

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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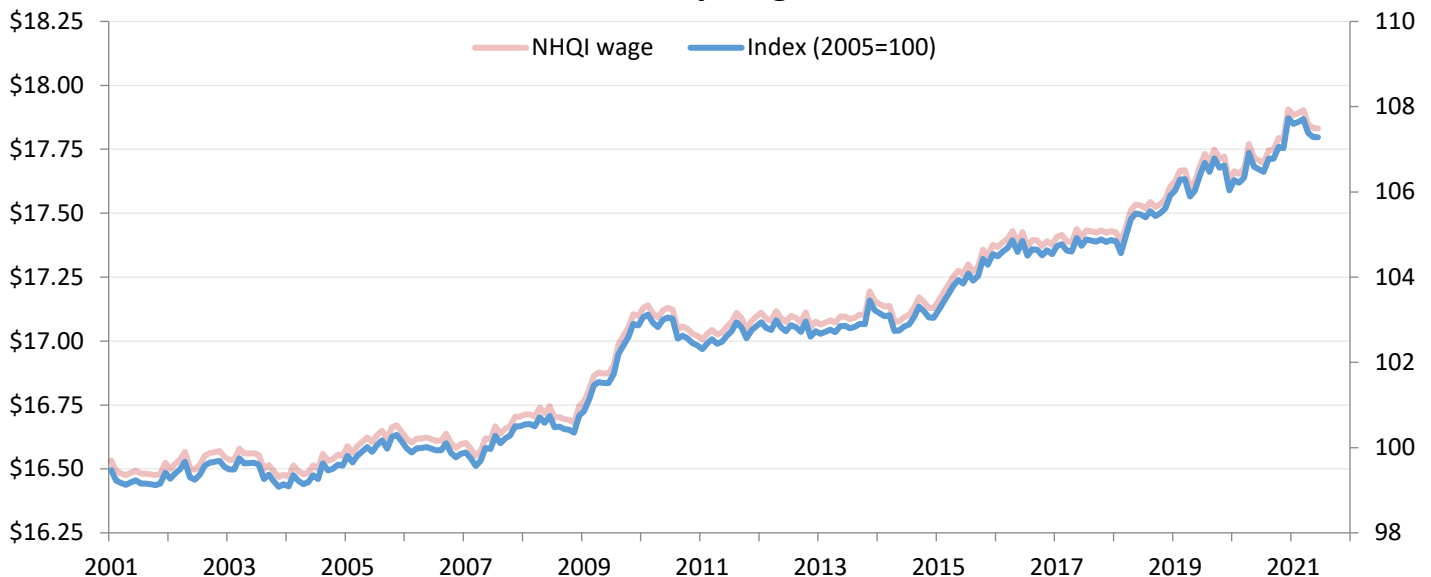
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Upjohn Institute New Hires Quality Index for June 2021 is flat over the month, service sector continues to gain steam

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job continued to hold steady into June 2021, at \$17.83. Although slightly down from its peak this past winter, the wage index is still 7.3 percent above its average in 2005. However, these June data predate the surge in the Delta variant of the coronavirus. This variant is likely to slow the tentative hiring recovery, which even to date has been gradual and significantly lagging the recovery in total economic activity (GDP). Closing the current jobs deficit of 6.8 million—9.2 million if prepandemic job growth had continued—will likely take even longer than previously expected.

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.

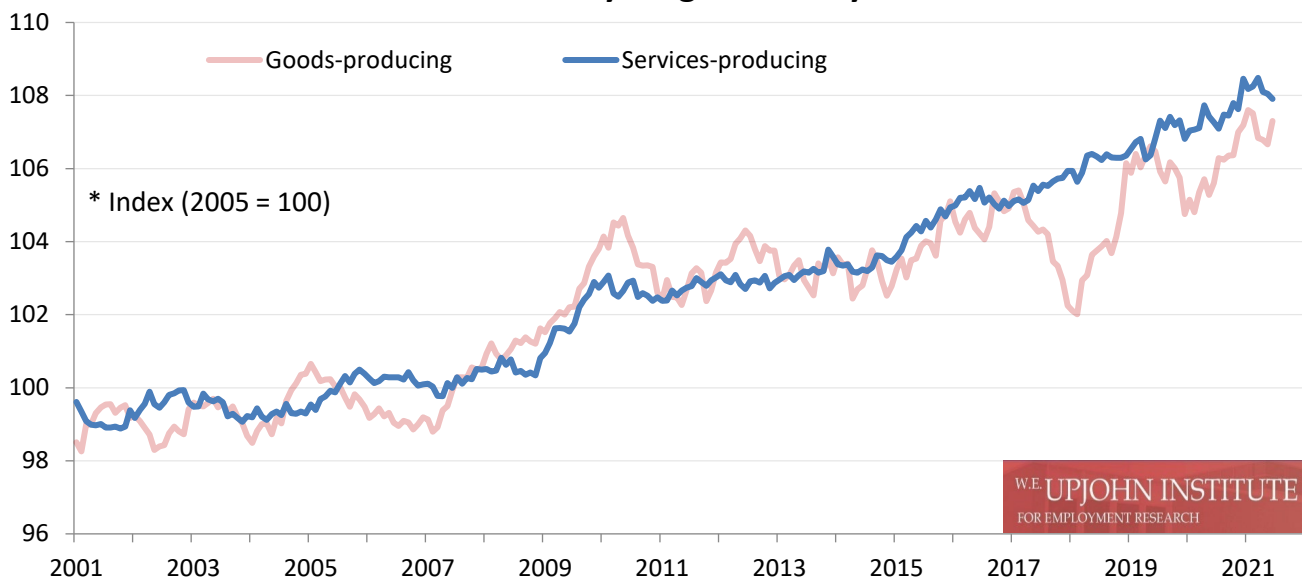
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Although the initial job losses induced by the pandemic in spring of 2020 [affected many jobs that could not be performed remotely](#), the service sector was slower to recover as many states [instituted health](#)

