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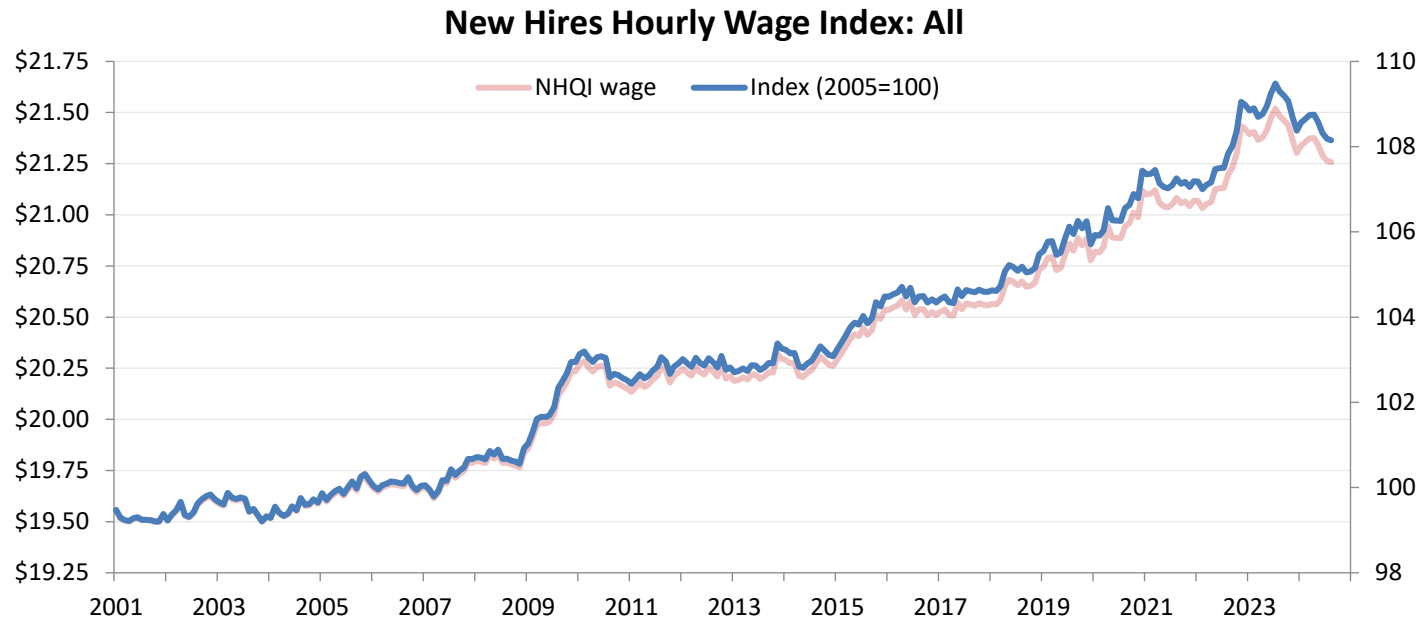
Upjohn Institute New Hires Quality Index holds steady in August, but the past year has brought gains for women and sharp declines for men

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job was essentially unchanged between July and August, with the index currently at $21.26. It is down 1.0 percent from one year ago, but it is still up 2.1 percent since the COVID pandemic began. Hiring volume recovered its July loss by rising 1.2 percent over the month; although it has climbed out of its record low, volume remains 3.3 percent lower than it was 12 months ago, and 3.6 percent below its prepandemic level. Adjusting for population growth, hiring *rates* have fallen even more, 5.0 percent over the year and 6.7 percent since February 2020. Although reported job gains in August were tepid, the decline in hiring dynamics has paused. With Federal Reserve policy becoming more accommodating, we will have to wait and see whether hiring dynamics will stabilize at their current levels.

