

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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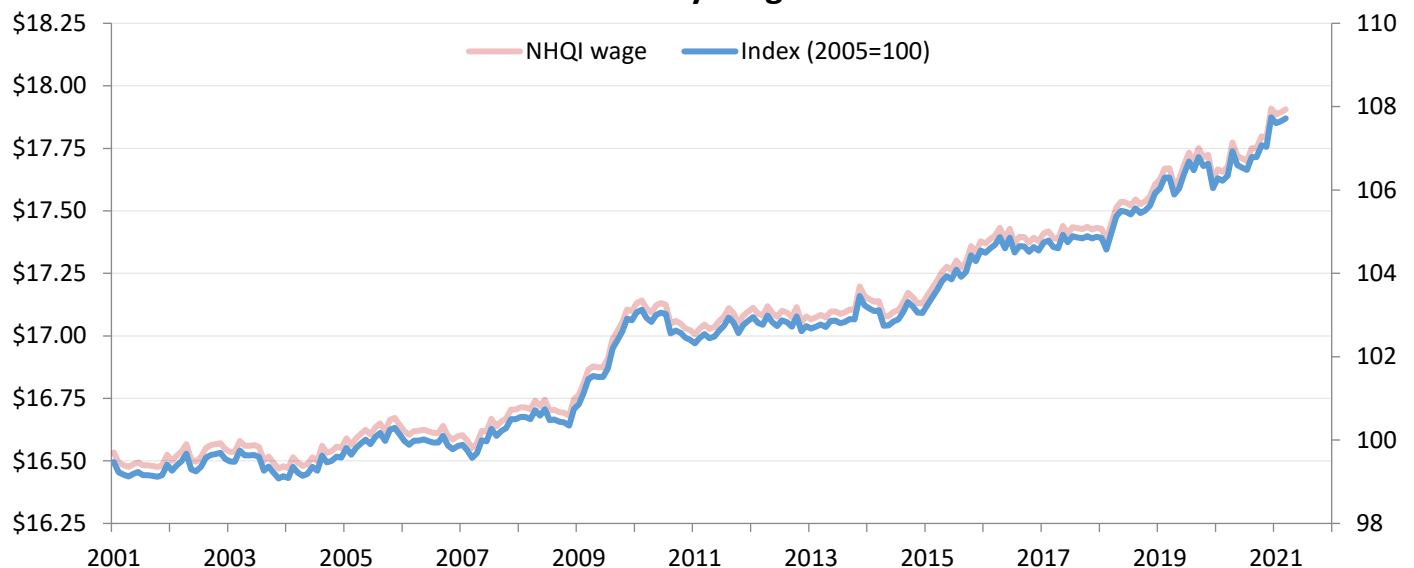
Upjohn Institute New Hires Quality Index for March 2021 unchanged from February, jobs recovery lags for less-educated workers

NOTE: This month's release incorporates new [occupational wage data](#) from the Bureau of Labor Statistics. This revision affects the entire wage index series. The principal result is a shift up in wage levels; indexed values and trends are minimally changed. All statistics in this release use the revised data, and data on the NHQI website have also been updated.

KALAMAZOO, Mich. — The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job continued to hold fairly steady in March 2021, at \$17.91. This number is essentially identical to the all-time peak reached in December 2020, and it is 1.3 percent above its mark one year ago and 7.7 percent above where it was in 2005. As COVID vaccines became more widely available, [states continued to relax restrictions](#), and government stimulus payments were distributed, hiring activity continued to edge up, but the pace is still too slow for a complete employment recovery this year.

