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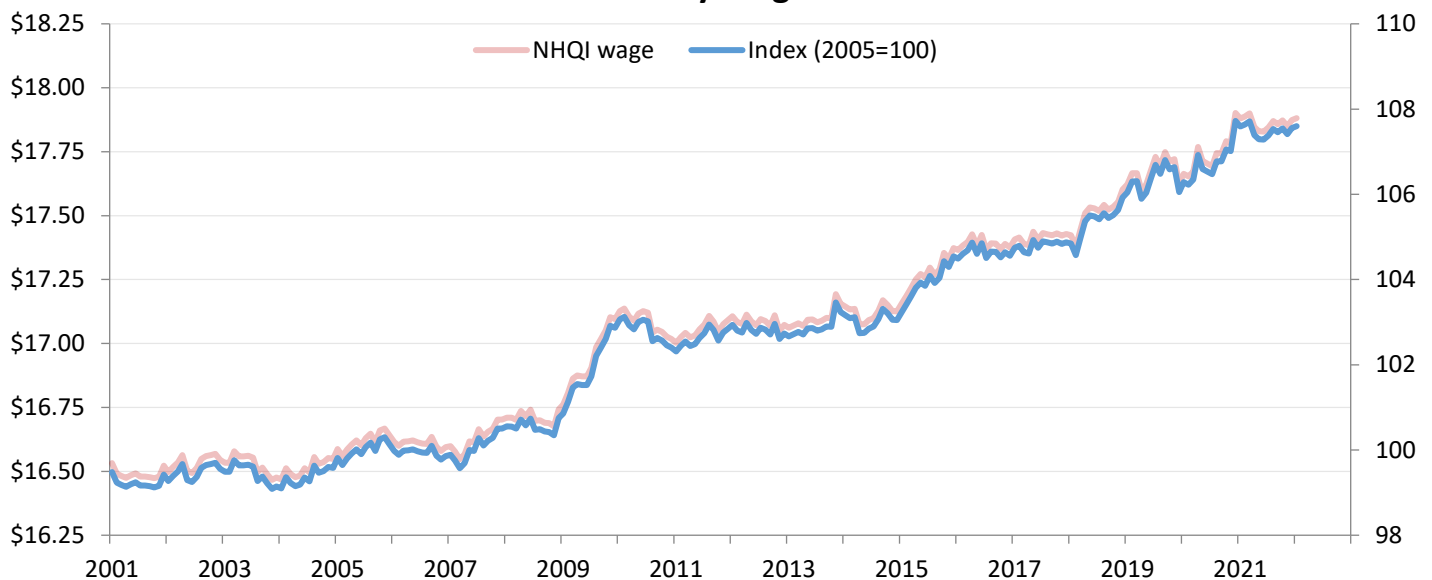
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Upjohn Institute New Hires Quality Index for January 2022 stays flat, but Millennials surge past Gens X and Z

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job held even between December 2021 and January 2022, at \$17.88. Although the index dipped slightly last summer, it has been remarkably steady since January 2021 and is essentially unchanged from its level then. Since 2005, the index is up 7.6 percent. Hiring volume again ticked up 0.1 percent over the month and is 3.7 percent above its pre-pandemic (February 2022) level. Despite the peak of Omicron in January, the hiring market was unfazed. Nonetheless, the current jobs deficit, relative to before COVID-19, stands at 2.9 million—5.1 million if prepandemic job growth had continued.¹

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.

