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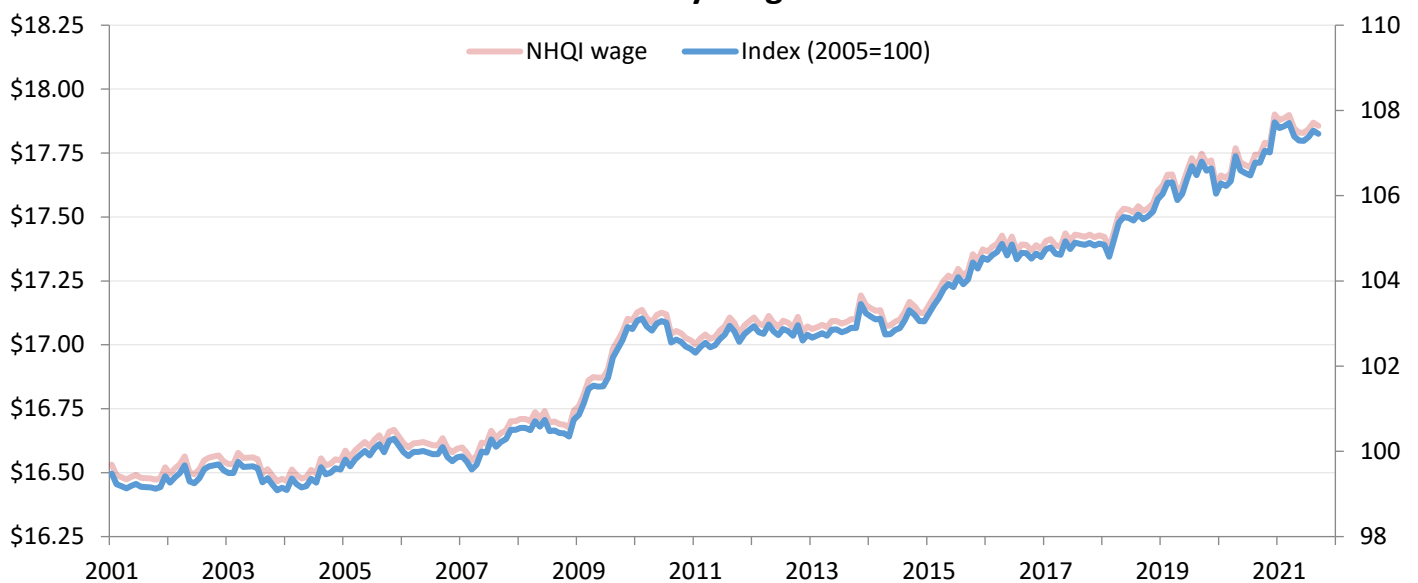
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Upjohn Institute New Hires Quality Index for September 2021 holds steady over the month as hiring volume picks up, especially among job switchers

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job was essentially flat between August and September 2021, at \$17.86. Over the past 12 months, the wage index is up 0.6 percent, and it is 7.5 percent above its level in 2005. Whereas hiring volume fell 1.3 percent between July and August, likely due to the Delta variant of COVID-19, between August and September volume rebounded by 2.0 percent; the current hiring volume is 4.9 percent above pre-pandemic levels. Taken together, these numbers are consistent with rising churn in the labor market, as workers switch between (similarly-paying) jobs. Nonetheless, the current jobs deficit, relative to before COVID-19, stands at 5.0 million—8.8 million if prepandemic job growth had continued.

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



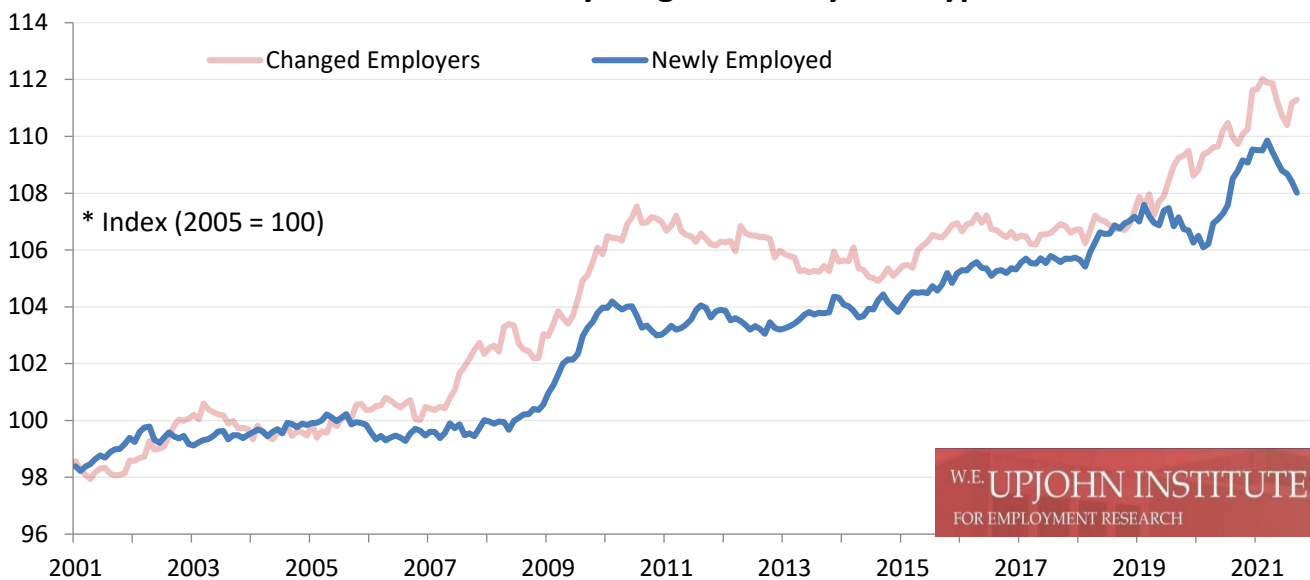
SOURCE: Upjohn Institute New Hires Quality Index

