Upjohn Institute New Hires Quality Index essentially unchanged in March 2020, but COVID-19 continues to slow hiring, especially in metro areas

NOTE: This month’s release incorporates new occupational wage data from the Bureau of Labor Statistics. This revision affects the entire wage index series. The principal result is a shift up in wage levels; indexed values and trends are minimally changed. All statistics in this release use the revised data, and data on the NHQI website have also been updated.

KALAMAZOO, Mich.—In March 2020, the Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job edged down a slight 0.1 percent over the year, but up 0.1 percent over the month. At $17.07 in March, the index has been stagnant over the past four months. The drop in hiring volume that began in February continued in March, falling another 2.5 percent over the month, and down 7.5 percent over the year.

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.

Although the wage index is down 0.7 percent from its all-time high of last September, it still is up 6.0 percent from its level in 2005. The same cannot be said for hiring volume, which has experienced its
fastest plunge in the series and is now only slightly above its all-time low of 4.8 million, reached in early 2010 during the trough of the Great Recession. On a per capita basis, hiring volume is below that previous nadir: 18.7 workers were hired for every 1,000 people in March 2020, versus 20.3 in early 2010. This rapid decline is almost certainly related to COVID-19 and reflects only the earliest effects, as the March data capture activity that had taken place during the week of March 8 through March 14, before most business closures had taken place.

![New Hires Volume Index: All](image1)

This discrepancy can be seen more clearly by comparing trends in metro areas—where COVID-19 spread earlier—with those outside metro areas. The figure below shows the wage index for these two groups of areas. For metro areas, the index is only slightly off its historic high reached late last year. For non-metros, however, the wage index has plummeted sharply since last fall, down 2.6 percent. Interestingly, this decline well predates the coronavirus.

![New Hires Hourly Wage Index: by Metro status](image2)

Turning to hiring volume, we see a secular decline for non-metro areas, which never really recovered from the Great Recession. (This more reflects a decline in population than it does in hiring *rates*, per
Nonetheless, the drop in volume over the past year for non-metro areas is about 3.7 percent. Contrast that with the pattern for metro areas. Hiring volume had plateaued for these areas in 2019, at about the same level as in 2005. Starting in January, however, hiring volume began to fall sharply, and by March it was 6.6 percent down over the previous three months and 8.2 percent over the year—both much sharper declines than for non-metro areas.

Again, these trends reflect data covering the first half of March, well before the full impact of the coronavirus and subsequent restrictions on economic activity manifested. The release of April data, scheduled for this Friday, May 8th, will provide more national evidence of labor market effects, although the dynamics captured by the NHQI will have to wait a few weeks longer.

NHQI statistics, 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 at 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 April 2020 will be released during the first week of June 2020. 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 and July 2019 press releases.

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 March 2020. 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.