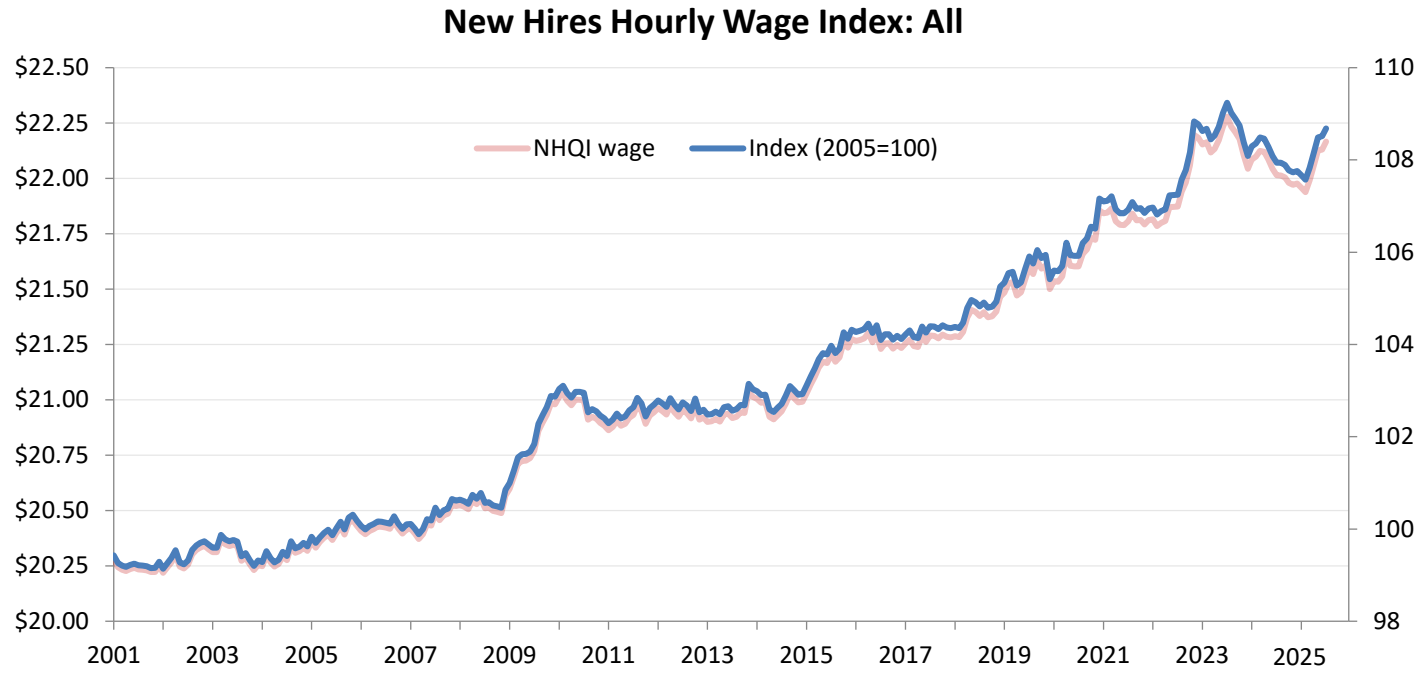
Upjohn Institute New Hires Quality Index for July 2025 gains 0.2 percent to new high for 2025, plus annual Labor Day look at actual real wage growth

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job increased 0.2 percent between June and July of 2025, to $22.17. The index has risen 0.7 percent since last July but remains 0.5 percent off from its record peak in July 2023. Hiring volume, however, dipped 0.1 percent in July, continuing its 2025 trend of the lowest levels since 2011. Adjusting for population growth, hiring *rates* have tied a record low (from February of this year), marking a decline of 2.4 percent in the past 12 months. Even as the earnings power of those newly hired has held up and shown gains, these opportunities have gone to a fortunate few as jobs have become quite hard to come by, and as fall approaches there are expectations that the Federal Reserve will cut interest rates later this month.

