W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

300 South Westnedge Avenue • Kalamazoo, Michigan 49007 • 269-343-5541 • www.upjohn.org

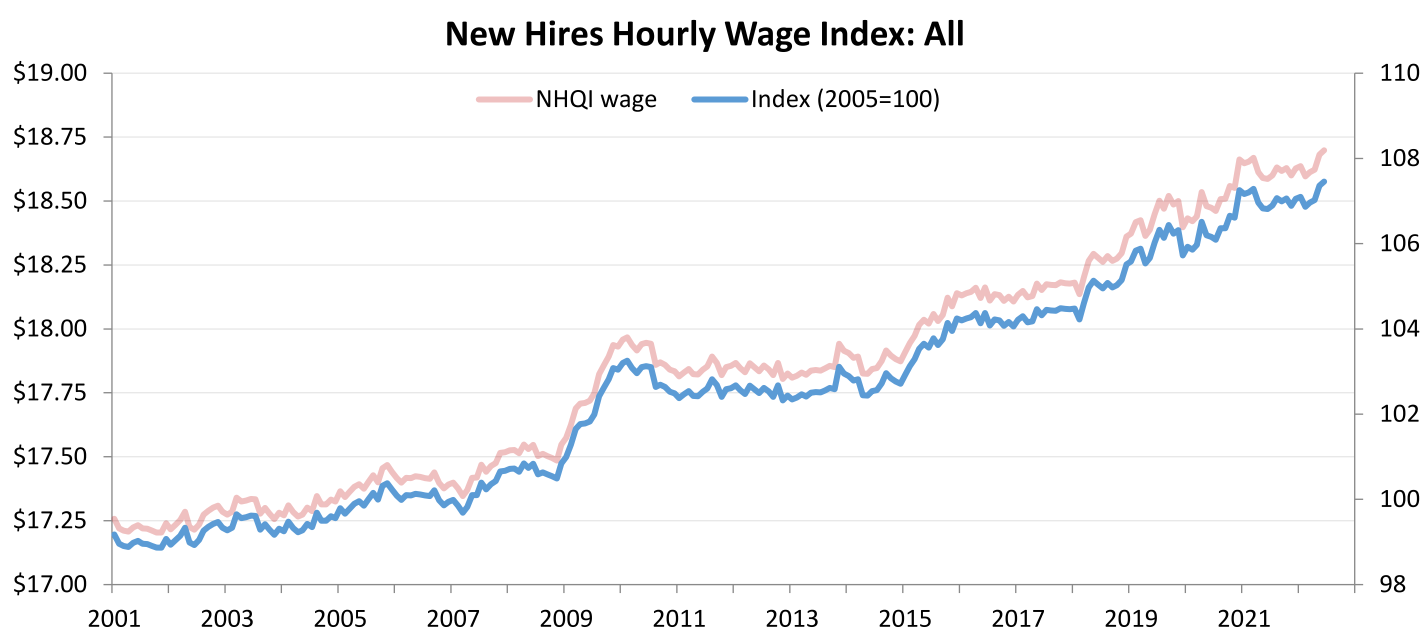
NEWS RELEASE: AUGUST 3, 2022

CONTACT:	JUSTIN CARINCI	carinci@upjohn.org	or
	BRAD HERSHBEIN	hershbein@upjohn.org	269-385-0437

Upjohn Institute New Hires Quality Index notches another new high and hiring volume jumps as workers continue to switch jobs

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job ticked up 0.1 percent between May and June, reaching $18.70 and a second record high in as many months. Over the past 12 months the index is up 0.6 percent; since 2005, it is up 7.5 percent. Hiring volume jumped 0.9 percent over the month, remaining a sizable 4.8 percent above its pre-pandemic (February 2020) level, and marking the fastest pre-pandemic hiring since before the Great Recession. Once again, high inflation, expected interest rate hikes, and ongoing supply chain disruptions have yet to slow down U.S. hiring, even as additional signs warn of slowing economic growth. The current jobs deficit, relative to before COVID-19, stands at 0.5 million—5.5 million if prepandemic job growth had continued unabated.

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.

