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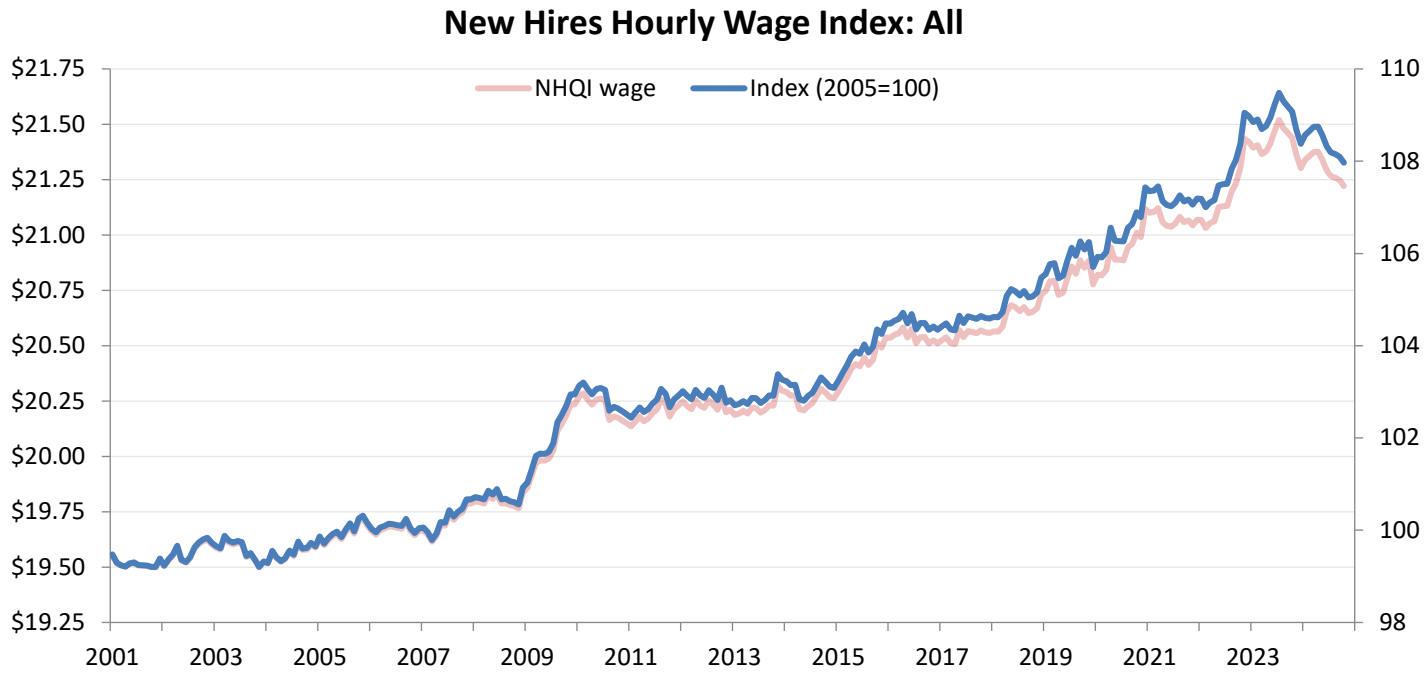
Upjohn Institute New Hires Quality Index drops another 0.1 percent in October, with Gen Xers feeling the brunt of the slowdown

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job slipped 0.1 percent between September and October, its sixth consecutive monthly decline, with the index currently at $21.22. This marks a 1.0 percent drop from its level of one year ago, although it remains 1.9 percent above its pre-COVID mark. Hiring volume was essentially unchanged over the month, but it has fallen 3.8 percent since last October and is just above its series low. Adjusting for population growth, hiring *rates* are down 4.4 percent over the year and 7.8 percent since the pandemic began. As payroll job growth also has slowed over the past year, the labor market has been moving from warm to room temperature, but it is not yet cool, let alone cold.