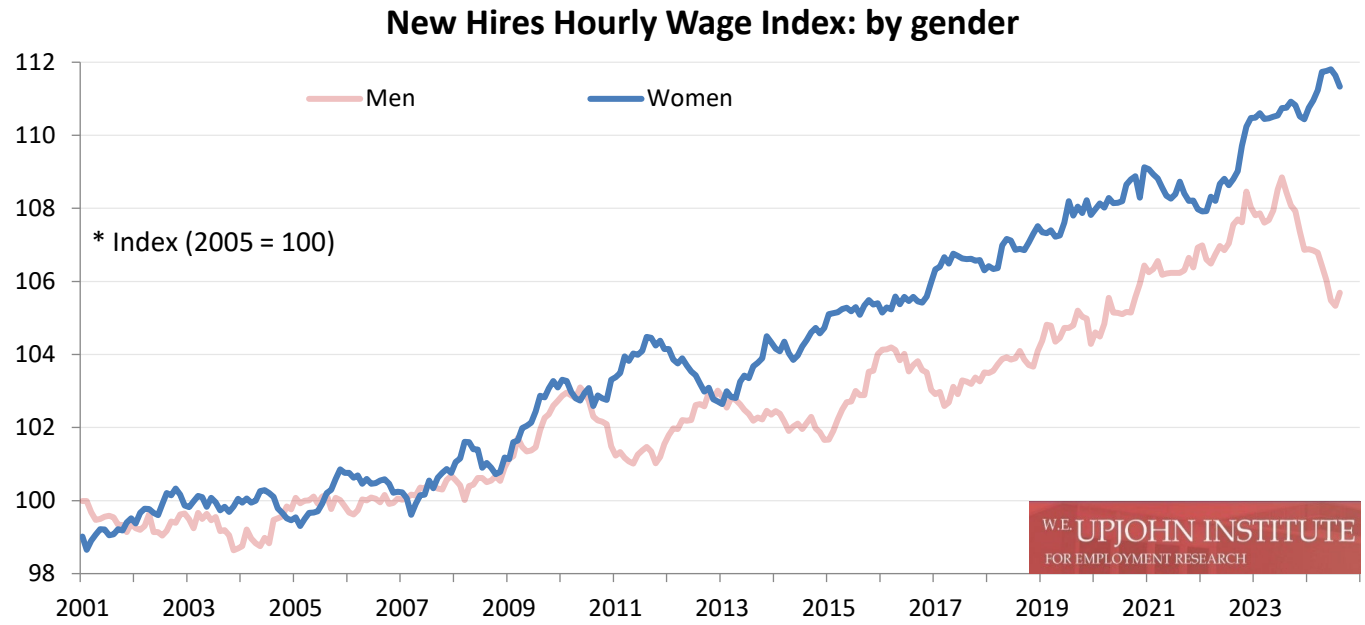
The index and accompanying interactive database and report, developed by Upjohn Institute economist Brad Hershbein, fill a key gap in the measurement of hiring activity. The NHQI provides monthly updates on the volume and occupation-based wages of newly hired workers, and is available for different groups 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.

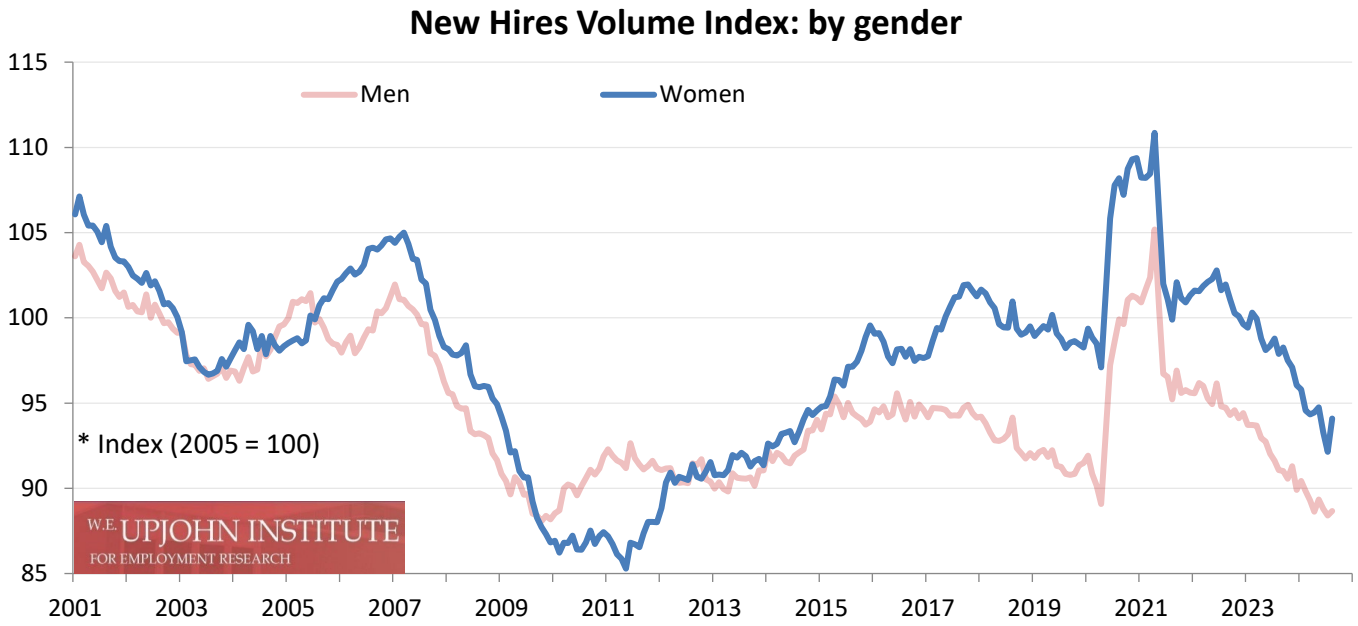
As the United States heads further into election season, several commentators have noted the growing political polarization between men and women, and a few have also written about the gap in economic polarization between genders. While the political gender gulf seems robust, there is greater disagreement on recent trends in the labor market strength by gender. A recent Census report documents that the (annual) gender earnings gap increased in 2023, a reversal from over 20 years of—very gradual—progress in women's earnings catching up with men's. As the overall labor market has cooled, it can be illustrative to compare the relative progress of men and women as captured in the NHQI, especially over recent months. Is the political gender divide also reflected in an economic gender divide?