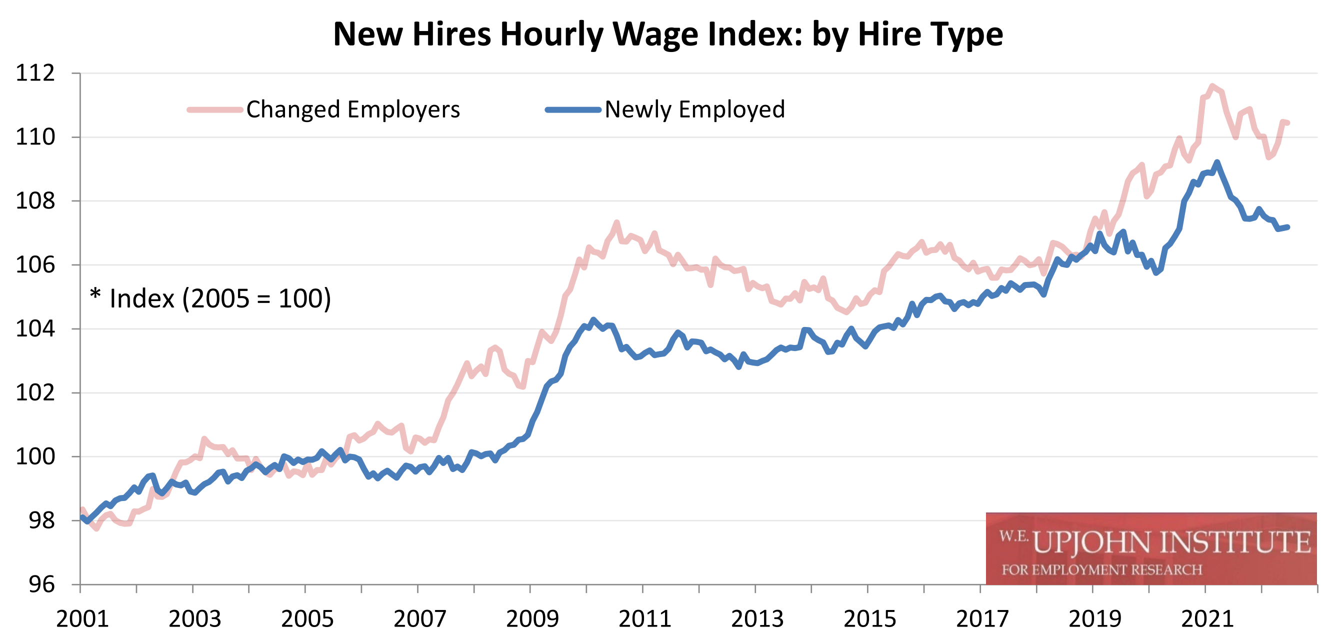


SOURCE: Upjohn Institute New Hires Quality Index

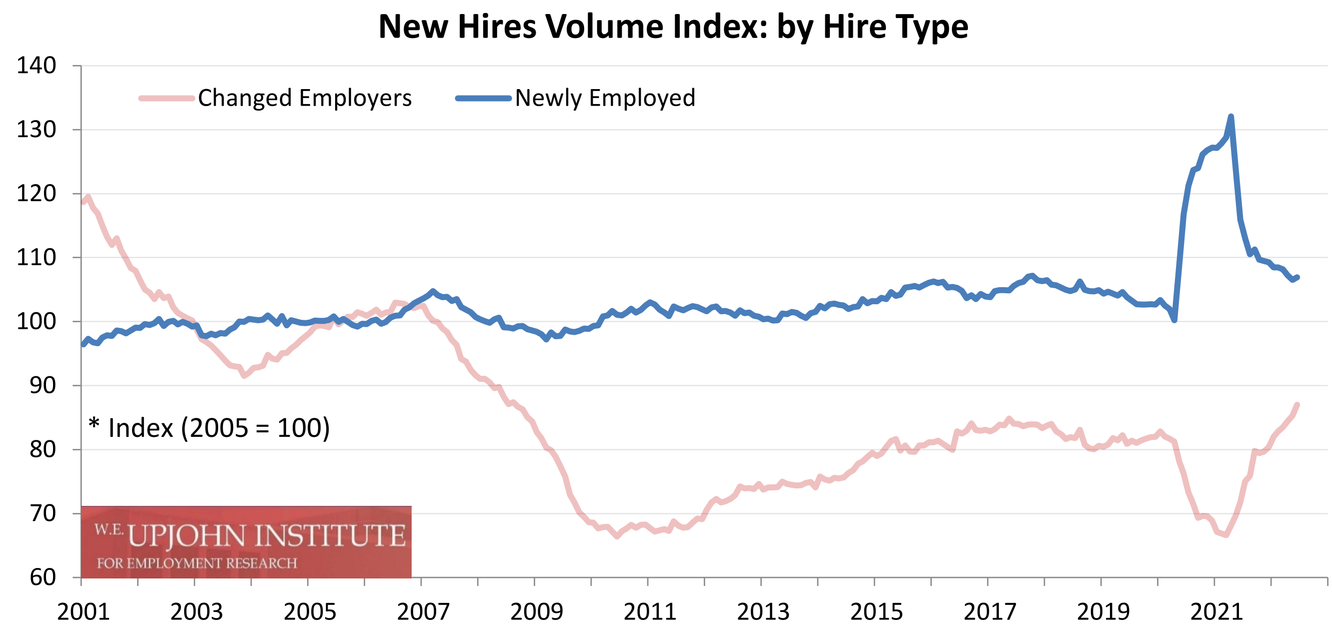
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.

Since the employment recovery from the COVID pandemic began in summer of 2020, the NHQI has examined multiple times the trajectories of two types of newly hired workers: individuals moving from nonemployment to employment and employed individuals moving from one employer to another. The former consists mostly of the unemployed finding new jobs but also includes first-time workers and those returning to the labor force, while the latter group represents many workers trying to advance in their careers and take new job opportunities. As analysts debate whether the U.S. economy is in a recession—although we have had two consecutive quarters of [negative GDP growth](), job growth remains [strong and widespread]()—the NHQI patterns for these two different groups of workers could cast additional light on the future direction of the labor market. Are the newly employed seeing a flat or even decreasing wage index, suggesting still-ample job opportunities in accessible occupations for the most economically vulnerable? Do more workers continue to switch jobs and see increases in the wage index, suggesting upward mobility? We explore these possibilities in this month's release.

