Upjohn Institute New Hires Quality Index for June 2019 up 1.1 percent from last year, but hiring volume has slowed

KALAMAZOO, Mich.—In June 2019, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job rose 1.1 percent from a year prior, rising from $16.53 to $16.72. After a brief dip, the index has begun rising again, and the NHQI has reached a new all-time high. Hourly earnings power of new hires has risen 6.5 percent since 2005, according to the index.

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.

Recently there has been considerable discussion of whether and why the Federal Reserve might cut its target interest rate, even as the economy and labor market seem to be doing quite well. In this month’s NHQI release, we reexamine the different facets of the overall Index, extending beyond the wage component, shown above, to also present the hiring rate, volume, and wage bill components.

The figure below shows the NHQI hiring rate—the number of hires per 1000 people. Over the past year and a half or so, this rate has declined by about 4 percent, from 21.0 to 20.2 hires per 1000 people in a given month.
This marks an all-time low for the Index, as the slight hiring rate recovery that began in late 2014 has pattered out and given back its gains. Expressed differently the hiring rate is 17.8 percent below its level in 2005, and although it is not shown, this decline cannot be explained by the aging of the population. While it is possible that the hiring rate slowdown signals labor market strength—for example, hiring rates could slow because workers are experiencing improved matches to jobs, perhaps because of job growth in larger cities—it is also possible that dynamics are weak and the rungs on the job ladder remain far apart.

The next figure shows the overall volume of hires per month, not scaled by population. As of June 2019, hiring volume is at 5.2 million, about 400,000 per month above the trough reached in the Great Recession, but still below the trough reached in the early 2000s recession.

The last graph combines the hourly wage index with the hiring volume to create the wage bill—the collective earnings power of all workers hired in a given month. Because of the offsetting trends of each of the two
components—upward for the wage index and downward for the hiring volume—the wage bill has moved relatively little over the past year and a half, and is up only about one percent since 2016. This stagnation contrasts with the sharp recovery between 2014 and 2016. Currently the wage bill is about 1.4 percent above its level in 2005, and still below its peak prior to the Great Recession. This somewhat lackluster performance may corroborate the concern about the underlying health of the labor market, suggesting it’s not quite as hot as simpler measures like the unemployment rate would indicate.

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 July 2019 will be released during the first week of September 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](https://www.census.gov/), 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](https://www.bls.gov/oes/), 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.


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](https://www.bls.gov/nhq/) during the first week of the month, covering data from two months ago. Data are currently available from January 2001 through June 2019. To receive updates through email or social media, visit the signup page.

6. **What data are available on the NHQI website?**

   The [NHQI website](https://www.bls.gov/nhq/) 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.