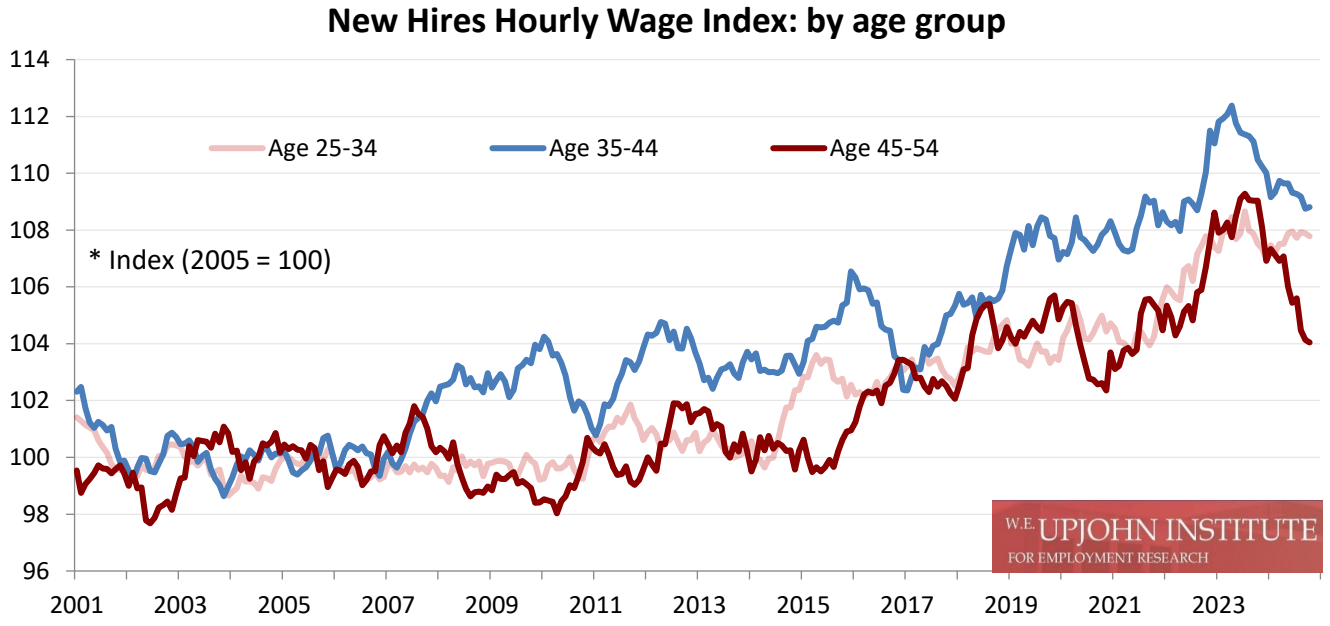
The index and accompanying interactive database and report, developed by Upjohn Institute economist Brad Hershbein, fill a key gap in the measurement of hiring activity. The NHQI provides monthly updates on the volume and occupation-based wages of newly hired workers, and is available for different groups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

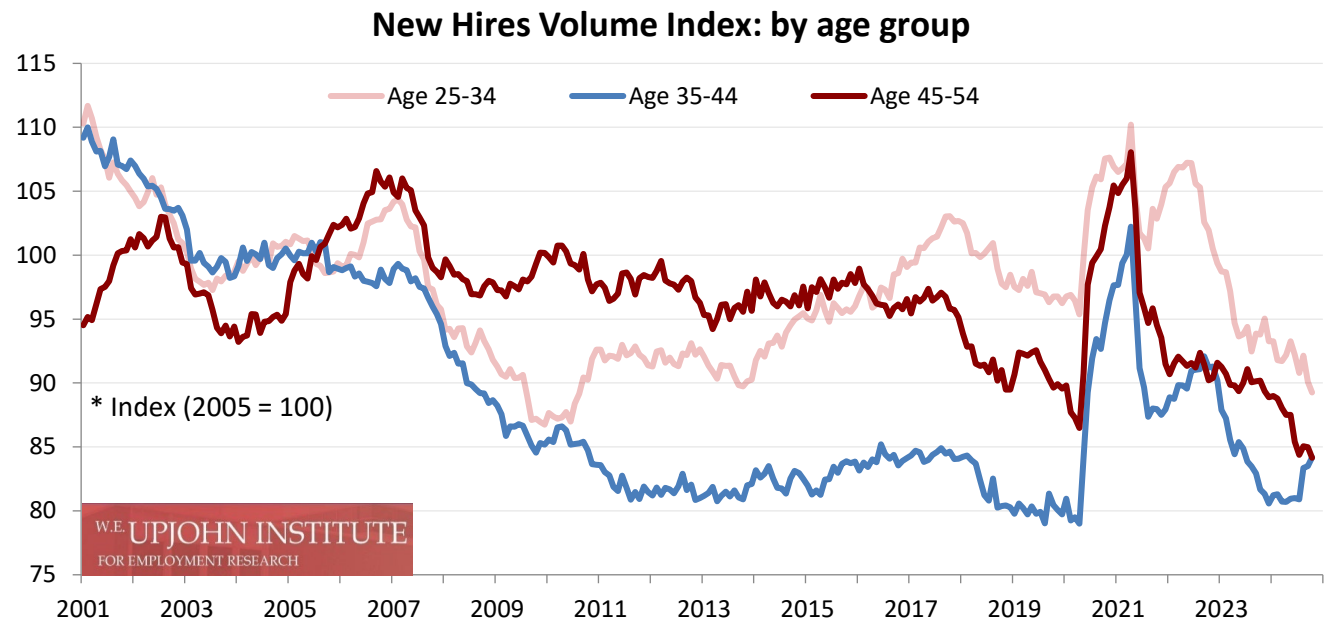
The labor market may be tepid—with October's job gains likely depressed by hurricanes and strikes—but, barring a major surprise, the trajectory we've seen over the past year and a half is unlikely to change. Hiring has been slowing more or less across the board, but the pace has been more severe for some groups than for others, with job quality—as captured by the occupational earning power in the NHQI—also peripatetic. Women's job prospects have held up better than men's, and part-timers better than full-timers. In this month's release, we continue this theme by examining the three ten-year age groups within the prime-age band: 25-34 year-olds (today's young Millennials), 35-44 year-olds (old Millennials), and 45-54 year-olds (Gen Xers).

