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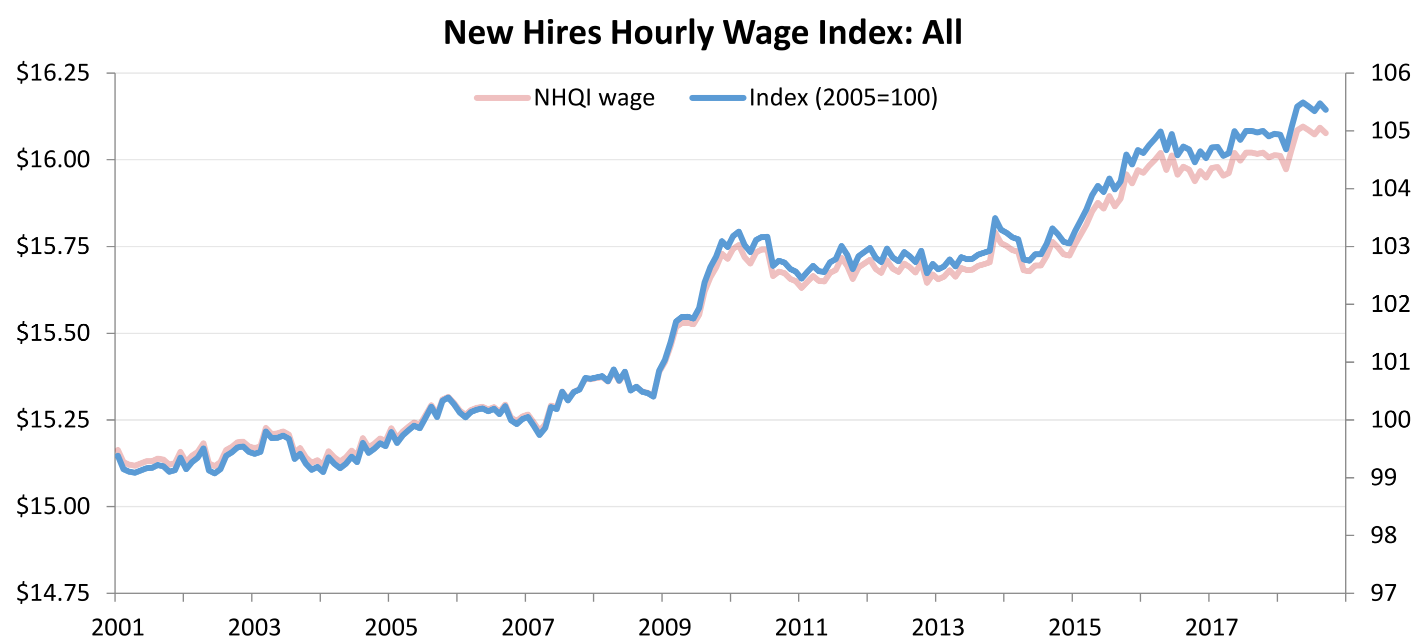
Upjohn Institute New Hires Quality Index for September 2018 shows overall 0.4 percent rise

KALAMAZOO, Mich.— In September 2018, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly wages of individuals starting a new job rose 0.4 percent from a year prior, at $16.08. Hourly wages of new hires have risen 5.4 percent since 2005, according to the index. Over the past month, the wage index fell 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.

