

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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NEWS RELEASE: JUNE 30, 2021

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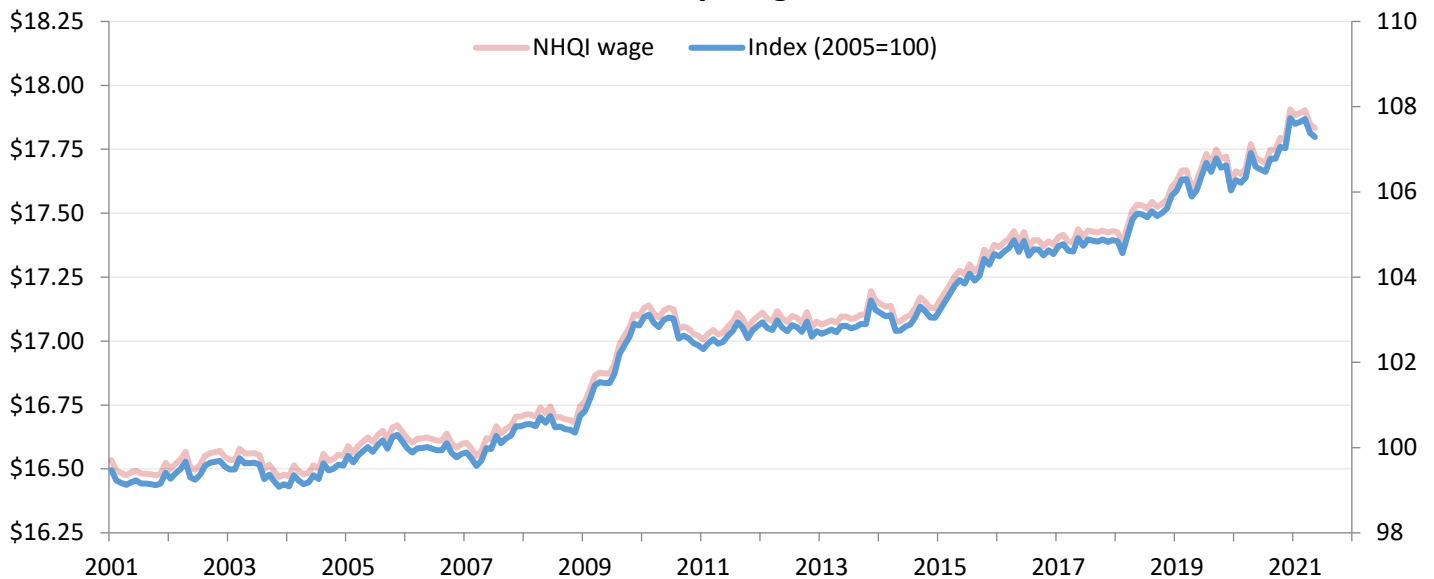
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Upjohn Institute New Hires Quality Index for May 2021 holds steady, but public sector hiring—including education—is not keeping up

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows the inflation-adjusted hourly earnings power of individuals starting a new job mostly held steady between April and May 2021, edging down a scant 0.1 percent to \$17.83. While down 0.4 percent from its peak in December 2020, this number is still up 0.7 percent over the year and 7.3 percent above its average in 2005. Counterintuitively, the slight decline suggests the job recovery is continuing, albeit slowly, as hiring extends to lower-paying occupations, which experienced the greatest job losses last year. Nonetheless, the pace of hiring remains too slow for a complete employment recovery anytime soon.

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.

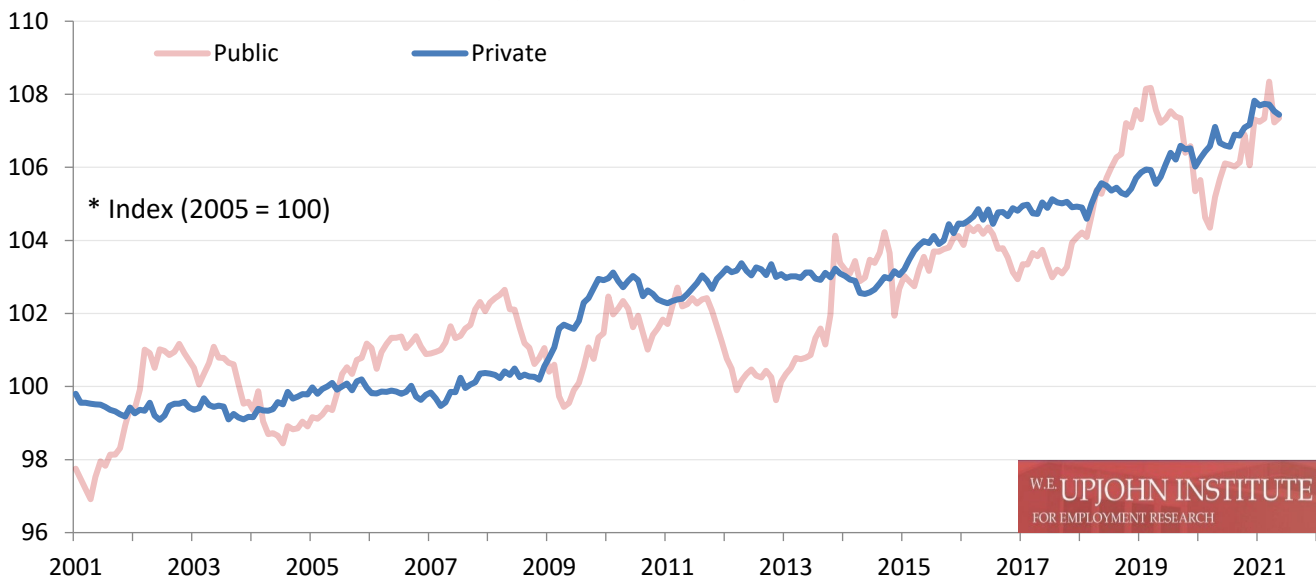
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In this month's release, we compare the recovery experiences between workers in the public and private sectors. Although many of the hardest-hit industries, such as leisure and hospitality, are almost entirely