The graph below shows the hourly wage index separately for these three age groups, with 25-34 year-olds in salmon, 35-44 year-olds in blue, and 45-54 year-olds in dark red. Each index is normalized to the respective group's own level in 2005 to better show relative changes. Trends over the past two-and-a-half years have been notable, with all three groups seeing a surge in their new hires' earnings power between the spring of 2022 and the summer of 2023. Since then, however, there has been sharp divergence. For the youngest group, the wage index has mostly plateaued, just 0.8 percent down from its all-time peak in July 2023, and still up 3.2 percent from its prepandemic level. The 35-44 year-olds have not fared quite as well, as their wage index has dropped over 3 percent from its peak; nonetheless, the level still exceeds the prepandemic mark by 1.6 percent and has shown the strongest overall long-term growth, 8.8 percent since 2005.[1] Earnings power for new hires among the oldest prime-age group, on the other hand, has had a rougher time. Not only has this group experienced the largest percentage loss since its recent peak—4.8 percent since July 2023—it's also below its prepandemic benchmark by 1.4 percent and has seen the least cumulative growth since 2005—only 4.0 percent.

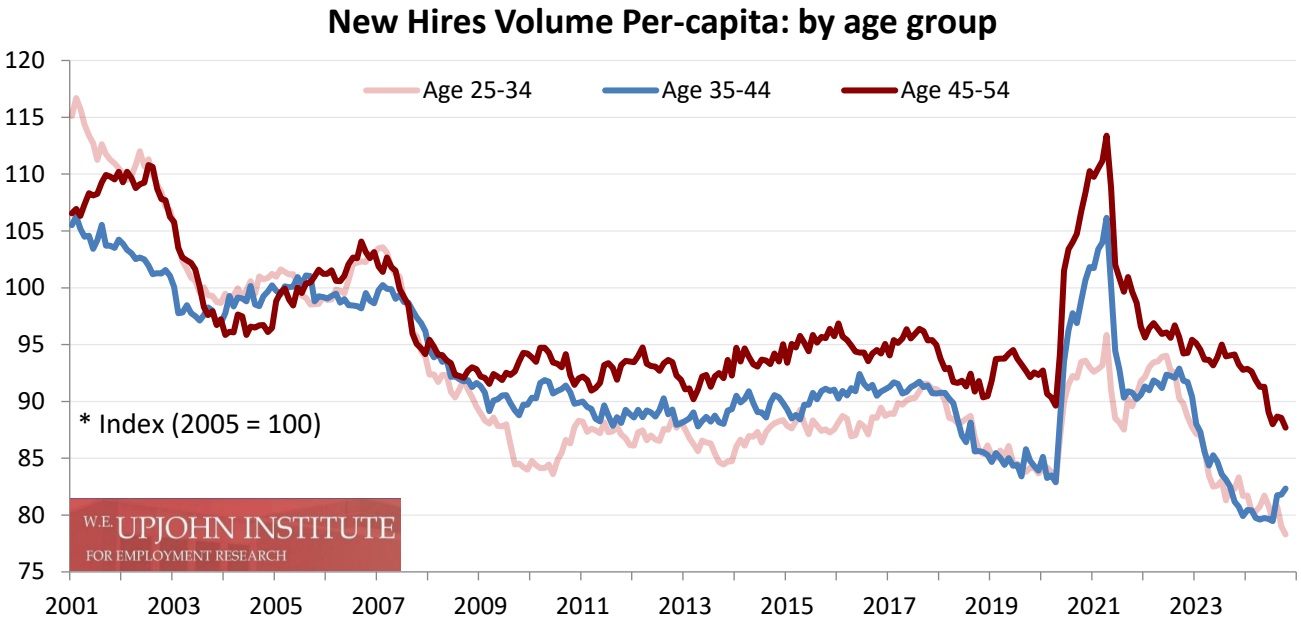


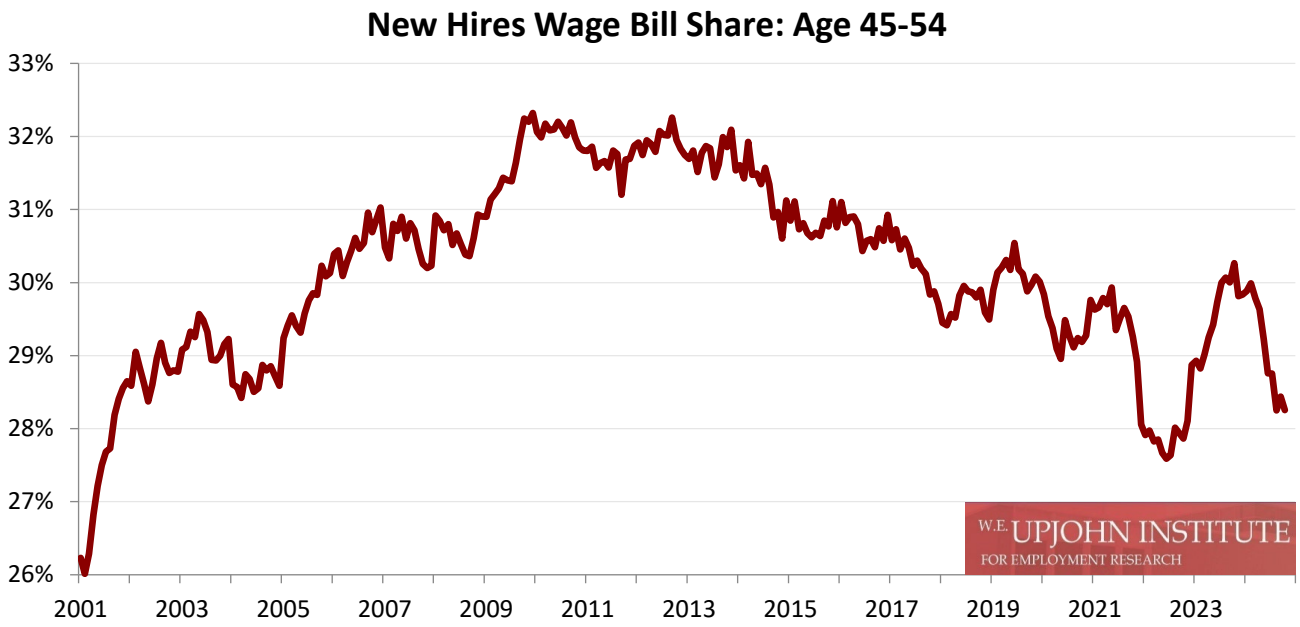
The recent patterns for *hiring volume* show a different disparity among the age groups; as shown in the graph below, volume has been dropping for 25–34 year-olds and 45–54 year-olds but has actually been bouncing up for the older Millennials. Over the past year, volume is down 4.8 percent and 6.7 percent for the youngest and oldest age groups, respectively, but it's *up* 3.1 percent for the 35–44 year-olds. The picture is quite similar even if the baseline is extended back to right before COVID.

[1] Since COVID, the generational assignations pretty much hold, but this is not the case when going back to 2005.