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



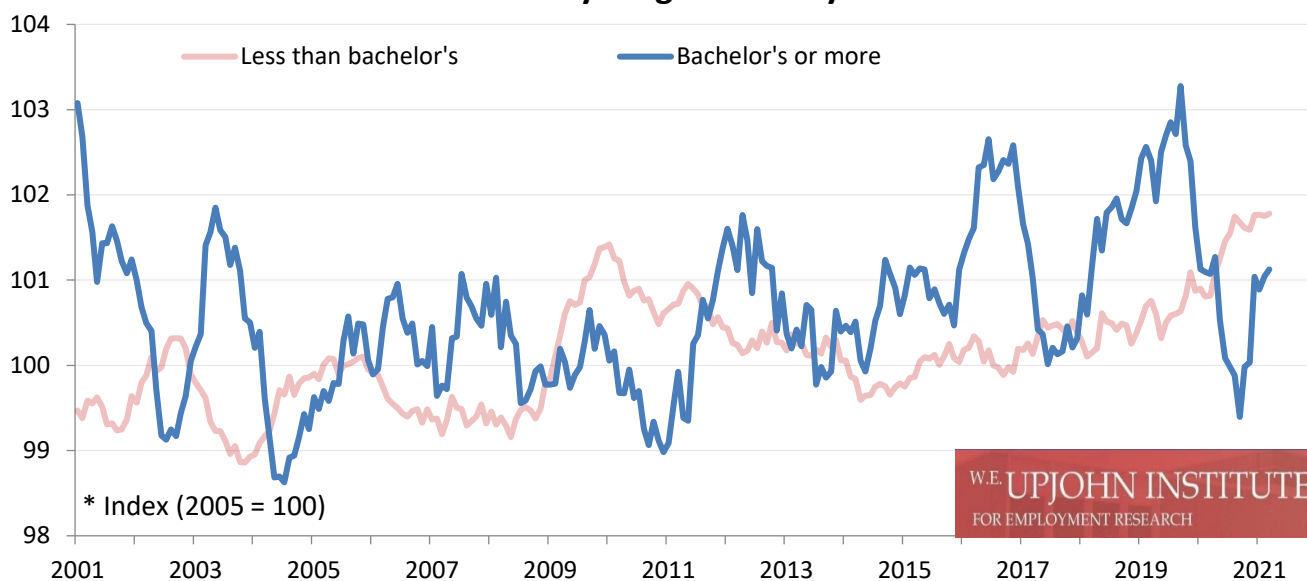
SOURCE: Upjohn Institute New Hires Quality Index

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.

For [last April's data release](#), just as the pandemic's effects were showing up in employment data, we examined trends by education and found that hiring volume had already begun to decline faster among the less educated. Now that we are several months into an employment recovery (albeit one that is looking to be far more protracted than the [overall economic recovery, as measured by GDP](#)), we return to NHQI trends by education to how different groups have fared. For simplicity, we focus on those with less than a bachelor's degree and those with a bachelor's or graduate degree.

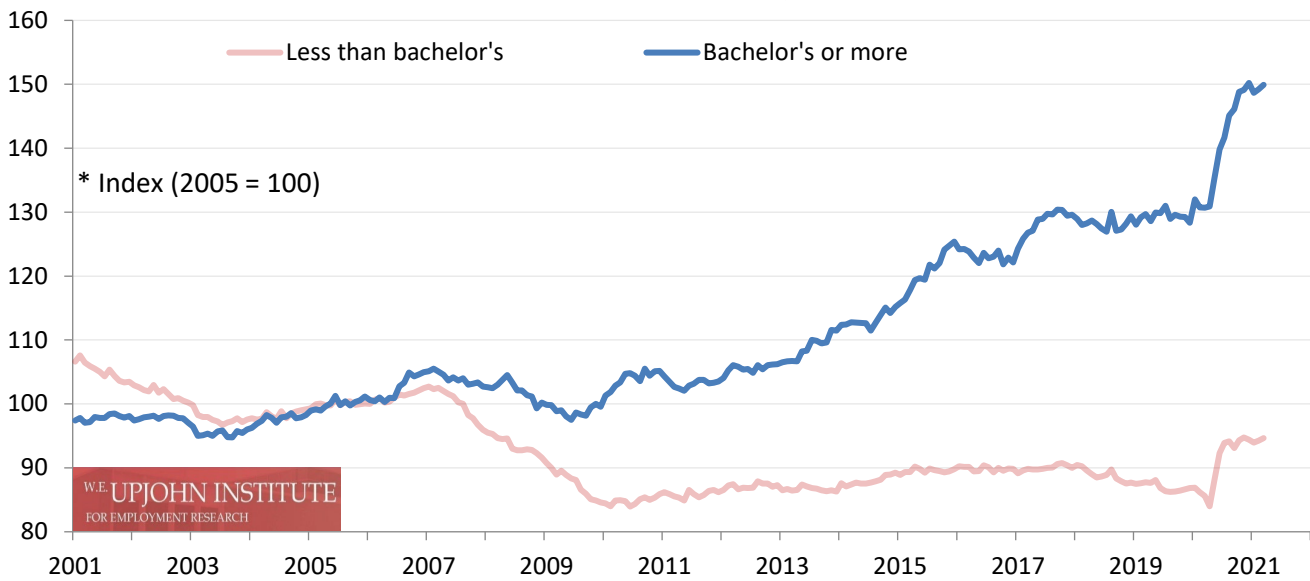
The graph below shows the wage index separately for these two education groups, in each case indexed to the respective group's own level in 2005 to better show relative changes. For new hires with less than a bachelor's degree, the wage index grew slowly but fairly consistently between 2014 and 2019, with more rapid recent growth since the pandemic began. Although the index is up by 1.0 percent over the year, it is still only 1.8 percent over its level in 2005, indicating that the types of jobs workers with less than a bachelor's degree have taken have changed relatively little over the past 15 or so years. For new hires with at least a bachelor's degree, the wage index has perhaps surprisingly been more volatile. After peaking in late 2019, it began declining pre-pandemic, although it has recovered somewhat over the past six months and now stands at 1.1 percent above its 2005 level.

