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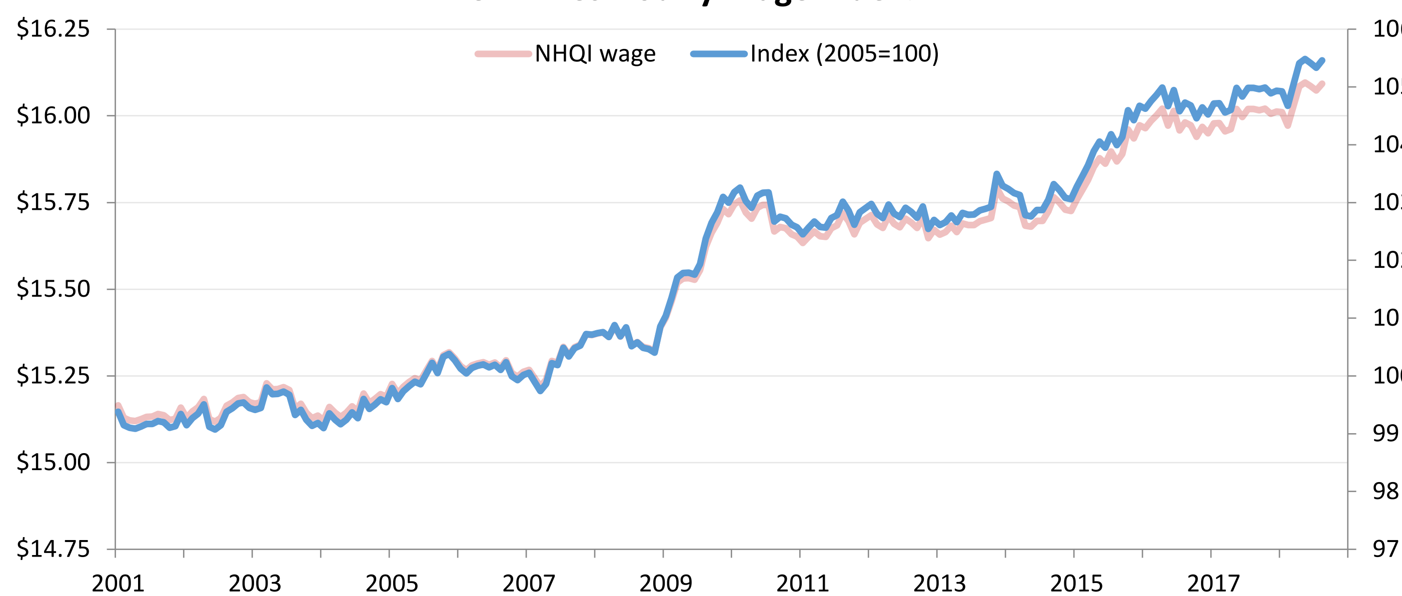
Upjohn Institute New Hires Quality Index for August 2018 shows overall 0.5 percent rise; full-time hires have finally recovered to pre-recession levels

KALAMAZOO, Mich.— In August 2018, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly wages of individuals starting a new job rose 0.5 percent from a year prior, at $16.09. Hourly wages of new hires have risen 5.5 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.