The graph below begins to answer this question by showing the hourly wage index separately for newly hired workers by gender, with men in salmon and women in blue. Each index is normalized to the respective group's own level in 2005 to better show relative changes. During the early stages of the COVID recovery, in 2021, the wage index for women slipped slightly even as the wage index for men rose, narrowing the gap between the two. Over the next 18 months, though, the wage indices for both genders largely grew at a similar rate, capturing the strong labor market of the time. About one year ago, however, a sharp divergence began, opening what has become the widest gap in the two series to date. Over the past 12 months, the wage index for women has climbed an additional 0.5 percent, but the wage index for men has dropped a precipitous 2.5 percent, its fastest decline on record. This means that the past year's drop in the overall NHQI (1.0 percent, referenced above) has entirely been driven by the falling earnings power of newly hired men. Commensurately, while women's wage index is up 11.3 percent since 2005, men's wage index is up only half as much, 5.7 percent.

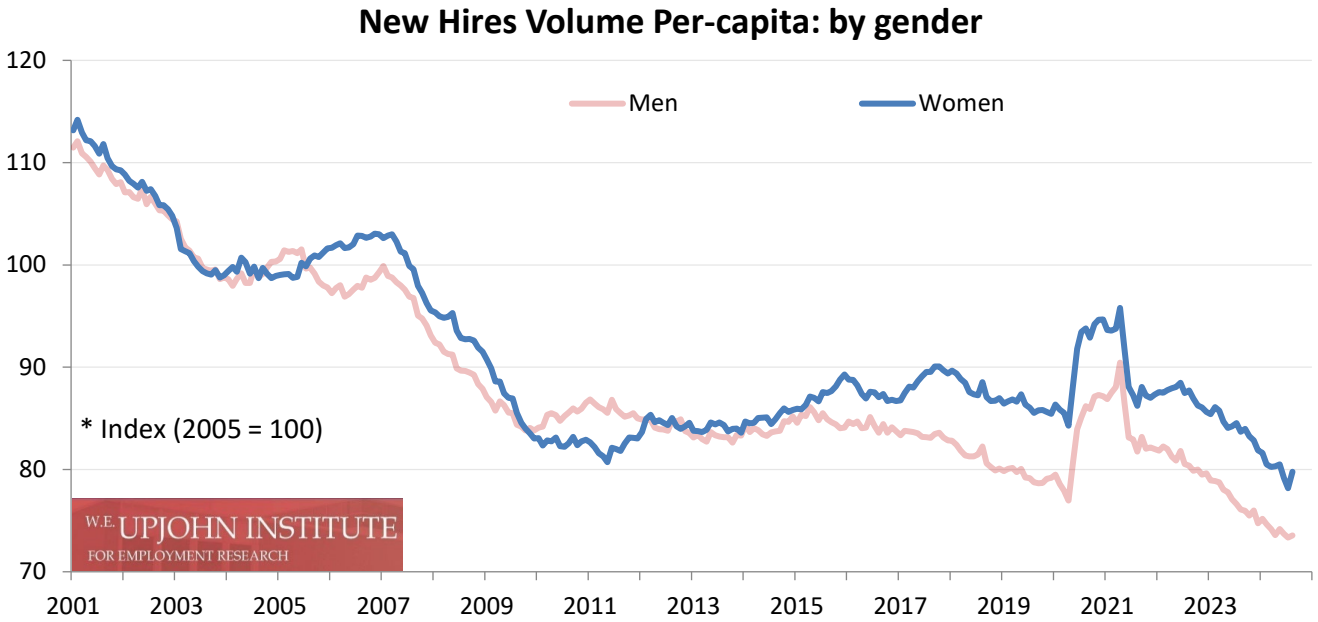


The earnings power of new hires is just one component of a dynamic labor market; hiring volume also matters. As the next graph shows, hiring volume has been falling for both men and women since the summer of 2022. Over the past 12 months, volume has actually fallen faster for women—3.9 percent—than for men—2.6 percent. In conjunction with the wage index, this implies that fewer people of either gender are being hired, but the women that are being hired are moving into occupations that tend to pay more, while the fewer men getting hired are disproportionately starting in occupations that pay less. Moreover, because women had exhibited higher hiring volume (relative to the 2005 baseline) even before

the pandemic began, their hiring volume still comfortably exceeds the trough reached during the Great Recession; men's hiring volume, in contrast, hovers near its record low.

