

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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

NEWS RELEASE: THURSDAY, FEBRUARY 28, 2019

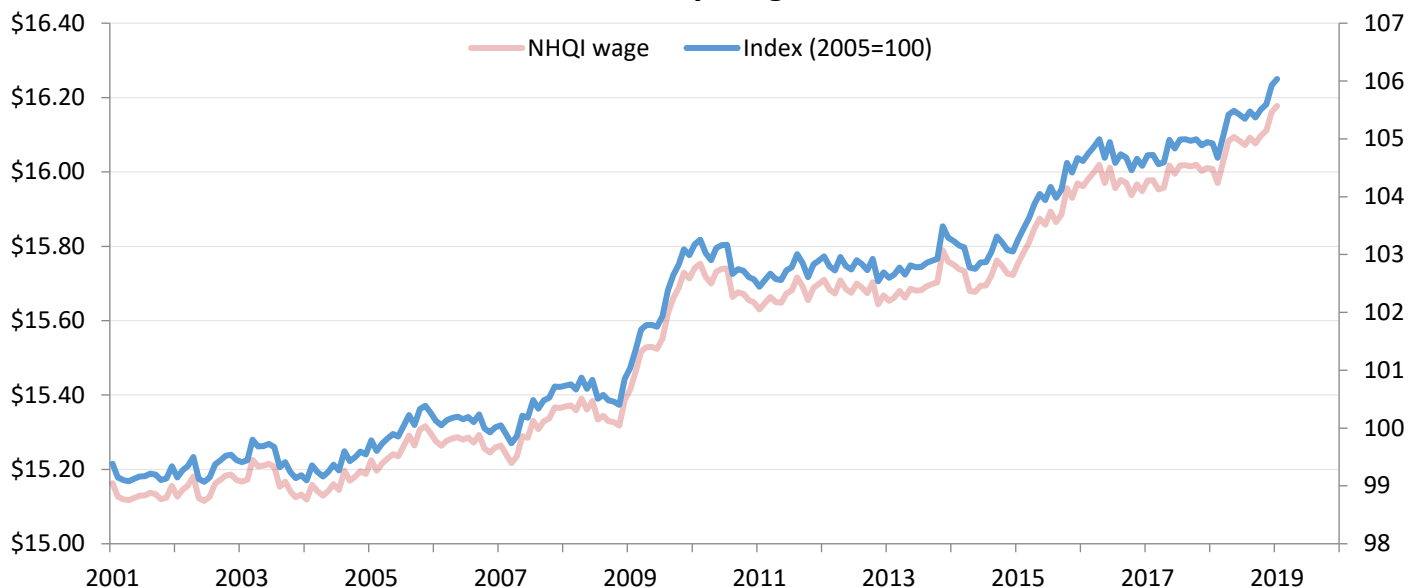
CONTACT: JUSTIN CARINCI carinci@upjohn.org 269-385-0431 or
BRAD HERSHBEIN hershbein@upjohn.org 269-385-0437

Upjohn Institute New Hires Quality Index for January 2019 shows overall 1.0 percent uptick as new hires are increasingly more educated

KALAMAZOO, Mich.— In January 2019, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly wages of individuals starting a new job rose 1.0 percent from a year prior, to \$16.18. Hourly wages of new hires have risen 6.0 percent since 2005, according to the index. Over the past month, the wage index rose by 0.1 percent.