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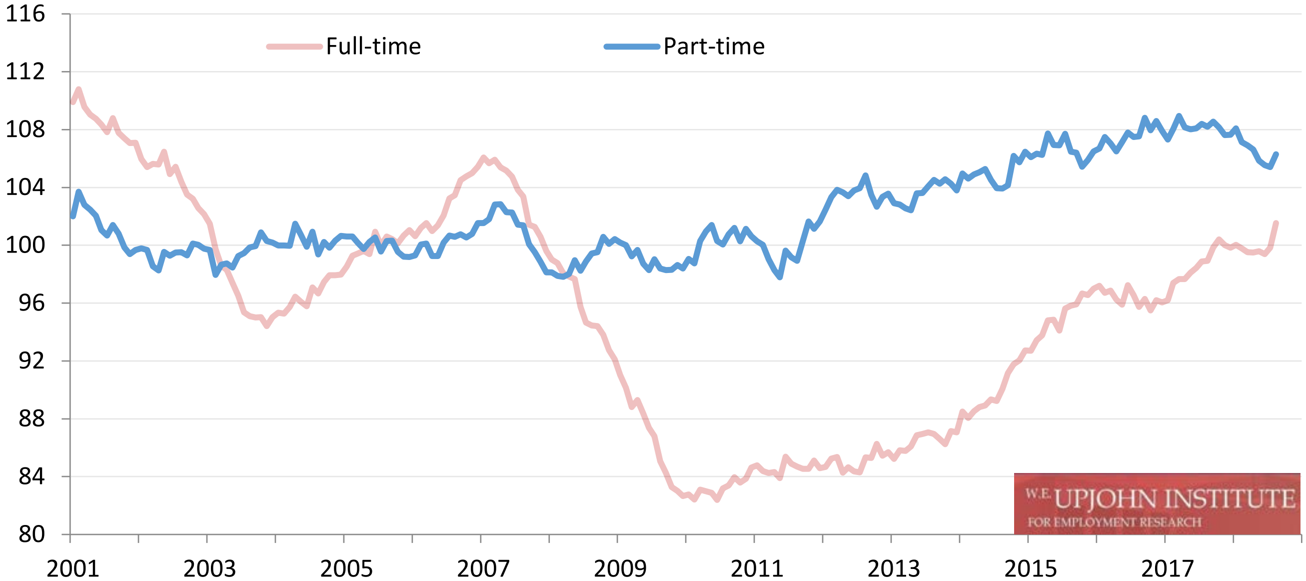
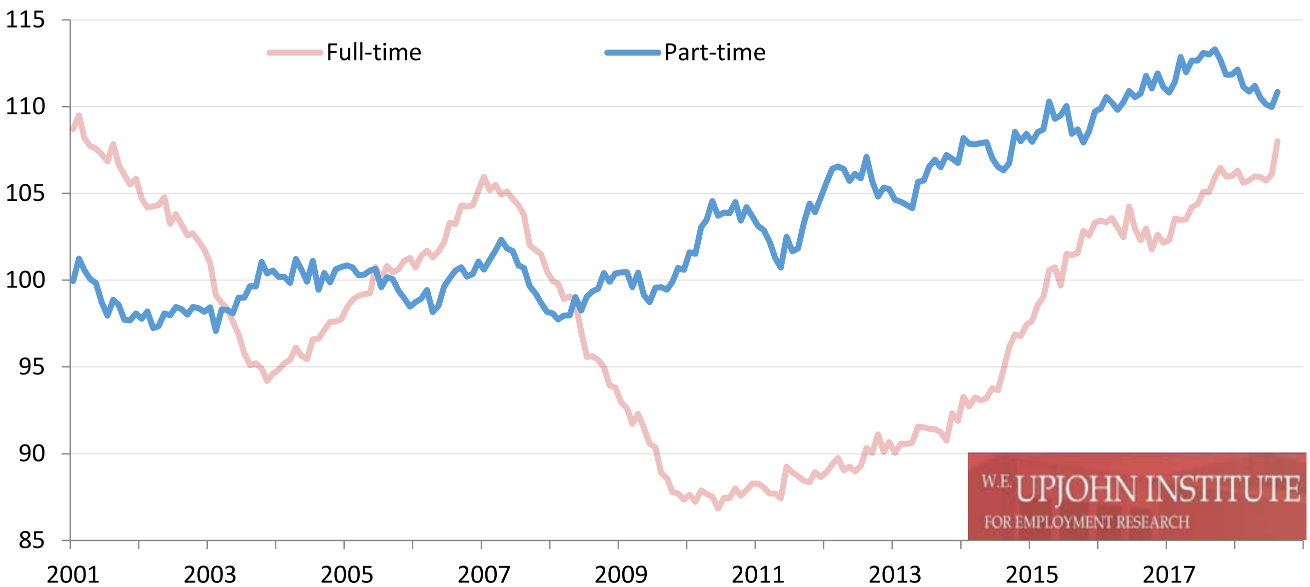
As the Federal Reserve continues to gradually raise interest rates, there remains ongoing debate about how much slack is left in the labor market. Although the official unemployment rate has hovered around 4.0 percent for almost the entire year this far, and even broader measures that include those working part-time for economic reasons have declined to near-record lows, wage growth remains tepid compared to pre-recession levels. In this month's NHQI release, we attempt to shed some more light on this debate by examining the trends for part-time and full-time new hires.