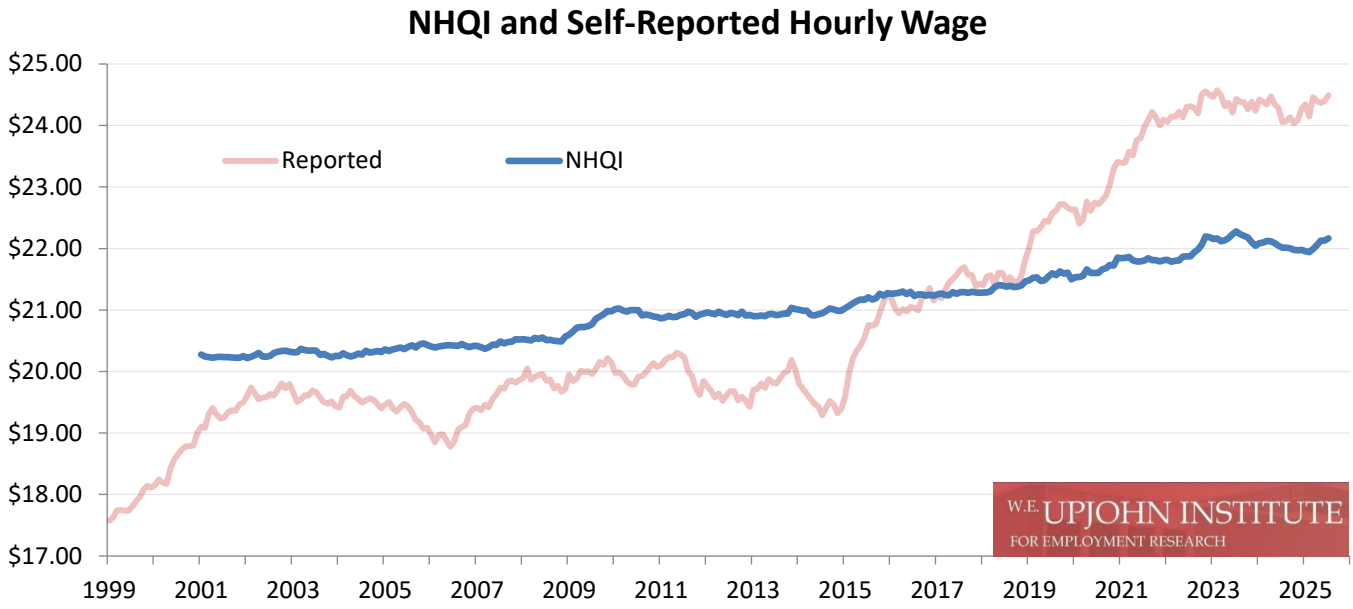
The index and accompanying interactive database and report, developed by Upjohn Institute economist Brad Hershbein, fill a key gap in the measurement of hiring activity. The NHQI provides monthly updates on the volume and occupation-based wages of newly hired workers, and is available for different groups 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.

For this month's release around Labor Day, we again showcase trends in actual, reported wages of newly hired workers and compare these with the NHQI. As documented in the FAQ below, the NHQI does **not** measure actual wages of newly hired workers but rather their earnings power as proxied by their occupation and demographic characteristics. While there are pitfalls to using actual wages of new hires (also described in the FAQ), they can sometimes be illustrative, especially when compared to the NHQI. In particular, because existing theory and evidence suggest that wages of new hires should be more responsive to economic conditions than wages of incumbents, looking at growth in the former can shed important insight on the strength—or possible weakness—of the labor market. This may be especially relevant as hiring has slowed substantially over the past two years, jobs reports are showing downward revisions (typical when the economy is decelerating but also possible from random noise), interest rate and tariff uncertainty still remain, and political interference at the Federal Reserve has become highly salient. In short, the economy looks increasingly fragile.

