

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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

NEWS RELEASE: FOR IMMEDIATE RELEASE

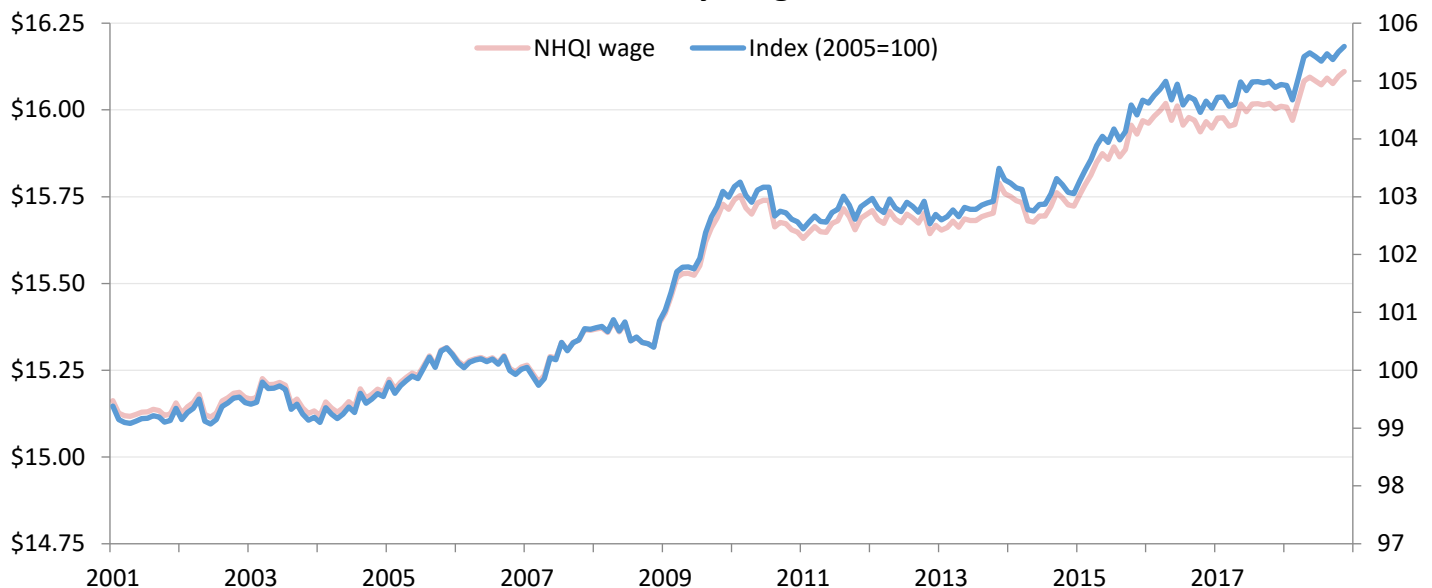
CONTACT: JUSTIN CARINCI carinci@upjohn.org 269-385-0431 or
BRAD HERSHBEIN hershbein@upjohn.org 269-385-0437

Upjohn Institute New Hires Quality Index for November 2018 shows overall 0.7 percent rise, stagnation for goods-producing workers

KALAMAZOO, Mich.— In November 2018, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly wages of individuals starting a new job rose 0.7 percent from a year prior, to \$16.11. Hourly wages of new hires have risen 5.6 percent since 2005, according to the index. Over the past month, the wage index rose 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.