New Hires Volume Index: Full-time and Part-time (2005 = 100)

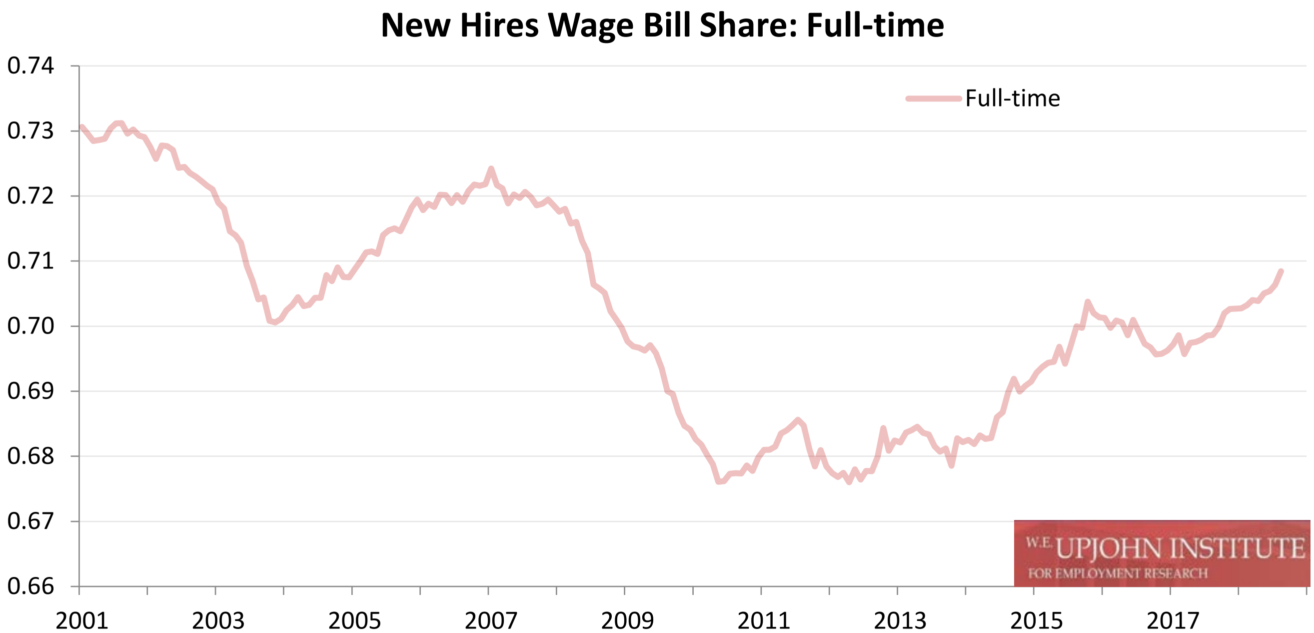


The figure above shows the volume of both full-time and part-time new hires, indexed so that 100 represents the values from 2005. It's clear that the volume of full-time hires fell substantially during the Great Recession—by nearly 20 percent—while part-time hiring was barely affected. Since then the volume of full-time hires has increased quickly, but it was only in the most recent month, August, that volume finally surpassed its 2005 level, even though it remains below the pre-recession peak. Interestingly, part-time hiring volume has also risen over the past several years and has dipped only slightly in the past few months.

New Hires Wage Bill: Full-time and Part-time (2005 = 100)



We can use the NHQI to also show the wage bill, the product of hiring volume and the hourly wage index. The graph above thus shows the collective (hourly) earnings potential of full-time and part-time hires each month. The figure looks similar to one for volume, except that the wage bill for full-time workers has surpassed its pre-recession peak. Nonetheless, the wage bill for part-time workers has still grown faster than that for full-time workers, even though this difference has been narrowing.



The wage bill can also be expressed as a fraction or share. The figure above shows the share of the new hires wage bill earned by full-time workers. Currently, this share is just under 71 percent, implying that for each hour's worth of all the expected earnings for workers newly hired that month, full-time workers took home 71 cents for every dollar. Although this share has risen from about 68 percent in the aftermath of the recession, it remains one percentage point below where it was before the recession, and two percentage points below where it was in 2001. To the extent that some part-time hires still can't find a full-time job, the figure above suggests there may yet be some labor market slack left.

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 the first week of the second month following the reference of the data release month. For example, data for August 2018 will be released during the first week of October 2018. 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 press release.

4. Does the NHQI count self-employed workers?

No, the NHQI excludes self-employment and 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 August 2018. 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.