The NHQI shows that newly hired workers have steadily become more skilled, with particularly sharp growth during the Great Recession, in 2015, during 2018–2020, and again (briefly) in 2022 and 2025, but it does not address whether these workers are being *paid* commensurate with these higher skills, or how a stronger economy translated into actual wage growth for new hires. The figure below plots the NHQI wage index (in blue) and the average self-reported wage of newly hired workers (in salmon); both are adjusted for inflation to year 2025 dollars.[1]



While NHQI trends tend to be gradual, given their construction, actual self-reported wages of new hires have tended to change in rapid spurts. As profiled earlier, there have been periods of rapid wage growth in the late 1990s, in the mid-2000s right before the Great Recession, in 2015, in early 2019, and most recently during the pandemic recovery of late 2020 through late 2021. During other times wage growth has stalled—as it has since 2022—or even turned negative. On net, inflation-adjusted wages of newly hired workers were largely stagnant between 2002 and 2014, with slight dips in 2005 and 2014.

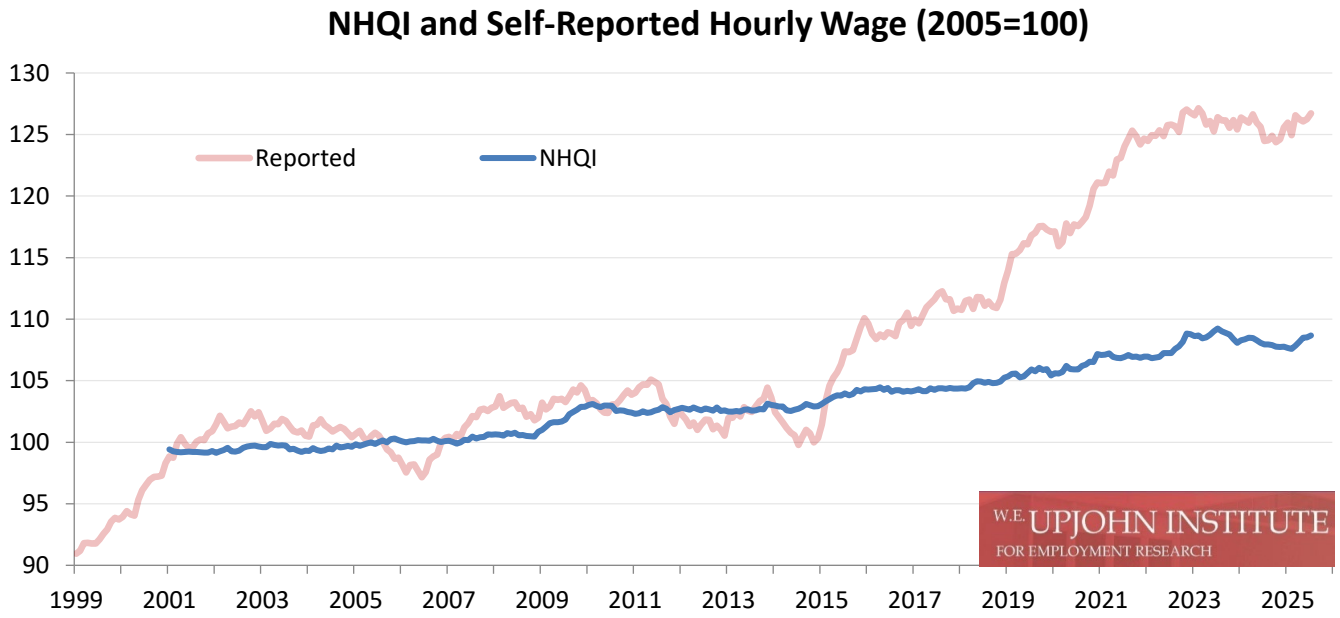
[1] As detailed in the technical report, the reported wage includes only non-imputed responses, and for consistency with the NHQI, is also shown as a 12-month lagged moving average. The figure is an updated version of the one in the technical report and previous July NHQI releases.

