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Upjohn Institute New Hires Quality Index for October 2018 shows overall 0.5 percent rise, rising wage bill share for blacks

KALAMAZOO, Mich.— In October 2018, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly wages of individuals starting a new job rose 0.5 percent from a year prior, to \$16.10. Hourly wages of new hires have risen 5.5 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



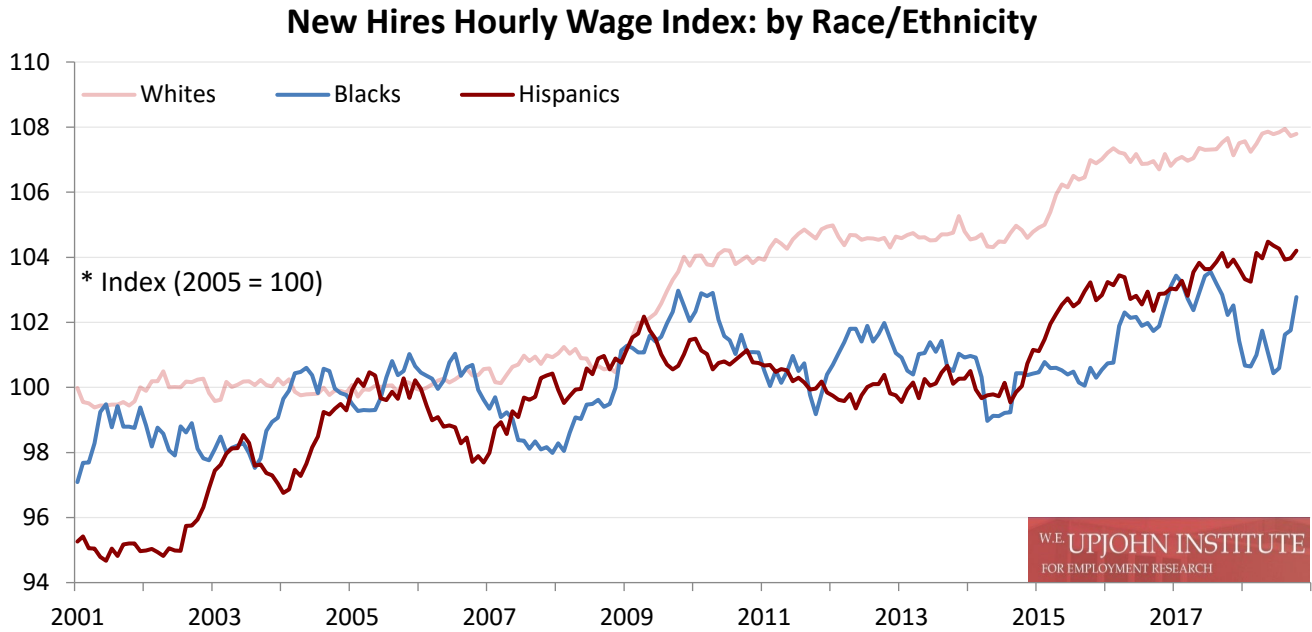
SOURCE: Upjohn Institute New Hires Quality Index

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.