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.

At the beginning of this year, the NHQI [release](#) documented how the second half of 2020 had featured a surging recovery for individuals transitioning from nonemployment to employment, who saw both their wage index and hiring volume rising sharply, even as the volume of individuals switching from one employer to another had markedly slowed. The former group consists mostly of the unemployed finding new jobs but also includes first-time workers and those returning to the labor force, while the latter group represents many workers trying to advance in their careers and take new job opportunities. The pattern seen last fall was consistent with employers hiring back many of the workers they had laid off in the spring but also with workers (or employers) reluctant to make major moves with new positions. Since then, however, [vaccines](#) have been widely distributed, considerable additional sums of [relief money](#) have been spent to assist families and businesses, the [Delta variant](#) has come (if not fully gone), and, perhaps most critically, [job churning](#) and [wage growth](#) have accelerated as workers and employers try to [figure out](#) where the labor market is going.

The graph below shows the hourly wage index separately for workers who changed employers (salmon) and individuals moving from non-employment into employment (blue). Each index is normalized to the respective group's own level in 2005 in order to better show relative changes. As mentioned above, both indices had been rising through December 2020, but since then the patterns have somewhat diverged. After reaching a series high at the end of 2020, the wage index for the newly employed has steadily declined in 2021, down 1.4 percent from the end of last year. The wage index for individuals taking new jobs by changing employers also fell slightly in the beginning of 2021 but has rebounded somewhat, and is currently down only 0.3 percent from the end of 2020. Although both indices are still above pre-pandemic levels, the recent trends indicate that newly employed individuals are taking jobs with lower earnings power than their peers last summer and fall, whereas job-hopping individuals haven't seen the same decline.

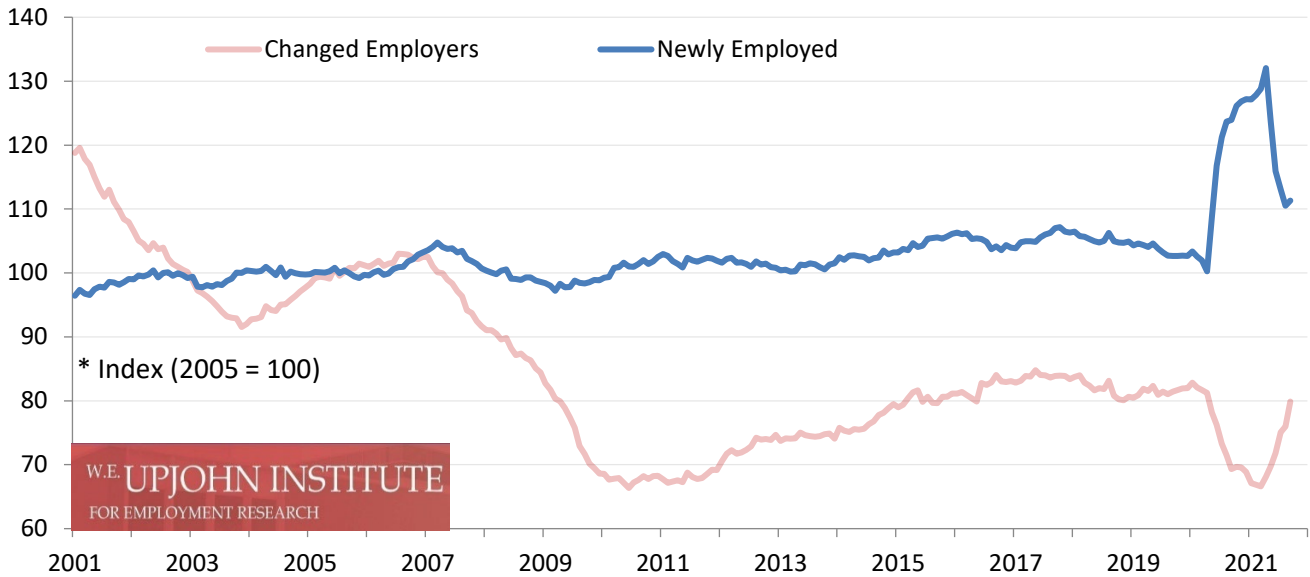
New Hires Hourly Wage Index: by Hire Type