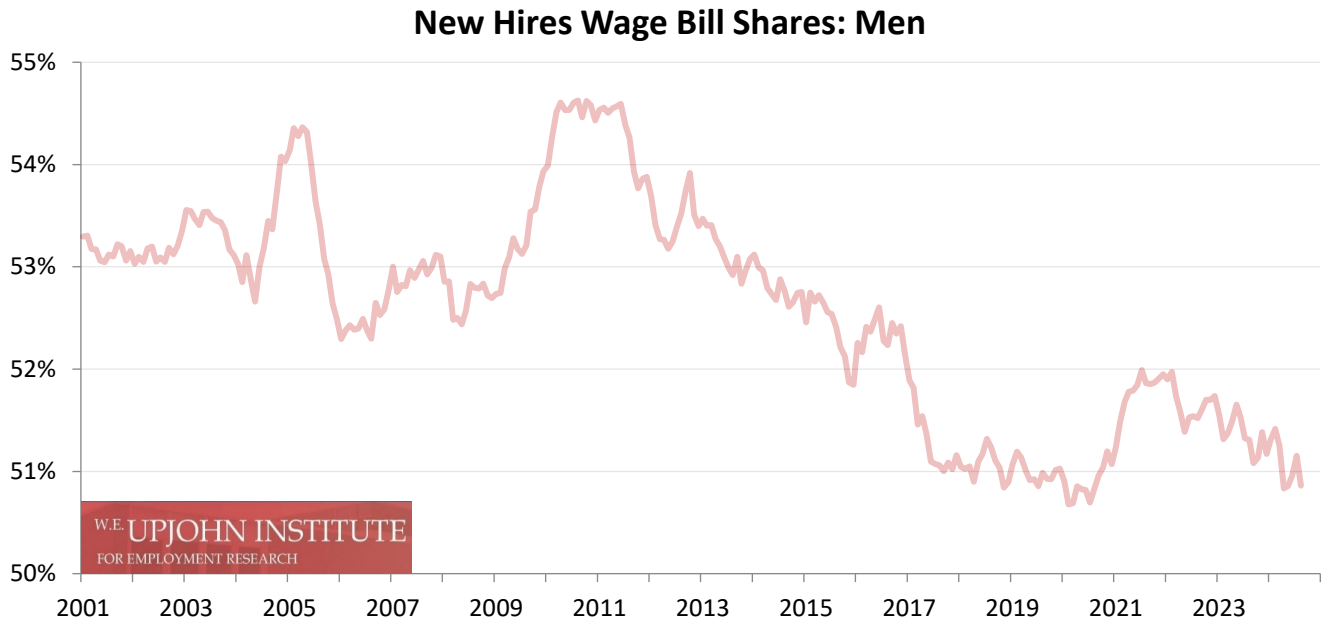


The relative advantage for women persists even when looking at *hiring rates*—new hires per capita (again normalized to levels in 2005). With the growth in population, greater hiring volume is needed to keep hiring rates constant—since hiring volume has been falling, hiring rates have fallen even faster. On a per-capita basis, hiring rates for women are just below the floor reached during the Great Recession, itself nearly 20 percent below the level from 2005, just a few years earlier. Hiring rates for men are at new record lows, more than 26 percent below 2005 levels.



These trends—wage index gains for women and losses for men, coupled with hiring declines for both—have changed hiring dynamics between genders. Men's share of the new hires wage bill—the earnings power of all new hires, collectively—ebbed to 50.9 percent in August 2024, just a smidgeon above its all-time low of 50.7 percent during the early days of COVID, and very close to parity with women. Although men's new hires wage bill share had declined a few percentage points during the long recovery from the

Great Recession, the initial recovery from COVID had shifted the share back towards men during 2021. Over the past 30 or so months, the trend reversed, with women's wage index gains more than making up for their faster hiring declines. Although cooler labor markets have historically implied relative losses for women's new hires wage bill share (and gains for men), the current trajectory seems to be defying this pattern. It is still too soon to say whether it will continue.



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 September 2024 will be released during the first week of November 2024. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: www.upjohn.org/nhqi/signup.

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 changes 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, July 2021, July 2022, July 2023, and July 2024.

4. Does the NHQI count self-employed workers?

No, the NHQI excludes the self-employed (including those who report bring 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 August 2024. 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 at 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.