The past three and a half years have represented stagnant growth in inflation-adjusted wages after the frenzied pace of the early pandemic recovery. Whereas inflation-adjusted wage growth for new hires surged at an annualized rate of 3.5 percent between July 2020 and July 2022, the fastest clip this century, wage growth slowed considerably between July 2022 and July 2023, at 0.5 percent. It then turned negative over the next 12-month period, falling 1.5 percent, before recovering over the past year. The current (July 2025) average real wage of new hires, $24.49, is up just $0.17 (0.7 percent) from its level in July 2022. Nonetheless, it remains 9.3 percent above its level right before the pandemic, in February 2020, and 18.0 percent above its level from July 2015. The annualized growth in inflation-adjusted wages of new hires over the past decade is about 1.7 percent, much faster than the practically zero growth over the preceding decade. The recent slowdown, already lasting over 40 months, is thus cause for concern: was the period of rapid wage growth between 2015 and 2021 an anomaly, and we are stuck back in stagnation?

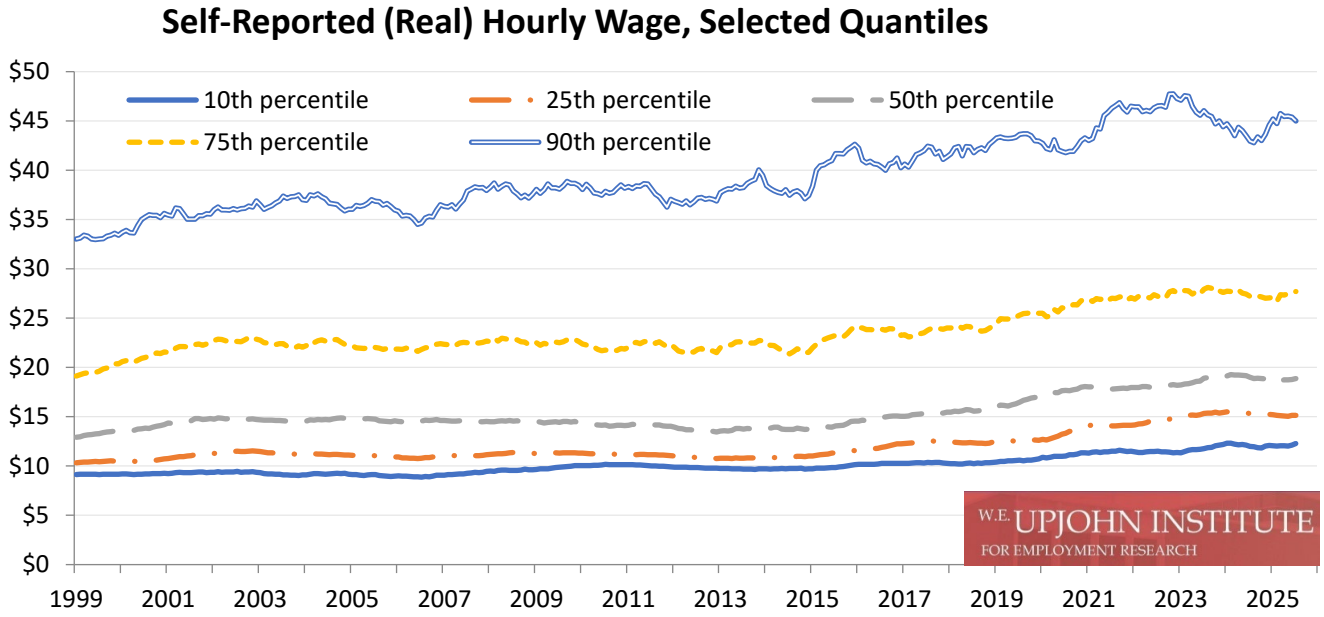
How does recent wage growth of new hires compare to that of incumbent workers? Rather than compare wage growth of *all* payroll workers, which reflects rapid changes in the composition of jobs lost in the spring of 2020 and since (mostly) gained back, a better approach is to instead compare the wage growth of new hires with the wage growth of the same group of individual workers employed one year apart. The methods employed by the Federal Reserve Bank of Atlanta's Wage Growth Tracker show that the median worker employed in both July 2024 and July 2025 experienced nominal wage growth of 4.1 percent, a decrease from the 4.7 percent growth over the previous year. After adjusting for inflation, real wage growth for the year ending in July 2025 was about 1.5 percent, down from 2.3 percent the prior year.[2] This compares to 1.8 percent inflation-adjusted gains within the past 12 months for newly hired workers, the first time in three years in which inflation-adjusted wage gains of newly hired workers outpaced growth for incumbent workers outpaced growth for newly hired workers, although the difference was slight. The mildly stronger wage gains for newly hired workers are tempered by hiring rates reaching an all-time low. The labor market has slowed for everyone.