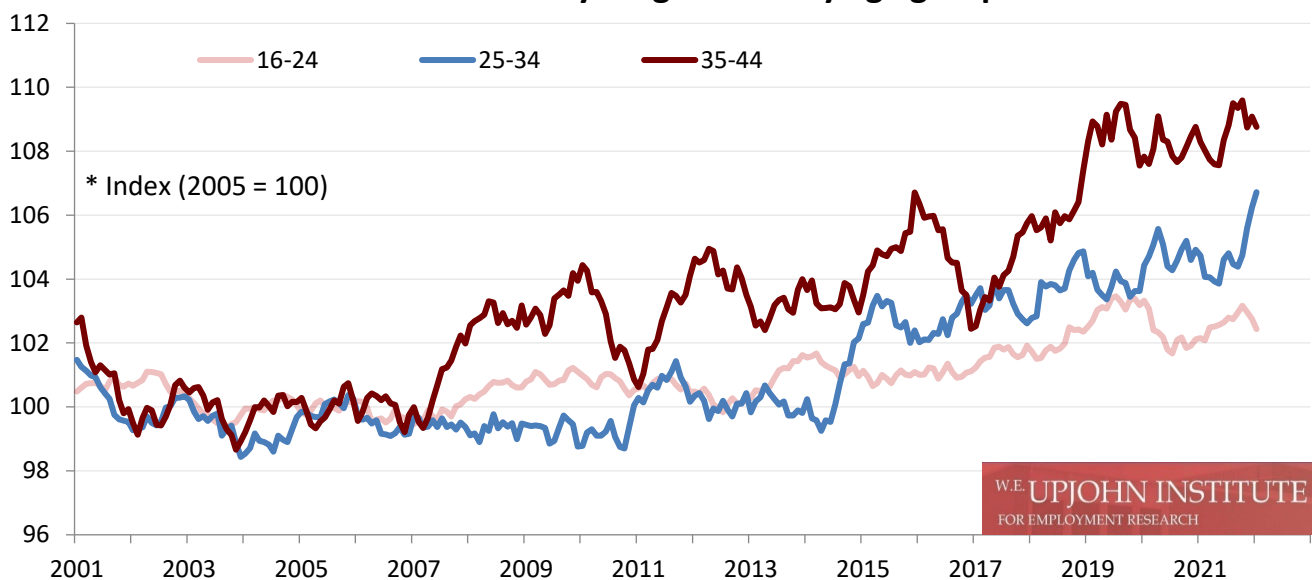
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¹ These pay gap numbers differ from last month's release because the Bureau of Labor Statistics conducted its annual [rebenchmarking process](#) in January, which revised past employment releases.

In this month’s release, we investigate the hiring markets of young workers. Recent [news articles](#) and the [Federal Reserve Bank of Atlanta’s Wage Tracker](#) have suggested that the youngest workers—ages 16 to 24, roughly Generation Z—have been one of the few groups with [wage growth outpacing inflation](#). (Of course, wages for this age group are also [low](#) to begin with, so the gains in actual dollars are limited.) Some of these gains may come from workers getting raises, but some may also come from workers switching jobs. Moreover, how do the patterns for Gen Z compare with their Millennial counterparts, as well as the younger members of Generation X? We compare NHQI trends for 16–24 year-olds (Gen Z), 25–34 year-olds (Millennials), and 35–44 year-olds (a mix of older Millennials and younger Gen Xers).²

The graph below shows the hourly wage index separately for each of the three age groups. Each index is normalized to the respective group’s own level in 2005 in order to better show relative changes. All three series have shown growth since the Great Recession in the late 2000s, although the patterns are slightly different. The oldest age group of 35–44 year-olds has seen the strongest cumulative growth, up 8.8 percent since 2005, but with relatively little growth since 2019. For 25–34 year-olds, growth only began in 2014, but the index is up 6.7 percent since then, and 1.9 percent since the start of the pandemic. For the youngest age group, in contrast, the wage index has grown gradually and is now just 2.4 percent above its level in 2005; since February 2020, it’s actually *down* 0.6 percent. How do we reconcile this with the findings described above? Recall that the wage index measures the earnings power of new hires as captured by their occupation and demographic characteristics, *not* their actual wages. The youngest workers are seeing real wage increases in the *same types of jobs*, while the older workers, especially Millennials, are getting hired into *higher-earning occupations*. This matters because [career earnings growth](#) is related more to the type of job one is in than raises in the same job, and the tight labor market we in are currently may not last.