private, the government sector also had significant job losses, particularly in lower-paying, [non-instruction education jobs](#) due to school closures. As of May 2021, employment for both the public and private sectors was about [5 percent lower than their prepandemic levels](#) from February 2021. Because government employment has grown more slowly than private-sector employment over the past few decades, current employment levels for the public sector are the [same as what they were in late 2004](#), whereas private employment is at the same level as in early 2017. Will this pattern continue? We look to possible hints from the NHQI.

The graph below shows the wage index separately for public-sector and private-sector workers, in each case indexed to the respective group’s own level in 2005 in order to better show relative changes. For newly hired government workers, the wage index has been somewhat volatile, owing to its relatively small size and turnover rate, but has generally increased since 2013. There is both more hiring and firing in the private sector, which is also much larger in total employment, but its wage index has also steadily grown in recent years. Indeed, both indices are currently about 7.5 percent above their 2005 benchmark levels, although the public-sector index has been growing more rapidly since the pandemic began: since February 2020, it is up 2.6 percent, compared to the private sector’s gain of 0.9 percent. Because the wage index is tied to the occupations into which workers are hired, the relatively fast growth for the public sector suggests that the disproportionately lower-paying jobs that accounted for losses last year—bus drivers, cafeteria workers, custodians, and aides—have been slow to come back as of yet. This may change in late summer as the new school year approaches, in which case a decline in the wage index would be expected.

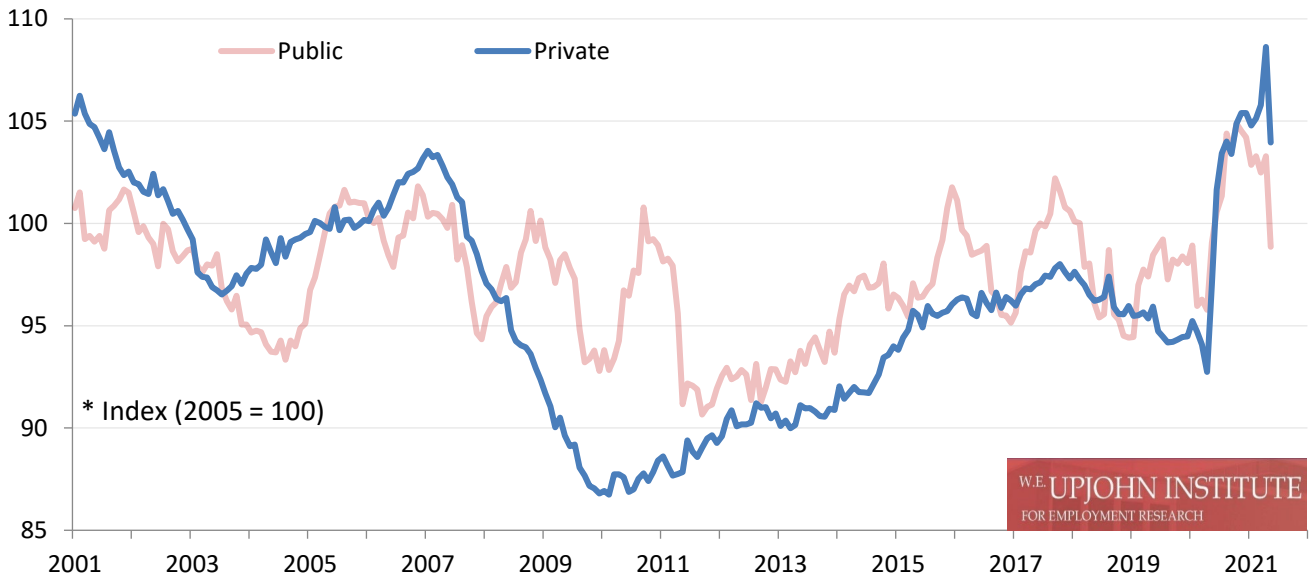
New Hires Hourly Wage Index: by Public/Private Sector