To put these findings into context, the next graph shows the indexed *volume* of new hires for both the newly employed and individuals changing employers. Here the differences between the two groups are even more stark. In late 2020, volume had been rising for the newly employed and falling for employer changers. These patterns have since reversed. Hiring volume is down 12.5 percent for the first group but

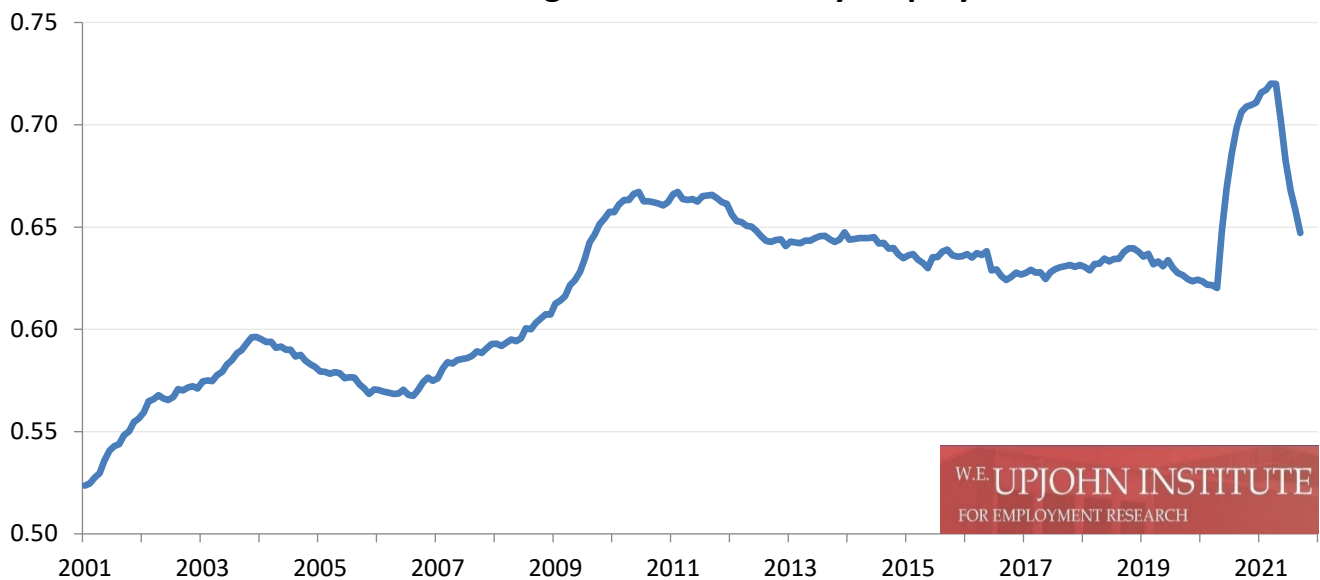
up 16 percent for the second. Despite this sharp reversal, volume is still above both pre-pandemic and late 2020 levels for the newly employed, and *below* the equivalent thresholds for job changers. In conjunction with the wage index trends, these patterns imply that the overall hiring recovery has been transitioning throughout 2021 from one in which sidelined workers return to jobs to one in which those who have returned continue to look for better employment opportunities.

New Hires Volume Index: by Hire Type



To see this more clearly, the last graph presents the newly employed’s wage bill share, or the share of the earnings power of all newly hired workers accounted for by individuals moving from non-employment to employment. After peaking at all time in April 2021, at 72 percent, this share has fallen over the past five months to just 64.7 percent, only slightly above pre-pandemic levels. Thus, the hiring balance as of September 2021 still favors workers coming from nonemployment, but only slightly, and the momentum has been shifting back to already-employed workers looking for a better job.

New Hires Wage Bill Share: Newly Employed



This helps rationalize the overall employment patterns we've been seeing in recent months, as employment growth has slowed even as job openings and quits have surged. It also implies that the remaining employment gap may be difficult to close without additional [policy efforts](#), improvements in [COVID conditions](#), or both.

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

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 September 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.