However, because the relative size of the age groups change over time—the 35-44 year-olds that are today's older Millennials were Gen Xers in the aftermath of the Great Recession—it is important to examine *hiring rates*, which normalize by each group's population, when comparing longer-term trends. The (indexed) version of this picture is below, and it shows less variation across age groups than the hiring volume graph above. Interestingly, the 25-34 year-olds who led relative hiring volume in the previous figure from about 2016 onward now occupy the bottom of the chart when considering hiring rates, indicating how large a cohort the young Millennials are. Moreover, the uptick seen above in hiring volume for 35-44 year-olds—which exceeds its prepandemic level—appears far more muted for hiring rates, which fall *below* where they were prepandemic. The sharp decline for the 45–54 year-olds, in contrast, is milder for hiring rates, even if the earnings power of hires from this age group has declined.





Putting the patterns for the wage index and hiring volume together, the share of the wage bill of new hires for 45-54 year-olds has undergone a bit of whiplash recently. This measure, plotted in the graph above, captures the product of the NHQI wage index and hiring volume and thus represents what share of the total earnings power among *all* newly hired (prime-age) workers have accrued to 45–54 year-olds. This share fell from around 30 percent to 28 percent in late 2021 and early 2022, as the wage index and hiring volume of 25-34 year-olds both boomed. The share then shot back up to 30 percent during 2023 as the wage index for 45-54 year-olds jumped and hiring volume held pat, even as these measures declined for the younger age groups. Finally, the wage bill share has once again retreated close to 28 percent over 2024 as 2023's gains were erased. Consequently, the wage bill share of newly hired 45–54 year-olds today is among the lowest it has been in over two decades, and only part of this is due to the relatively small size of the Gen X cohort.

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 November 2024 will be released during the first week of January 2025. 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 October 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.