New Hires Hourly Wage Index: All



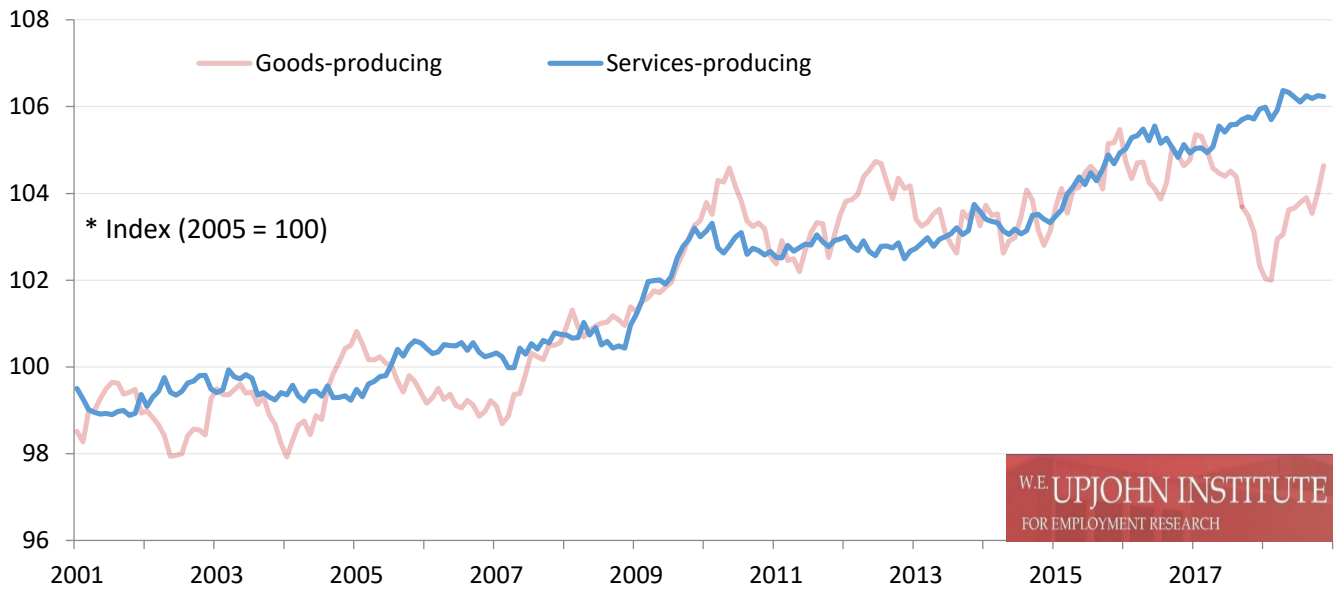
SOURCE: Upjohn Institute New Hires Quality Index

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.



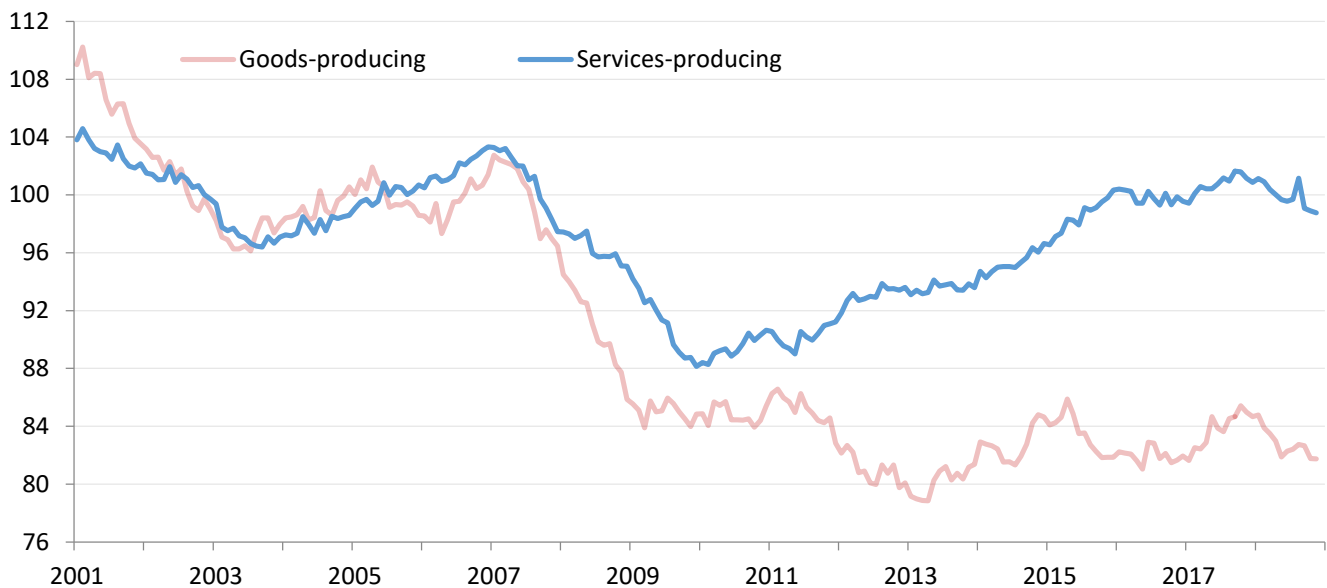
For this month's NHQI release, we focus on recent trends for goods-producing industries (construction, mining, and manufacturing) and for services. Over the past two years, there have been [reasonably robust job gains](#) in the former set of industries, and many of these jobs tend to pay well while historically having few education or training requirements. However, over the past decades, the economy has steadily [shifted toward services](#). How does recent hiring and earnings power compare for the two groups?