[measures](#) that restricted in-person economic activity and [consumers were reluctant to mingle](#) in public. However, the service sector, particularly leisure and hospitality, has [driven job growth](#) in recent months, and much of this has been due to both hiring back former employees and hiring new workers. In this month's release, we compare the recovery experiences between workers in the goods-producing sector—construction, manufacturing, and mining, which are heavily male—and the broader services-producing sector, which includes all other industries, from leisure and hospitality to professional services.

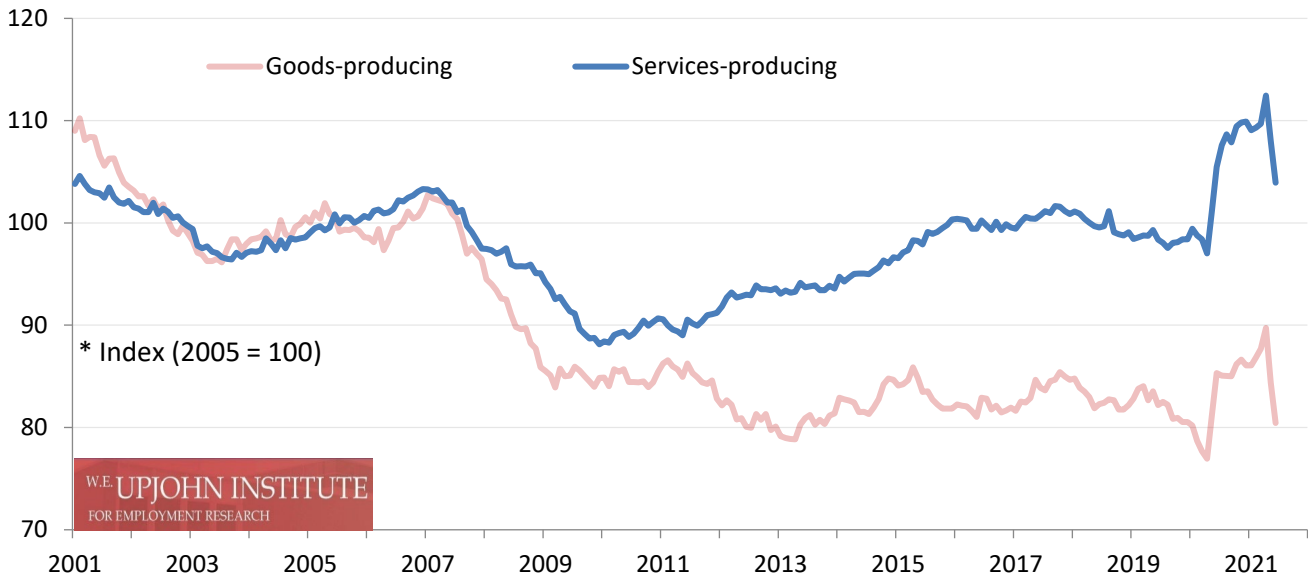
The graph below shows the wage index separately for goods-producing and services-producing workers, in each case indexed to the respective group's own level in 2005 in order to better show relative changes. Both sectors have seen similar long-term growth in the wage index, with goods-producing workers up 7.3 percent over their level in 2005, and services-producing workers up 7.9 percent. Over the past year, just after the hiring recovery began, growth has been stronger for goods-producing workers, at 1.6 percent, than for services workers, at 0.6 percent. This does not necessarily mean that the former group has had a stronger recovery. Because many of the service sector's job losses—and subsequent hires—were in relatively low-paying occupations, the wage index—which is based on occupational earnings potential—is expected to grow more slowly for service workers. That the services wage index has risen over the past year at all, despite many hires in low-paying occupations like restaurant servers and cashiers, speaks to the continued resilience of hiring in higher-paying service jobs, which has offset the downward pressure from hires in low-paying occupations.