New Hires Hourly Wage Index: by education



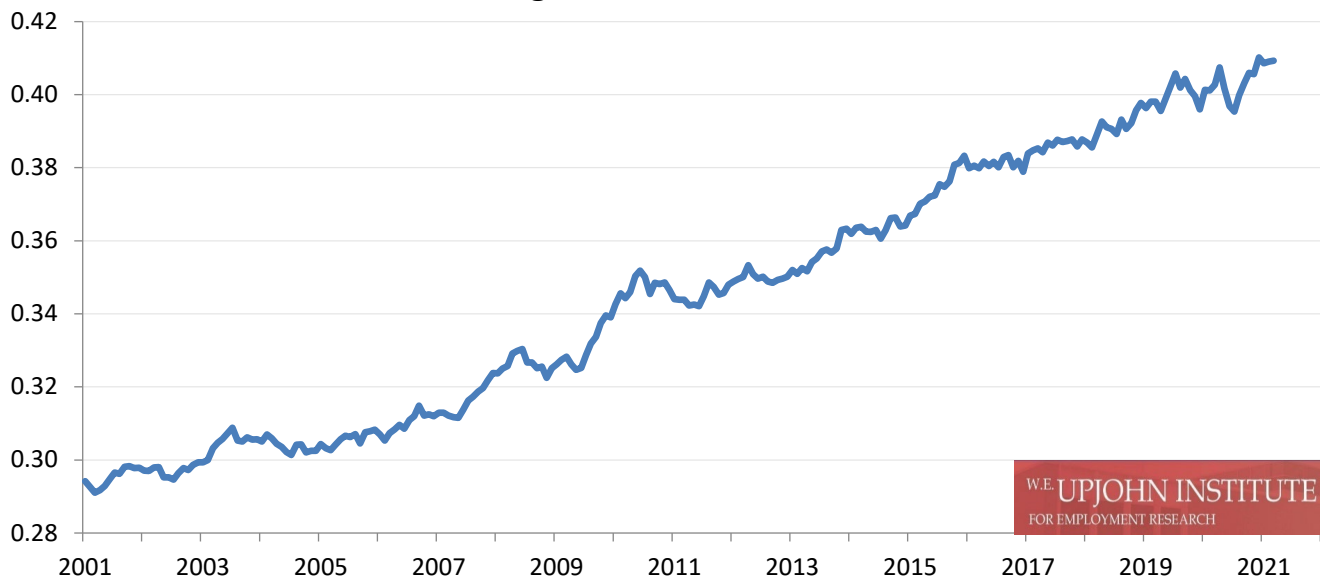
Given that the overall wage index is 7.7 percent above the 2005 benchmark, much of this overall growth has been driven by more of the newly hired belonging to the highly educated group, rather than earnings power shifts within education groups. This can be seen in the next figure, which plots hiring volume by education (again normalized to 2005). Prior to the pandemic, hiring volume among those with at least a bachelor's degree was 30 percent above its level in 2005, while the same for those with less than a bachelor's degree was 14 percent *below* its 2005 level and had been falling. The hiring recovery that began last summer caused a surge in the volume index for both groups, but the year-over-year growth is 14.7 percent for the more-educated group and just 10.6 percent for the less-educated group. Since job losses last spring were [disproportionately concentrated among the less-educated](#), weaker hiring volume among the same group over the past year speaks to the inequity of the recovery and how far we still are from inclusive job growth.