New Hires Hourly Wage Index: by age group

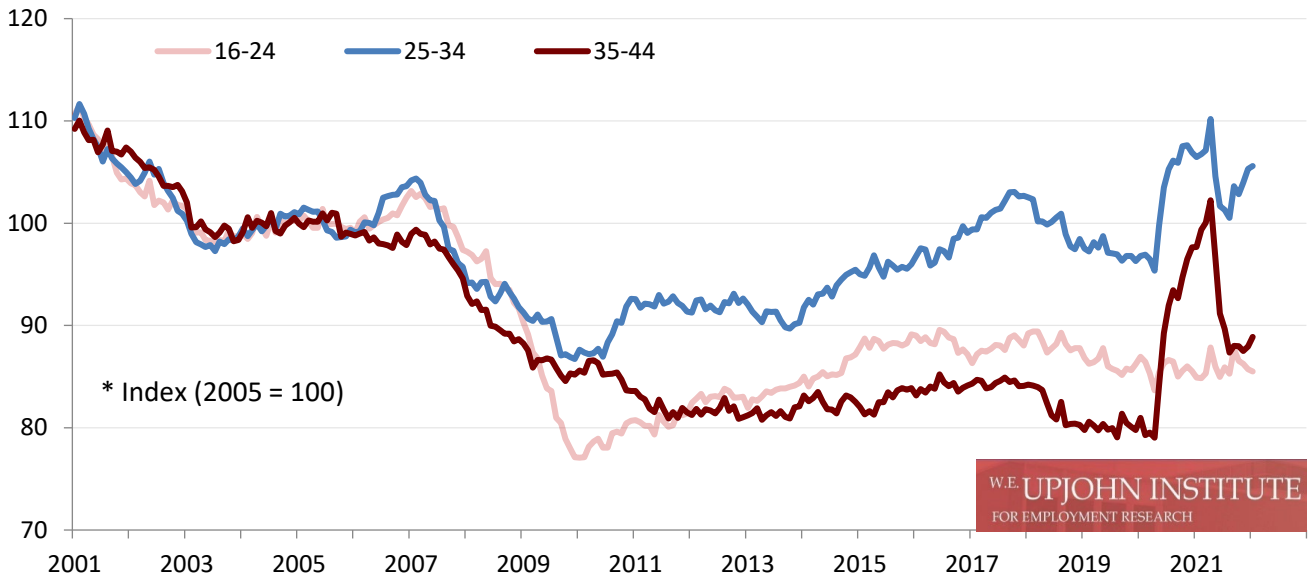


Indeed, healthy job dynamics generally imply both rising wages and more job changes. The next graph thus shows the indexed *volume* of new hires for each age group. After reaching lows during the bottom of

² These are the generational-age breakdowns today; over the 20-year span of the NHQI, different generations occupied each age group.

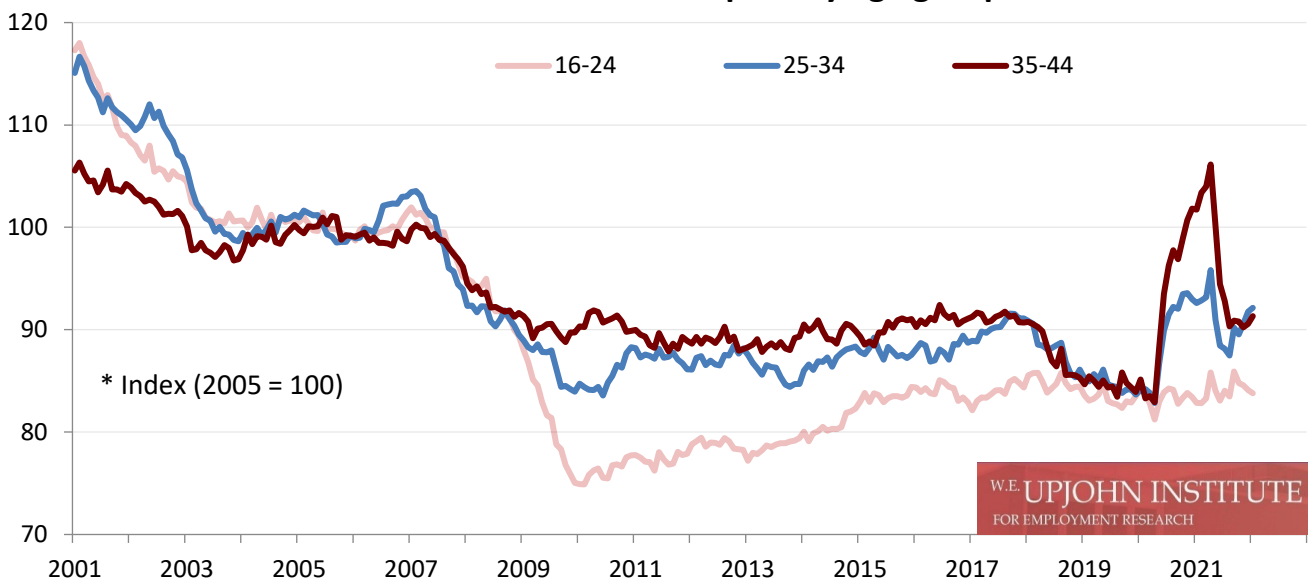
the Great Recession, hiring volume remained depressed for nearly a decade for both 16–24 year-olds and 35–44 year-olds, but it actually began growing again for 25–34 year-olds and had recovered most of its Great Recession losses by the eve of the COVID pandemic. Over the past two years, hiring volume has surged for the two older age groups—both still comfortably above pre-pandemic levels—but has barely budged for the youngest age group. It is curious that the actual wage growth for 16–24 year-olds (among people employed 12 months apart) is so large while their hiring volume has stayed flat.