Indeed, recent hiring volume in the public sector has also lagged relative to the private sector. The next figure shows hiring volumes for each group, again indexed to 2005. Both groups see large spikes that occur in the summer of 2020, reflecting the end of many shutdowns and recall of temporarily laid off workers. However, the jump was not only smaller for public-sector workers—9 percent between April and August, relative to 12 percent for the private sector—the peak came sooner, topping out in October before declining, even as private hiring volume continued to grow. The sharp drop in both series at the end is an artifact of the 12-month averaging used to smooth the trends and the fact that May 2020—which saw record, unadjusted hiring—phased out of inclusion in the average. (Next month’s release, which will

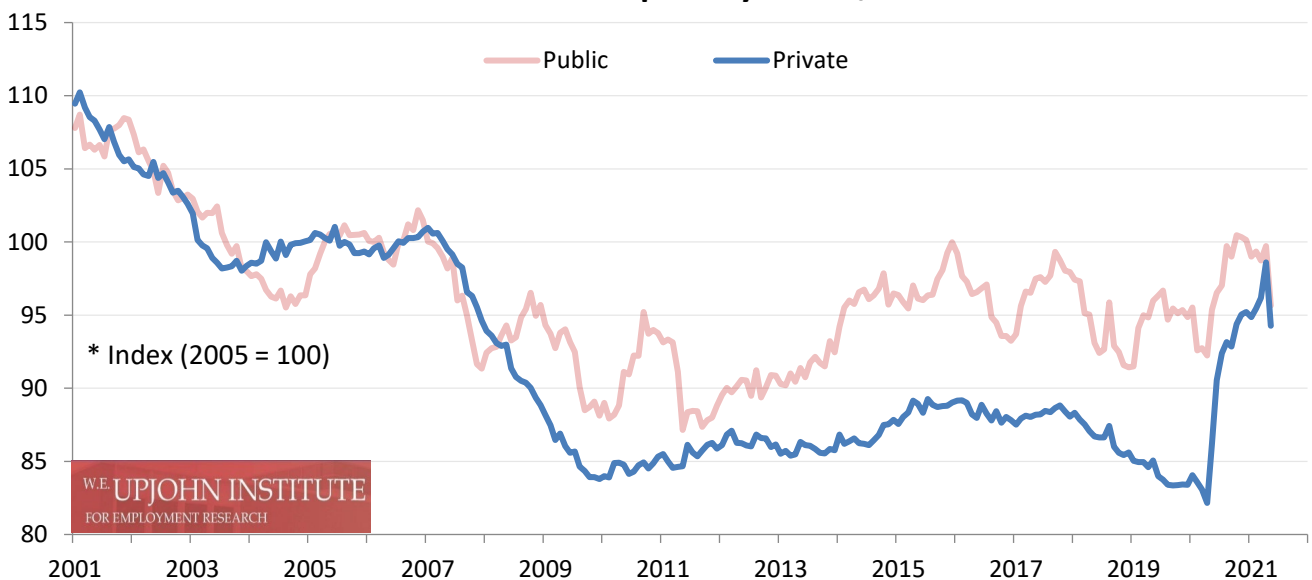
phase out another month of very rapid hiring, June 2020, is also expected to show a continued drop in the hiring volume index.) Even aside from this data anomaly, public sector hiring volume is much closer to pre-pandemic levels than is private-sector hiring, which does not bode well for the return of many government jobs.

New Hires Volume Index: by Public/Private Sector



This point can be seen more clearly in the last figure, which shows the number of hires per 1000 workers, but again benchmarked to 2005. After the Great Recession, hiring volume per capita fell more severely and persistently for the private sector, which—until the pandemic—remained at least 10 percent below its level in 2005. In contrast, public hiring per capita had nearly recovered to its 2005 level by 2016, and flirted right below it over the next three years. Since February 2020, however, private-sector hiring volume per capita has jumped 18 percent, more than twice the 7.7 percent gain for public hiring per capita.

New Hires Volume Per-capita: by Public/Private Sector



A key question is whether things will change as the new school year approaches, as public education accounted for many of the public sector's pandemic-related job losses. If these jobs do not return, then the public sector's share of all jobs will likely continue to shrink, as it has been (with brief interruptions) since the mid-1970s. As of May 2021, government accounts for 15 percent of all jobs—[the same share as in 1958](#).

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 June 2021 will be released during the first week of August 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 May 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.