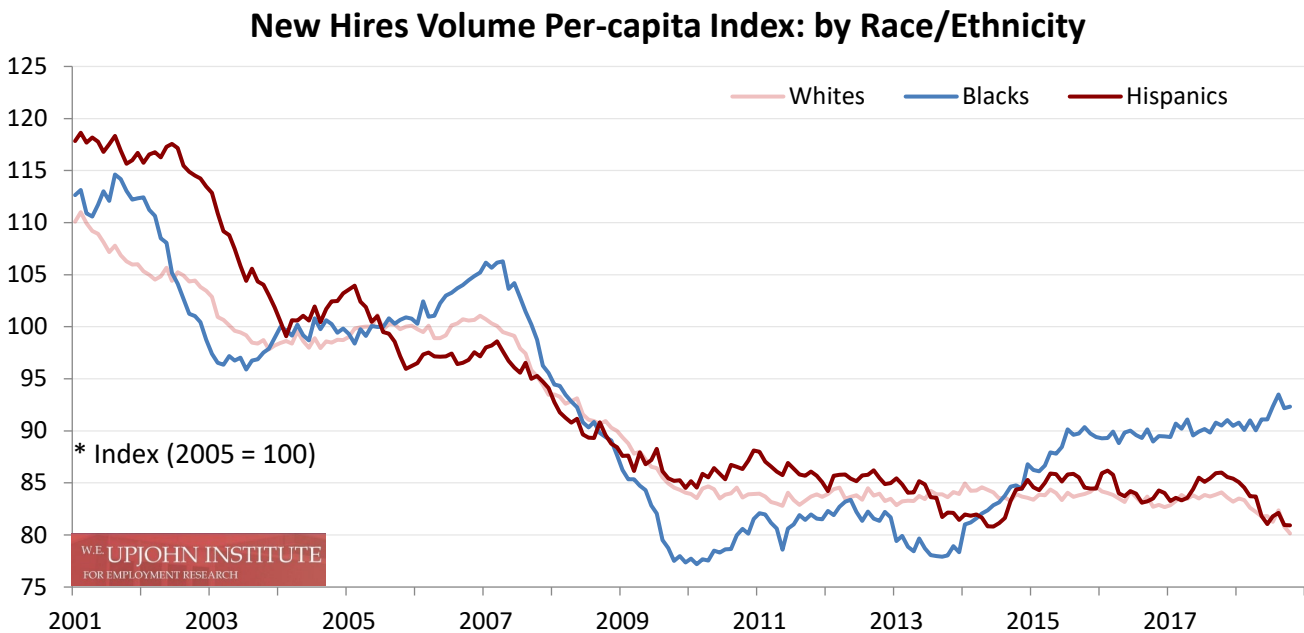


For this month's NHQI release, we revisit trends for individuals of different races and ethnicities, notably those identifying as white, black, or Hispanic. (Following U.S. Census Bureau and Bureau of Labor Statistics practice, Hispanic individuals can be of any race, but we make the categories mutually exclusive here.) Some have argued that the economic recovery has left racial minorities [behind](#), while others are [more sanguine](#). Although the NHQI explored this topic [last year](#), the past 12 months have seen a near closing of the [black-white labor](#)

[force participation gap](#) but faster [income growth](#) for median white or Hispanic household than the median black household. How does the hiring picture look for the different groups?



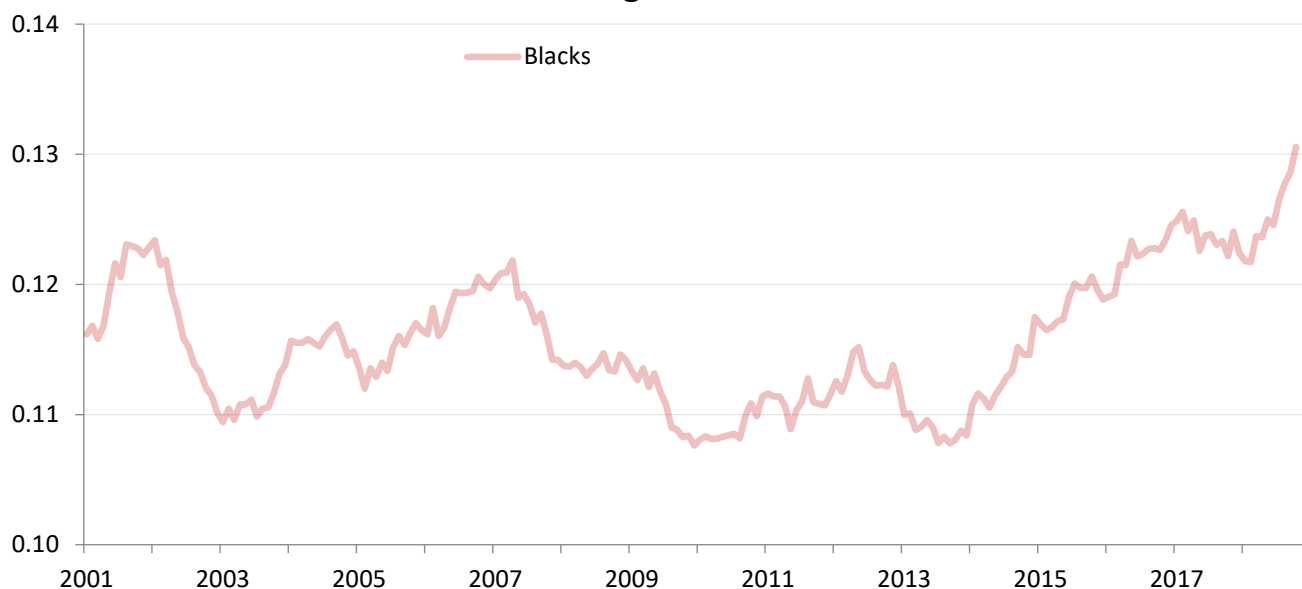
The figure above shows trends in the wage index for whites, blacks, and Hispanics, with each index presented as a percentage of its 2005 level to better show relative growth. Similar to last year, all three groups have seen increases from the pre-recession period, although the gains have been strongest for whites, up 7.8 percent from 2005. Cumulative gains have been slower for blacks and Hispanics. Although the index for latter is at a series high, the wage index for blacks has seen no net growth over the past year and a half. Are blacks thus missing out on the employment recovery?



Not quite. The figure above shows hiring volume per capita (thus adjusting for population growth). While blacks had the sharpest drop in hiring rates over the Great Recession, they have since had the strongest recovery, with a modest uptick over 2018 even as hiring rates for whites and Hispanics continue to decline. The two figures imply that hiring of black workers has not only become more common, but that it has been

concentrated among relatively lower-skilled (and lower-paying) occupations than the hiring of white or Hispanic workers. This evidence is commensurate with the relative gains in black labor force participation—the [growth in vacancies for entry-level jobs](#) has apparently benefitted many black workers who were previously not employed.

New Hires Wage Bill Share: Blacks



Indeed, the share of the wage bill—the fraction of earnings power among all newly hired workers—held by blacks is now at a series high of just above 13 percent. Much of the growth has come over the past year, as blacks’ share of hiring has increased.

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 the first week of the second month following the reference of the data release month. For example, data for October 2018 will be released during the first (partial) week of December 2018. 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 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 October 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.