Over the past three years, July 2022 through July 2025, the actual inflation-adjusted wages of new hires have risen 0.7 percent, while the NHQI wage index increased by 1.3 percent. Between July 2020 and July 2022, in contrast, the pattern was quite different, with actual inflation-adjusted wages of new hires jumping 7.0 percent and the NHQI wage index rising 1.2 percent. Roughly speaking, the difference between the two series implies that average real wage growth of new hires, controlling for changes in their occupations and demographics, *rose* 5.9 percent between 2020 and 2022, but *fell 0*.6 percent between 2022 and 2025.[3]

[2] The Federal Reserve Bank of Atlanta's Wage Growth Tracker shows *nominal* wage growth, unadjusted for inflation; the numbers shown here are adjusted for inflation in the same manner as the self-reported wage growth of new hires.
[3] This measure declined 1.4 percent between July 2022 and July 2023, 0.3 percent between July 2023 and July 2024, and partially recovered 1.1 percent between July 2024 and July 2025. Since July 2020, the total increase in the real wages of new hires, controlling for changes in occupations and demographics, is 5.2 percent.

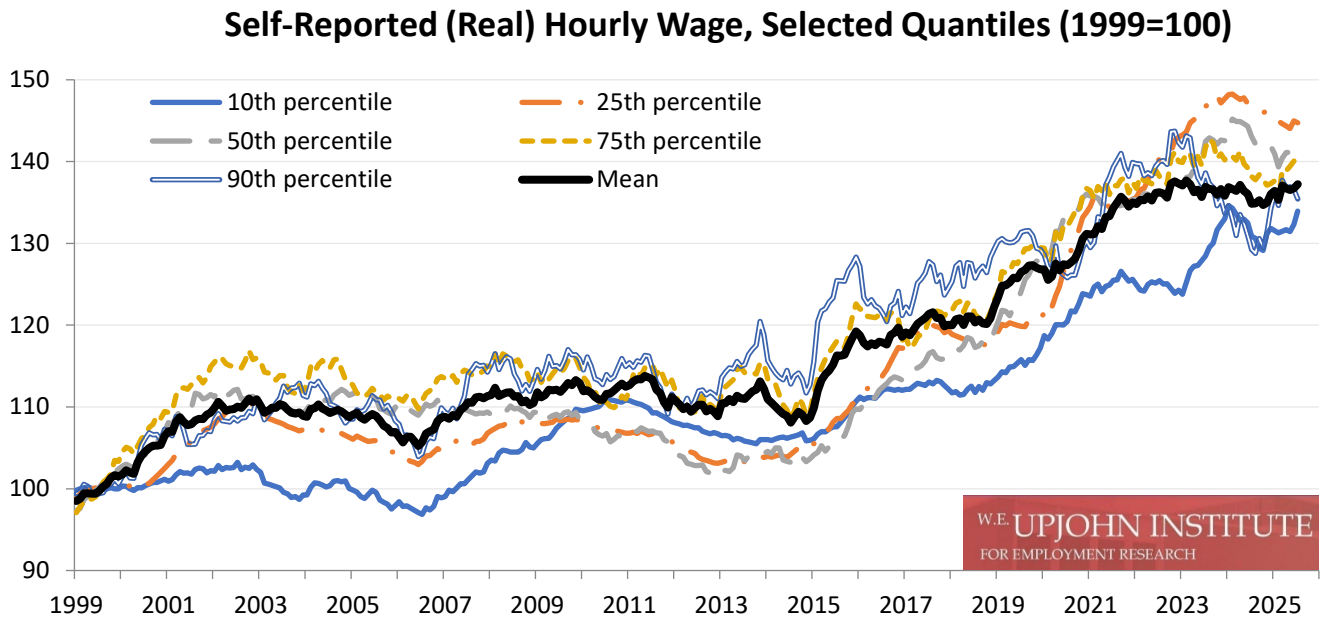