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

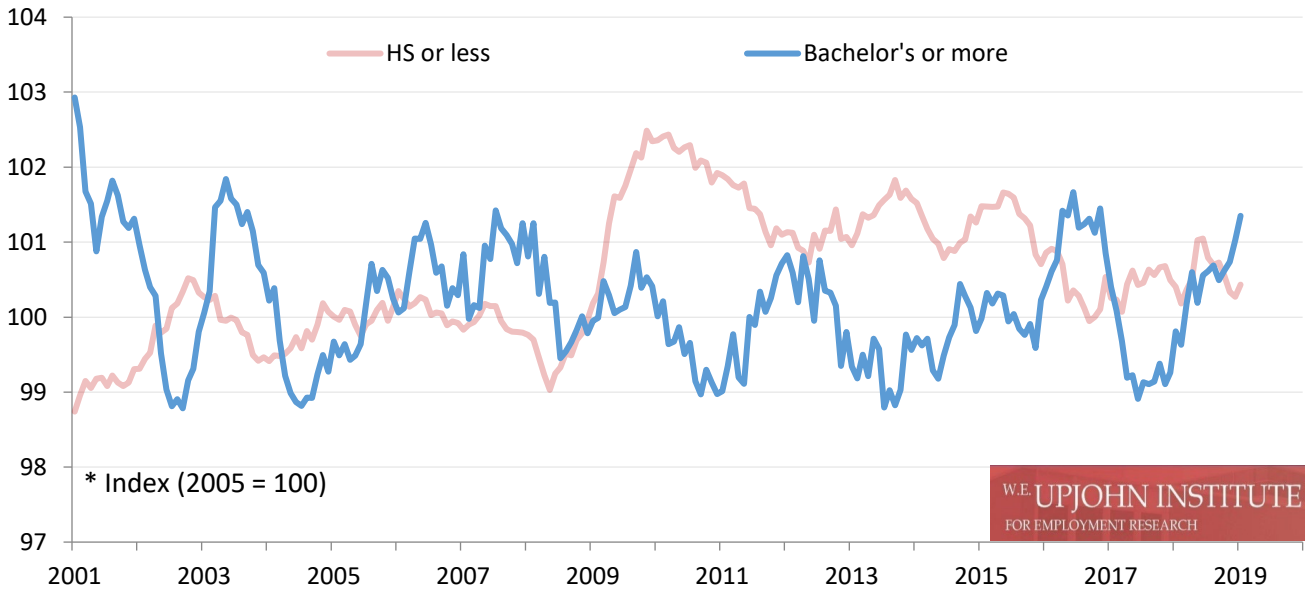
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.



This month we examine NHQI trends for workers with varying levels of education. [New research](#) by MIT economist David Autor and coauthors has drawn new attention to the economic plight of less-educated workers, in particular showing that that the wage premium they once shared with the college-educated by working in large cities has all but disappeared, giving them little incentive to locate where jobs have been more plentiful. As we shall see, the NHQI corroborates this pattern.

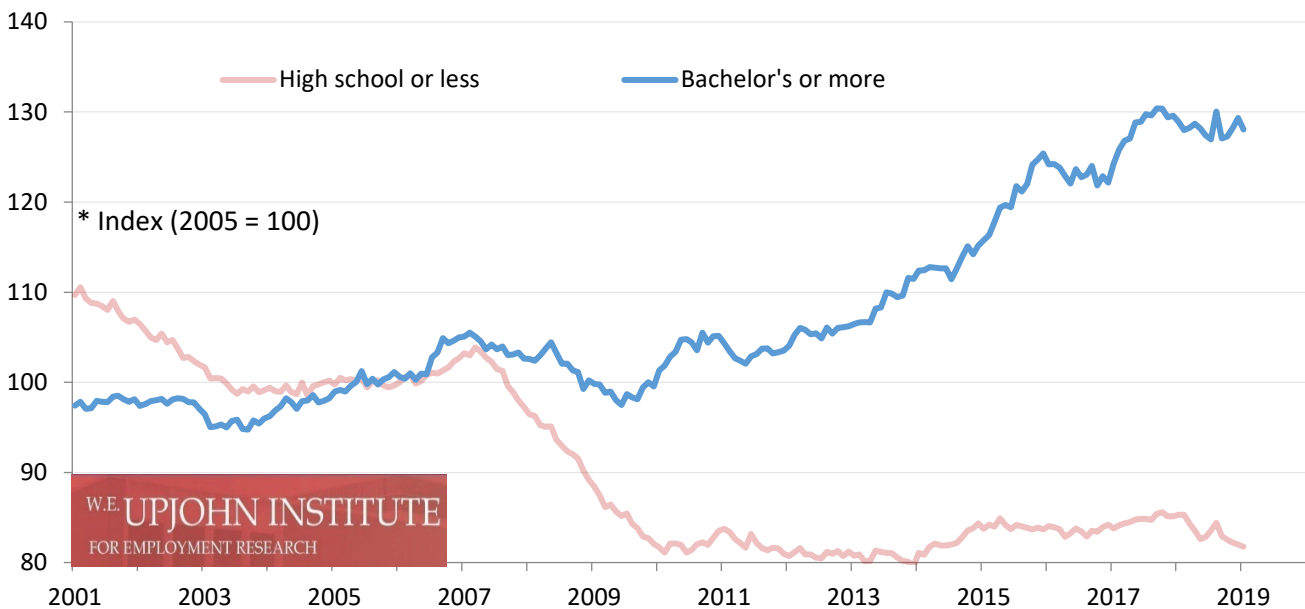
The figure below shows the wage index (normalized so that the year 2005 equals 100) for two groups of newly hired workers: those with a high school education or less, and those with a bachelor's degree or more. (For simplicity, we abstract for now from the approximately 30 percent of new hires that have postsecondary education less than a bachelor's degree.) There is little clear trend for either education group. Although the wage index rises during the Great Recession for the less-educated group (reflecting the relatively few hires from this group were more likely to be higher-skilled during this time), the increase was temporary, and the index is currently scarcely above its level in 2005. Similarly, the wage index for the more-educated group is only slightly above its pre-recession average. In other words, *within each education group*, new hires are taking jobs that have similar skill demands as in the past.