New Hires Hourly Wage Index: by sector



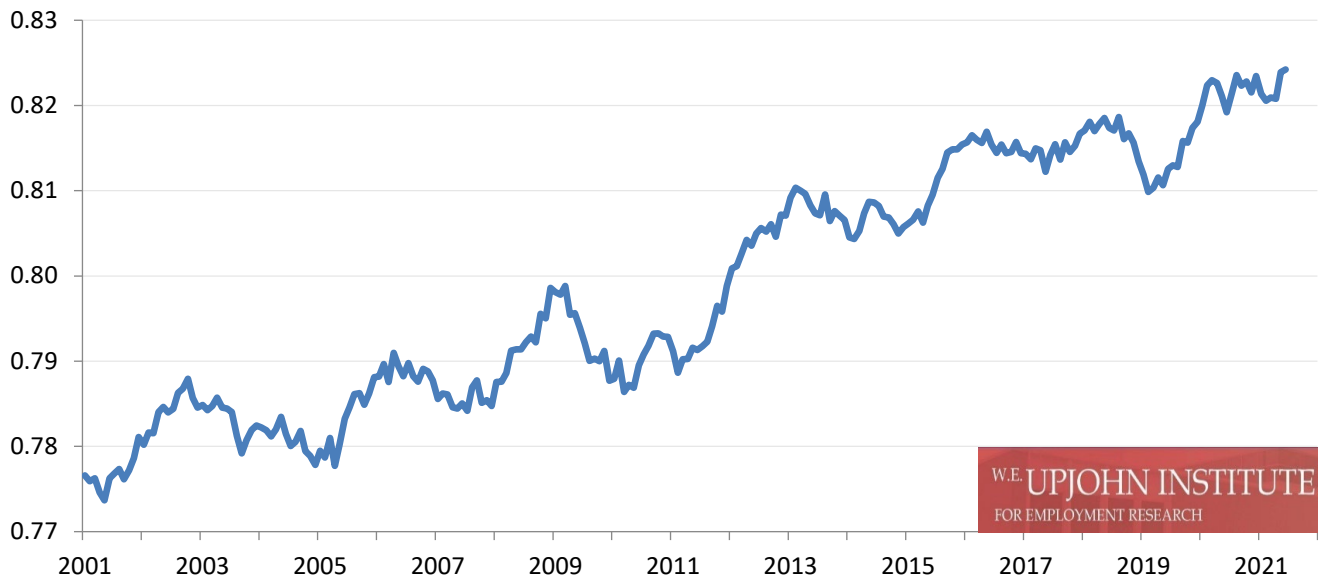
The next figure shows the faster rebound in service-hiring *volume*. Even before the pandemic, hiring volume had been growing faster in the services sector, although this had more to do with a lack of any hiring recovery in the goods-producing sector after the Great Recession than rapid growth in services, per se. Interestingly, hiring volume in the goods sector had been dropping for several months even before the pandemic. By May of 2020, the hiring surge occurred in both sectors, but was much greater in services, with growth of 9.3 percent between February and August of 2020, compared to 6.0 percent growth for the goods sector. More recently, volume for both sectors has come down, but this reflects the 12-month moving average phasing past the very high rebound months of May and June 2020. Nonetheless, service hiring volume still exceeds its pre-COVID peak, while goods sector hiring volume is closer to its pre-COVID trough.

New Hires Volume Index: by sector



Thus, despite its slower start, hiring in the service sector has held up longer. Consequently, the service sector's share of the new hires wage bill—the fraction of earnings power among new hires going to service-sector workers—has continued its inexorable rise. As shown in the last figure, this share had risen from about 78 percent in the early 2000s to about 82 percent on the eve of the pandemic. Over the past 16 months, however, it has held roughly steady and is currently at an all-time high.

New Hires Wage Bill Share: Services-producing sector



Of course, the Delta variant could still disrupt this pattern. Although the widespread resumption of business restrictions seems unlikely because of political pressures, the variant could cause consumers to slow travel and entertainment spending—at least relative to earlier projections on which hiring was based—and this could crimp services hiring. Indeed, the payroll company [ADP](#) expects job growth to have slowed in July, although [other sources](#) are more sanguine. Still, with COVID hospitalizations having [nearly doubled](#) in the past two weeks, circumstances may continue to change quickly.

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/NHQI_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 July 2021 will be released during the first week of September 2021. 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 the [July 2018](#), [July 2019](#), and [July 2020](#) press releases.

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 June 2021. 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.