To understand longer-term changes, we normalize each wage series to its respective value in 2005, shown in the figure above. Inflation-adjusted, self-reported hourly wages of new hires have grown 26.7 percent since 2005, with essentially all this growth occurring between 2015 and 2022. Netting out the 8.7 percent growth in the NHQI since 2005, composition-adjusted real wages of new hires have grown 18.0 percent, or about 0.83 percent per year. (Between 2015 and 2022, they grew 1.8 percent annually.)



Growth in the average wage, however, does not necessarily mean that all parts of the wage distribution are growing similarly. The speedup of 2020 and 2021, and the recent slowdown since 2022, could be widespread or it could be driven by higher (or lower) earners. The figure above provides context by showing the real hourly reported wage (in 2025 dollars) of new hires for different percentiles. For example, at the 10th percentile—the point at which 10 percent of new hires makes less and 90 percent make more—hourly wages in July 2025 were about $12.27, $5.02 above the federal minimum wage (but still below 22 states' minimum wages). In contrast, at the 90th percentile, wages were $45.00 per hour, more than three-and-a-half times as much. The 50th percentile, or median, where half of newly hired

workers earn more and half earn less, was $18.88, much less than the mean value of $24.49 found above. The divergence in earnings between the typical new hire (represented by the median) and the average (skewed by higher earners) speaks to the importance of looking at the entire wage distribution.