New Hires Hourly Wage Index: by Education



If we examine the volume index, however, we find quite different patterns.

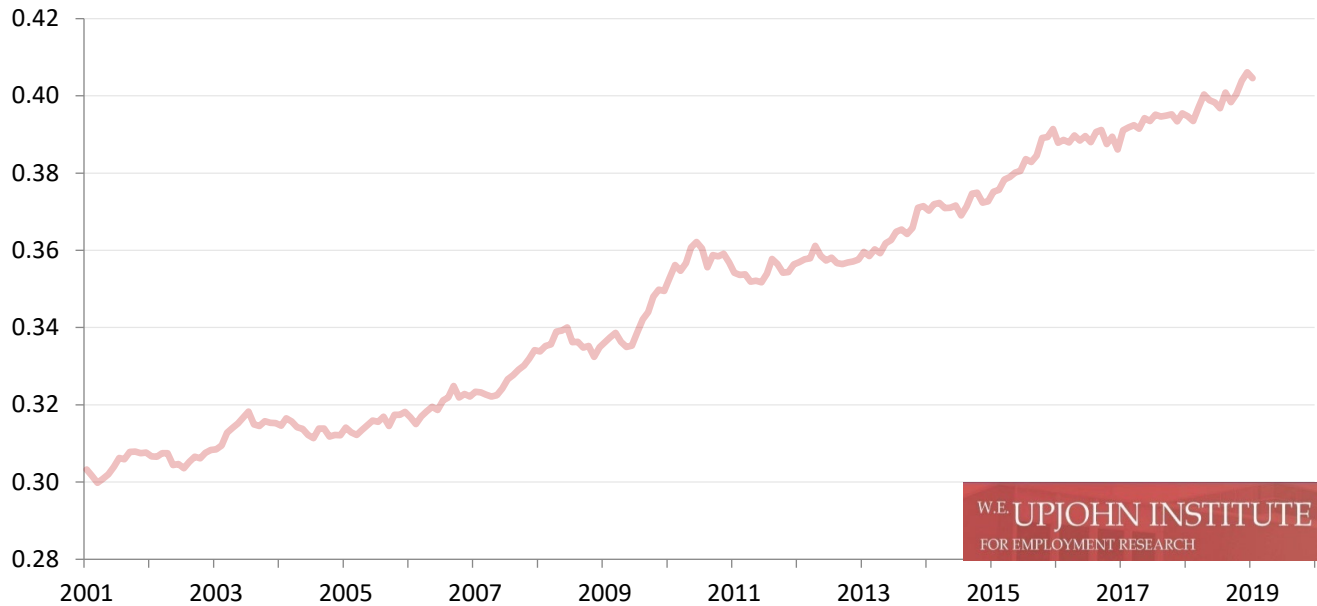
New Hires Volume Index: by Education



Whereas the volume of new hires with a high school education or less fell by 20 percent during the Great Recession and has seen almost no sign of recovery, the new hires volume for workers with at least a bachelor's degree has risen almost 30 percent over the same time.

The upshot is that the share of the new hires wage bill—the earnings power of all newly hired workers—accruing to these more highly educated employees has risen from less than one-third in 2005 to over 40 percent today, with little sign of slowing down.

New Hires Wage Bill Share: Bachelor's or More



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: http://www.upjohn.org/nhqi/reports/NHQL_report.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 February 2019 will be released during the first week of April 2019. 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 the [July 2018 press release](#).

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 January 2019. 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.