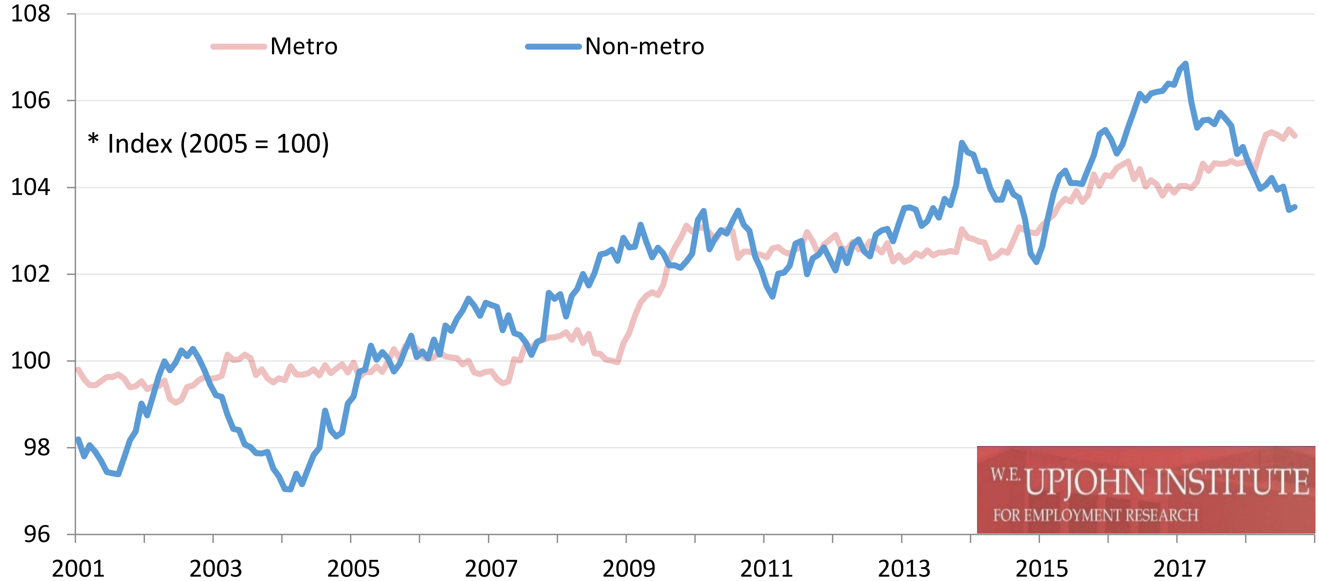


SOURCE: Upjohn Institute New Hires Quality Index

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.

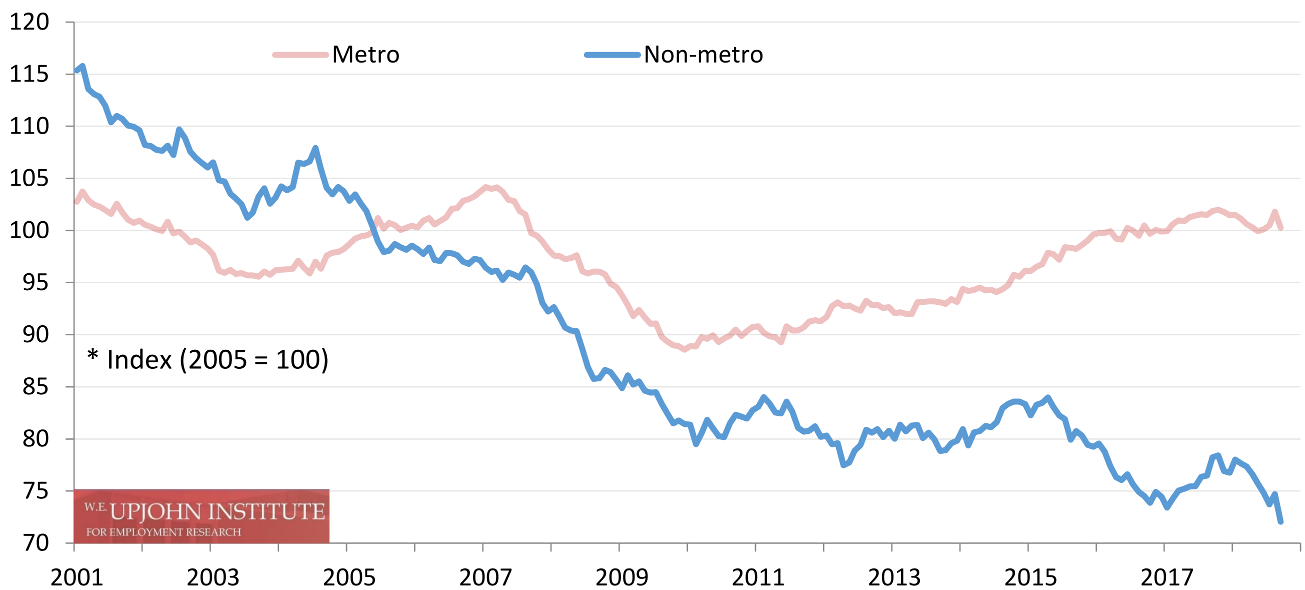
For this month's NHQI release, we revisit trends for metropolitan and rural areas. As some have documented, many (but not all) rural areas have seen relatively strong growth in per-capita personal income since the recession ended, but how have they fared in terms of new hires? One year ago, the NHQI explored this question, but there have been several policy and economic changes since then, ranging from tax cuts and imposition of tariffs to an unemployment rate falling below 4.0 percent. Have the relative conditions of new hires in urban and rural areas changed since then?