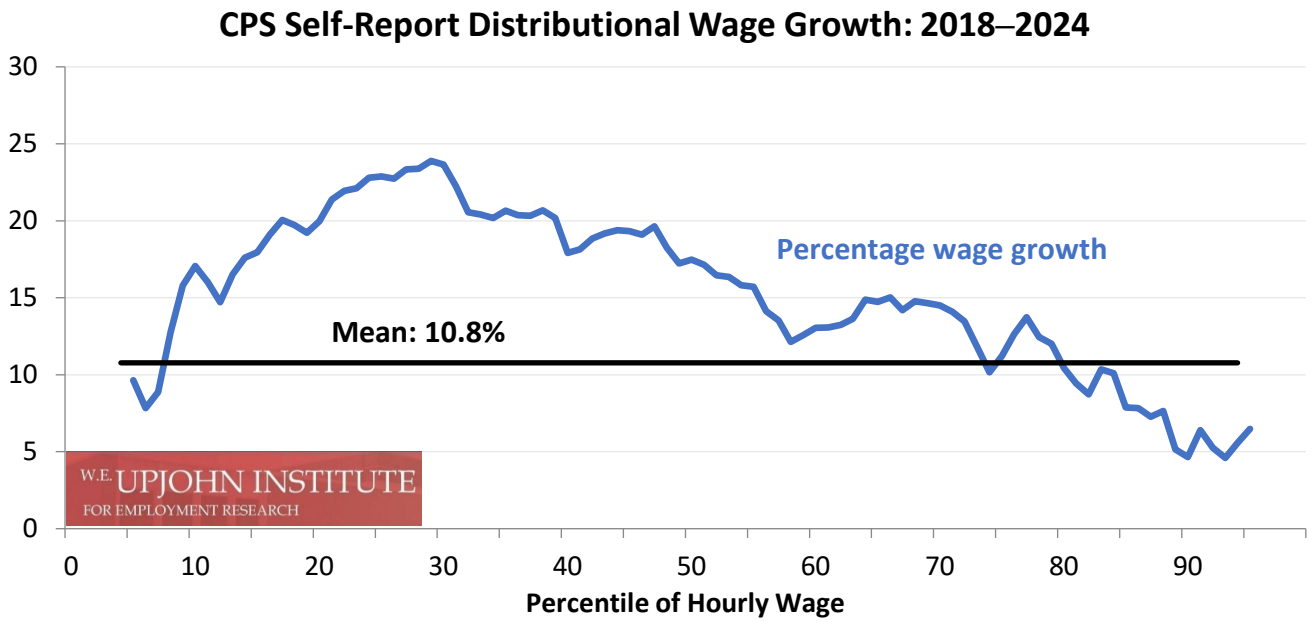
To see growth in the distribution more clearly, however, it is helpful to normalize the series. In the figure above, each selected wage percentile is normalized to its value in 1999, and the mean is included for reference. Since 1999, the average inflation-adjusted, self-reported hourly wage of new hires has increased by 37.2 percent (thick black line). This works out to an annualized rate of growth of 1.22 percent since 1999, but almost all this growth was concentrated at the turn of the millennium or between 2015 and 2022, with flat periods between 2001 and 2015 and again since 2022.

The graph also shows sizable deviations over the long term for the different percentiles. Since 1999, for example, the 10th percentile real wage of new hires has risen by 33.9 percent, while the increase for the median is 42.2 percent, and that for the 90th percentile is 35.4 percent. Since the COVID recovery began in the summer of 2020, cumulative growth has concentrated in the lower half of the distribution, with increases of about 14 percent at the 25th percentile and 11 percent at the 10th percentile, with smaller gains of 6–8 percent at the 50th, 75th, and 90th percentiles.

These patterns have rapidly changed. As recently as the beginning of 2023, the top had seen the strongest cumulative growth, with the bottom lagging badly behind. Over the course of 2023 and 2024, however, inflation-adjusted wages of new hires plunged at the 90th percentile, falling 10 percent, even as growth continued in the bottom half of the distribution. The most recent 12 months, through July 2025, have seen *another* reversal, with wage growth among new hires once again fastest at the top. The stagnation in *mean* wage growth of new hires, described in the previous paragraph and into its fourth year, has been driven by different parts of the distribution offsetting each other (although the mean is heavily sensitive to what's happening at the top).