New Hires Hourly Wage Index: by Sector



The figure above shows trends in the wage index for both sectors, with each index presented as a percentage of its 2005 level to better show relative growth. Both groups have seen increases from the pre-recession period, although the trend for the goods-producing sector, which is smaller, has been more volatile. Nonetheless, up to the beginning of 2017, the wage indices tended to move together. Since that time, however, the wage index has continued to rise for the services sector—now 6.2 percent above its level in 2005—but it fell sharply in 2017 for the goods sector before mostly recovering in 2018. As a result, the index is down 0.7 percent for the latter since January 2017, but it's up 1.1 percent for services.

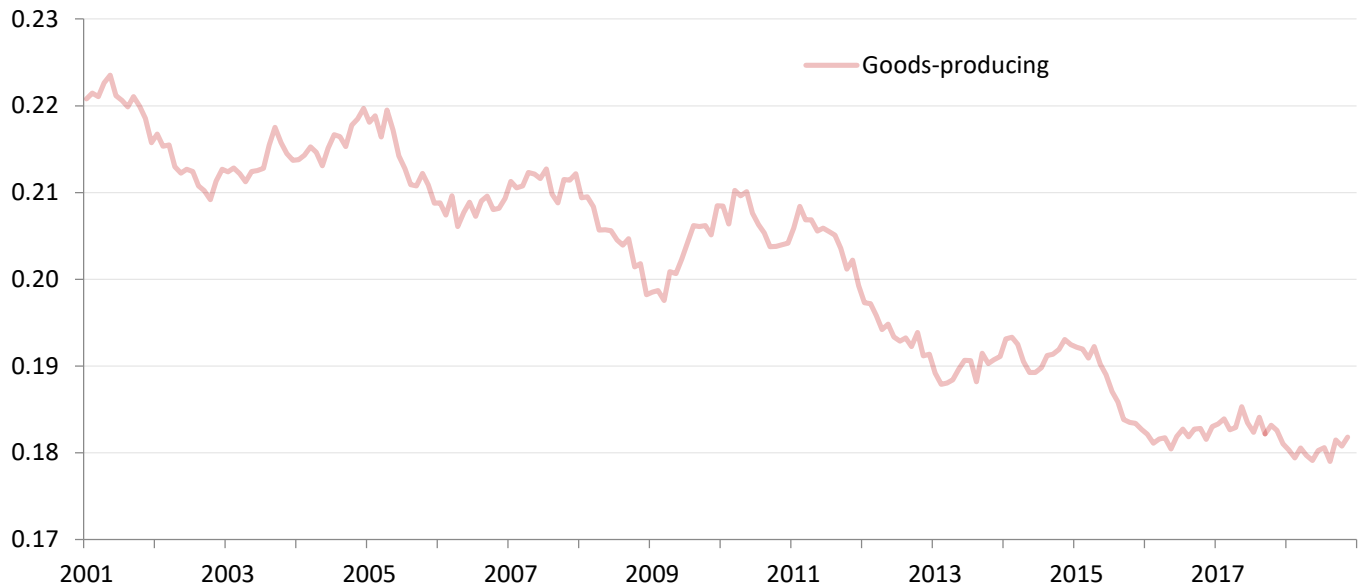
New Hires Volume Index: by Sector



The next figure shows hiring volume for the two sectors. Despite the recent gains in jobs for the goods-producing sector, the quantity of hiring has remained stagnant since the Great Recession ended. (Thus, the job gains are due to reductions in separations, not increases in hiring.) Indeed, this quantity remains more than 20 percent below its pre-recession peak. In contrast, hiring volume for services has had a more robust recovery,

but it's also stalled—and perhaps even slipped slightly—since 2016. Adjusted for the growth in population over time (not shown), hiring volume for both sectors remains well below pre-recession levels.

New Hires Wage Bill Share: Goods-producing sector



Based on the previous two graphs, it should come as little surprise that the share of the wage bill—the fraction of earnings power among all newly hired workers—accruing to workers in the goods-producing sector has steadily shrunk. In 2001, this share was 22 percent; it's now just a smidge above 18 percent. The bulk of this drop has happened during the recovery, and even the recent job gains in the sector have not been sufficient to reverse the slide in the wage bill share. It seems unlikely that job growth in mining, manufacturing, or construction will be strong or sustained enough to reverse hiring losses over the past five years, let alone past five decades.

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 November 2018 will be released during the first (partial) week of January 2019. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: www.upjohn.org/nhqi/signup.

The W.E. Upjohn Institute for Employment Research is a nonprofit, nonpartisan research organization devoted to finding and promoting solutions to employment-related problems. The views expressed in the report are those of the author and do not necessarily reflect the views of the W.E. Upjohn Institute. Visit us at www.upjohn.org.

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 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 November 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.