New Hires Volume Index: by age group



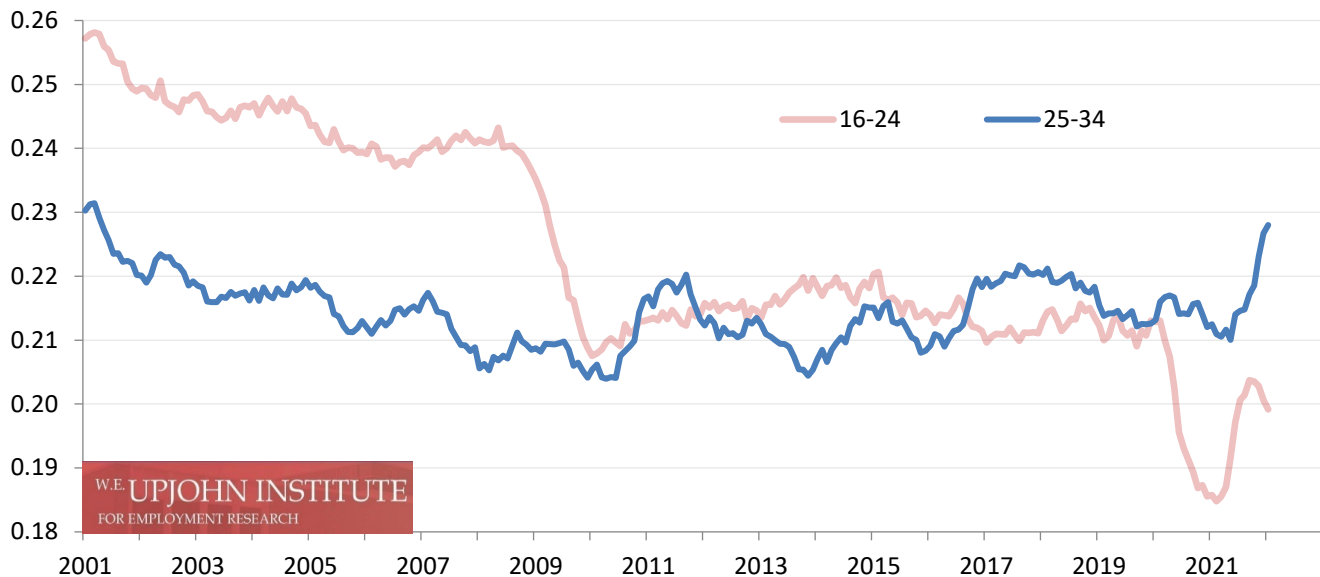
Moreover, this phenomenon is not driven by changing population size. The next graph shows indices for hiring rates (the number of new hires per 1,000 people in the population) for the three age groups. While the hiring volume difference between 25–34 year-olds and 35–44 year-olds does appear to be mostly due to differing population sizes—the two series track each other much more closely for hiring rates—for the youngest age group hiring is still no higher than before the pandemic.

New Hires Volume Per-capita: by age group



While a clear answer will require further investigation, these trends imply that the share of the wage bill—the earnings power of *all* new hires (including older workers not shown above)—accruing to workers in the youngest age group has continued to fall during the pandemic. As shown in the last graph, at the start of the millennium 16–24 year-olds accounted for more than one-quarter of the collective earnings power of all new hires. (Although the jobs these workers take pay relatively little, they account for many new hires given short job tenures.) This share fell to between 21 and 22 percent after the Great Recession, plunged during 2020, and despite a partial recovery, is just below 20 percent today. In contrast, the wage bill share for Millennials—today’s 25–34 year-olds—has risen sharply since spring of 2021 and is almost back to its share 20 years earlier, despite this age group now being a smaller share of the population. Thus, Millennials may actually be poised for stronger job dynamics than Gen Zers in the months and years ahead.

New Hires Wage Bill Shares: Ages 16-24 and 25-34



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: https://www.upjohn.org/sites/default/files/2021-05/NHqi_report_0.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 February 2022 will be released during the first week of April 2022. 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 January 2022. 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.