New Hires Volume Index: by education



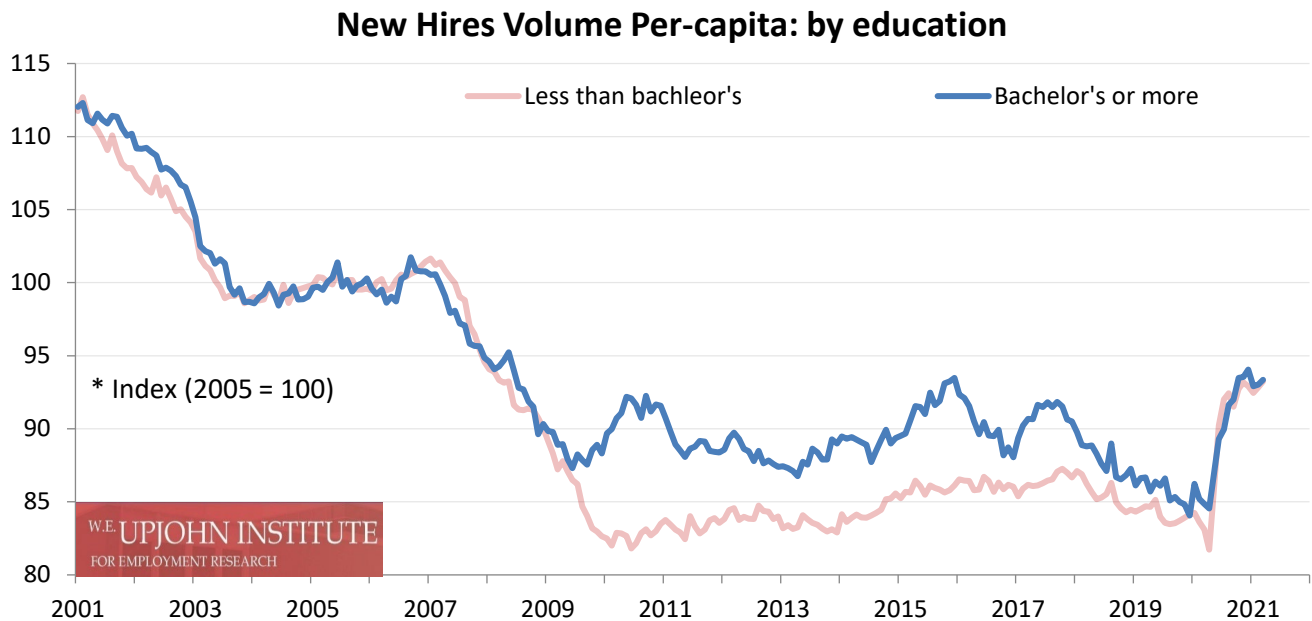
Consequently, the share of the new hires wage bill—the product of the wage index and hiring volume index—held by workers with at least a bachelor’s degree has reached a new peak in its inexorable long-term climb, as shown below. Over the past few months, this share has hovered around 41 percent, up a full percentage point from before the pandemic and nearly 12 percentage points from the turn of the millennium. If we were having a robust hiring boom among the types of workers who bore the brunt of last spring’s job losses, this share should be falling instead of rising even further.

New Hires Wage Bill Share: Bachelor's or more



Yet another way to see this point is by looking at the *hiring rate* by education group, or the number of newly hired workers per 1,000 individuals, as shown in the final graph below. We have again indexed these rates to their respective levels in 2005 to highlight relative changes. Interestingly, they track quite closely until the Great Recession, when hiring rates become and remain depressed for those without a bachelor’s degree, relative to their more-educated peers, for a full decade. Although rates have converged again since last summer, this isn’t sufficient to make up the heavy job losses suffered by those without a

bachelor's degree. Rather, we should see rapidly increasing hiring rates for this group if (and when) their employment outlook begins to improve.



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 April 2021 will be released during the first week of June 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 March 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.