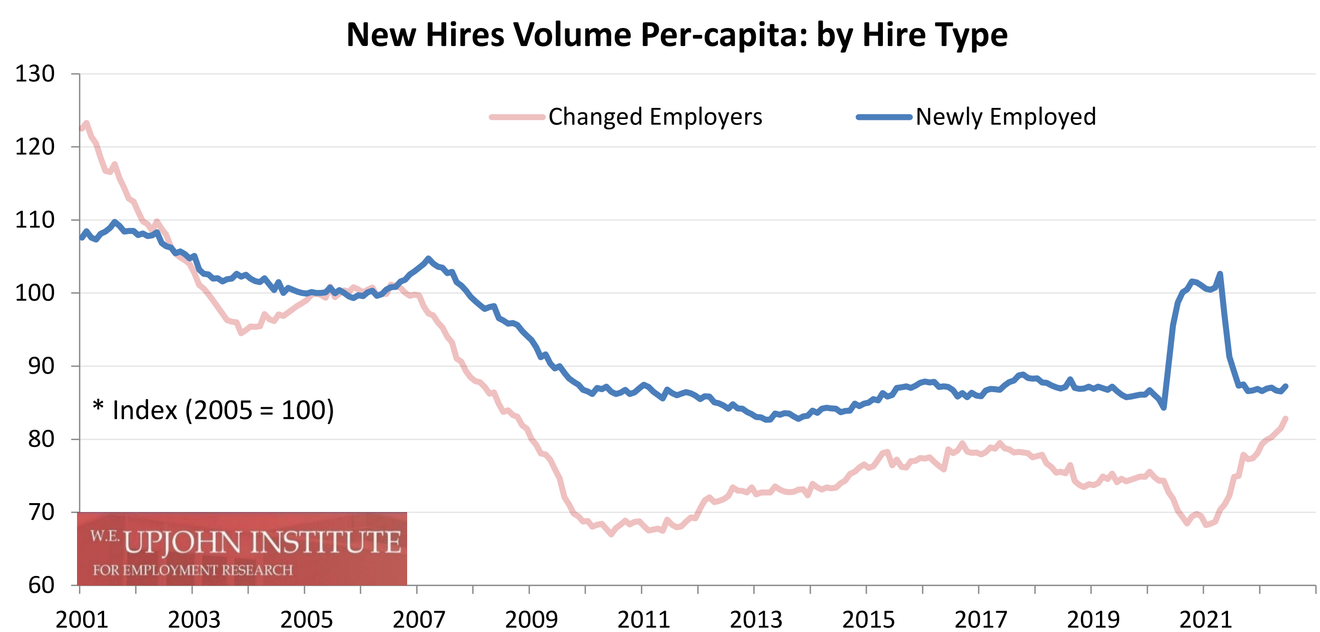
The graph below shows the hourly wage index separately for workers who changed employers (salmon) and individuals moving from nonemployment into employment (blue). Each index is normalized to the respective group's own level in 2005 in order to better show relative changes. Both groups reached an all-time high in early 2021. For individuals changing employers, this growth had begun in 2018 and accelerated in 2020 during the early stages of the pandemic. For individuals becoming newly employed, there had been a slight dip before the index shot up during the beginning of the pandemic, reflecting the rehiring of many laid-off workers from reasonably high-paying jobs. Over the past year and a half, however, the wage index has declined for both groups—about 0.7 percent for individuals changing employers and a larger 1.6 percent for the newly employed. Nonetheless, both groups are still well above their prepandemic average, by 1.5 and 1.4 percent, respectively. These trends suggest some slight cooling of hiring in the labor market, but they are more informative when combined with trends in hiring volume, which we turn to next.



The graph below shows the indexed *volume* of new hires for both the newly employed and individuals changing employers. The first thing to notice in this graph is that the volume of individuals job-hopping declined precipitously during the Great Recession and never fully recovered over the next decade, whereas hiring from the ranks of the nonemployed stayed pretty stable. The second thing to notice are the opposite spikes for the two groups both during the early stages of the pandemic and the reversal more recently.



Because the indices are 12-month moving averages, it's possible to see the inflection points as particularly volatile months are phased out, such as September 2021, the last time the NHQI examined these groups of workers. Since then, the trends in hiring volume have continued, albeit in a more gradual way. In particular, hiring volume for the newly employed has continued to slow since last fall, by 3.9 percent, but the level of hires still remains 4.3 percent above where it was prepandemic. In contrast, hiring volume for individuals switching jobs has now increased for 15 straight months, to a level 9.1 percent above where it was prepandemic and a volume last reached during late 2008. The pattern in hiring now becomes clearer: there is still room for individuals who have been on the hiring sidelines to take a job, and the already employed continue to look for and find better job opportunities than were available before COVID emerged.



The continued strength of the hiring market persists even when we look at *hiring rates*. The figure above shows the number of hires per 1000 workers in each group, again benchmarked to 2005.[1] The hiring rate for the newly employed has been steady in recent months, at just over 1 percent above the prepandemic rate. For job switchers, the hiring rate has continued to rise and is now nearly 11 percent above where it was in early 2020. In neither case has there been a decline in recent months.

Although the unemployment rate can be a lagging indicator of the macroeconomy, hiring rates—especially for job changers who quit their prior job—capture economic activity nearly in real time. And the patterns through June of 2022 indicate that employers and workers are still eager to form new matches, suggesting that the U.S economy, despite some headwinds, is still sailing forward.

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 July 2022 will be released during the first week of September 2022. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: www.upjohn.org/nhqi/signup.

[1] Because the groups are defined by the nature of their hiring, the denominator is the group eligible to be in each hiring type: the nonemployed for newly employed hires, and incumbent workers for those changing employers.

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 the self-employed (including independent contractors).

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 June 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.