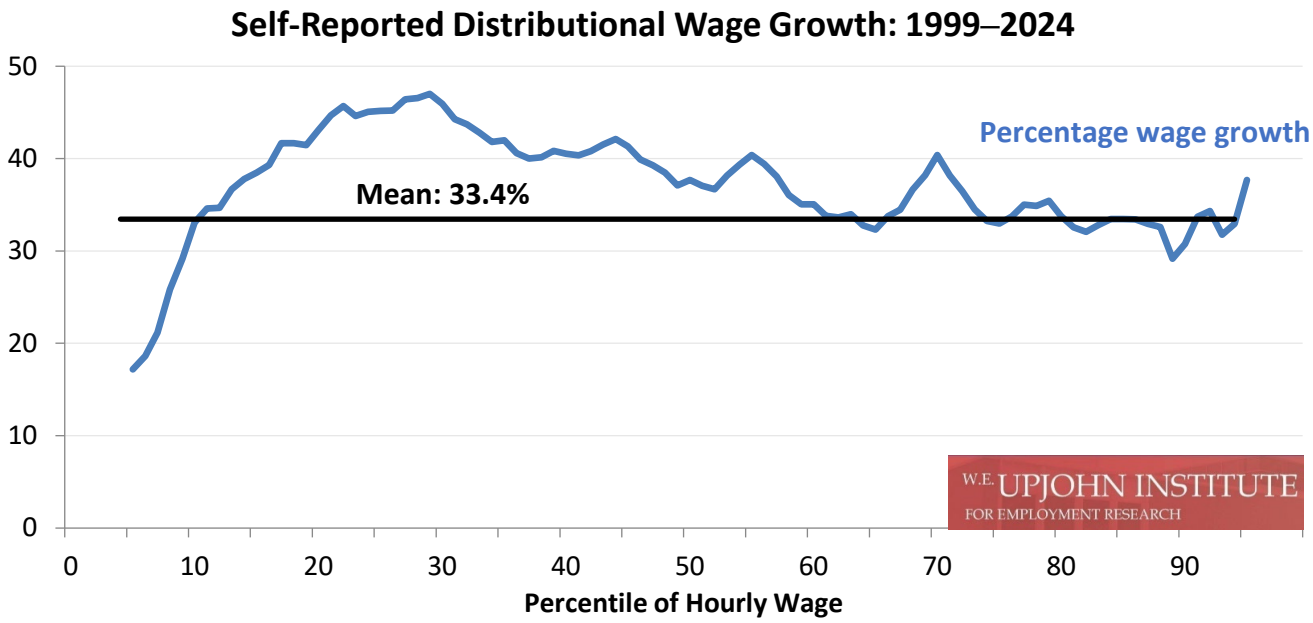
The recent rise in actual wage growth at the top among new hires, coupled with a concomitant rise in the NHQI even as hiring volume has declined, suggests that the post-pandemic flattening in wage inequality may have run its course. How has wage inequality among new hires played out since the pandemic? The figure below shows cumulative (inflation-adjusted) hourly wage growth of new hires, for nearly the

entire wage distribution, between 2018 and the most recent 36 months.[4] On average, inflation-adjusted actual wage growth has risen almost 11 percent over this period. The figure demonstrates, however, that the bulk of this growth has indeed come from the bottom half, parts of which have seen double the average (22 percent) wage growth, even as the top fifth or so has experienced wage growth below 10 percent. The post-pandemic compression in wage inequality documented by Autor, Dube, and McGrew (2024) among incumbent workers applied even more strongly among new hires.



If we take a longer viewpoint, and examine actual (inflation-adjusted) wage growth of new hires since the turn of the millennium, the picture is somewhat different. Over quarter of a century, wage growth has averaged 33.4 percent, a slower pace than just since COVID. But the upper 90 percent of the distribution has either exceeded this growth number or stayed within a few percentage points of it. Wage growth in the lower-middle part of the distribution—around the 20th to 45th percentiles—has been especially brisk, above 40 percent, allowing for some catchup with the top half. However, the wage growth of the bottom tenth has continued to lag considerably, and even the strong post-pandemic labor market has not been sufficient to make up for the preceding decades of slow growth at the very bottom. With hiring in the dumps, slowing wage growth at the bottom, and rising economic uncertainty from federal trade and immigration policies as well as AI, the least-paid newly hired workers risk falling further behind—if they can find jobs at all.

[4] The endpoints are the averages of 2017–2019 and August 2022–July 2025; 36-month averages are used to allow sufficient sample sizes to make comparisons over the whole wage distribution.



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 August 2025 will be released during the first week of October 2025. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: www.upjohn.org/nhqi/signup.

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, July 2020, July 2021, July 2022, July 2023, and July 2024 press releases, as well as this one.

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 July 2025. 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.