New Hires Hourly Wage Index: Metro and Non-metro



The figure above shows trends in the wage index for these two groups, with each index presented as a percentage of its 2005 level to better show relative growth. One year ago, in the fall of 2017, the index for non-metro areas was higher than the one for metro areas, indicating that the earnings power of new hires had grown slightly faster in non-metro areas. In fact, in early 2017, the index for non-metro areas peaked at 106.9, whereas the metro area index was just 104.0. Over the past year, however, the wage index for non-metro areas has steadily fallen and is now at 103.5. The index for metro areas, however, has continued to show slight gains and now stands at 105.2. Put differently, the earnings power of newly hired workers in nonmetro areas has been slipping relative to their peers in urban locations.[1] This could happen if job growth in rural areas picked up in lower-earning occupations and would not necessarily point to economic weakness if hiring overall remained robust.

New Hires Volume Index: Metro and Non-metro



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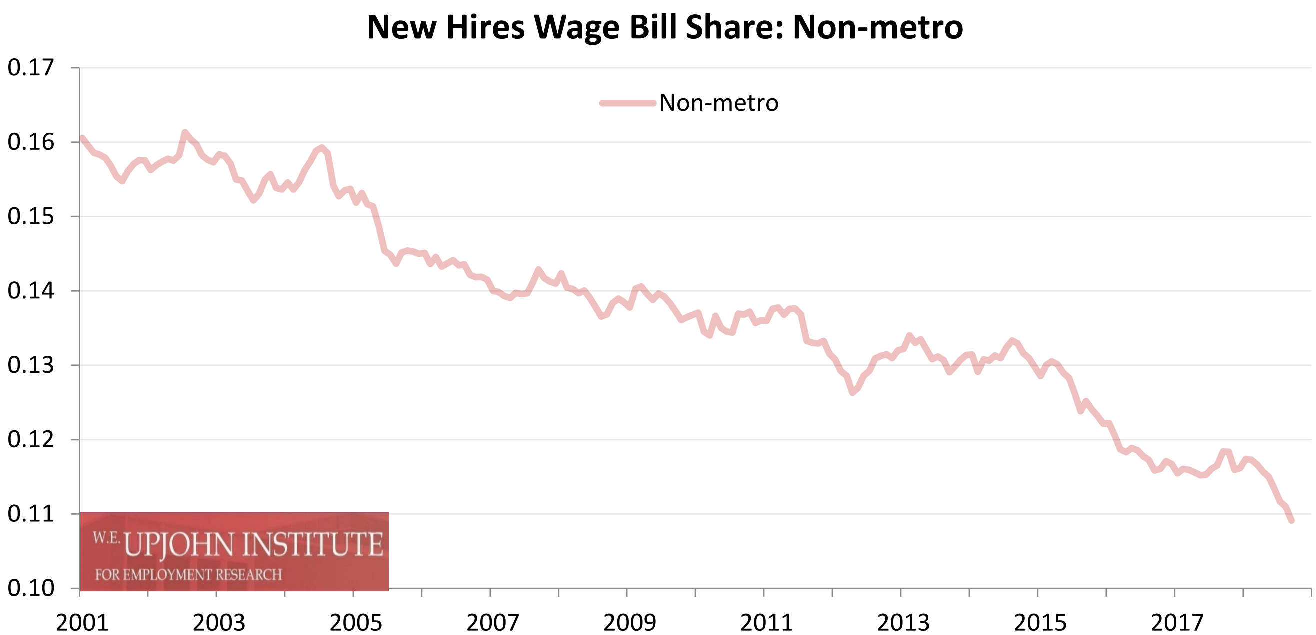
[1] Indeed, the Federal Reserve Bank of Atlanta's [Wage Growth Tracker], which tracks the same individuals over 12 months, also shows slower wage growth since the fall of 2016 for those living outside of metro areas.

The figure above, however, shows that this is not the case. Although the volume of hiring in metro areas is at the same level it was in 2005, slightly below its pre-recession peak, hiring volume in non-metro areas has tumbled. Despite a small recovery during 2017, non-metro hiring volume has since given up all these gains in 2018 and is now at a series low. Not only has the earnings power of newly hired workers in rural areas fallen over the past year, fewer workers are being hired there.



Consequently, the share of the wage bill—the fraction of earnings power among all newly hired workers—held by those living in non-metro areas has sharply declined over the year, after appearing to stabilize or even grow slightly in 2017. This decline marks a continuation of a downward trend begun in 2005, when the share was just under 16 percent, to a new low of just below 11 percent. While the overall U.S. economy may be humming, the state of hiring in rural America is not keeping up.

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 September 2018 will be released during the first (partial) week of November 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 September 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.