

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

300 South Westnedge Avenue • Kalamazoo, Michigan 49007 • 269-343-5541 • www.upjohn.org

NEWS RELEASE: NOVEMBER 2, 2022

CONTACT: JUSTIN CARINCI

carinci@upjohn.org

or

BRAD HERSHBEIN

hershbein@upjohn.org

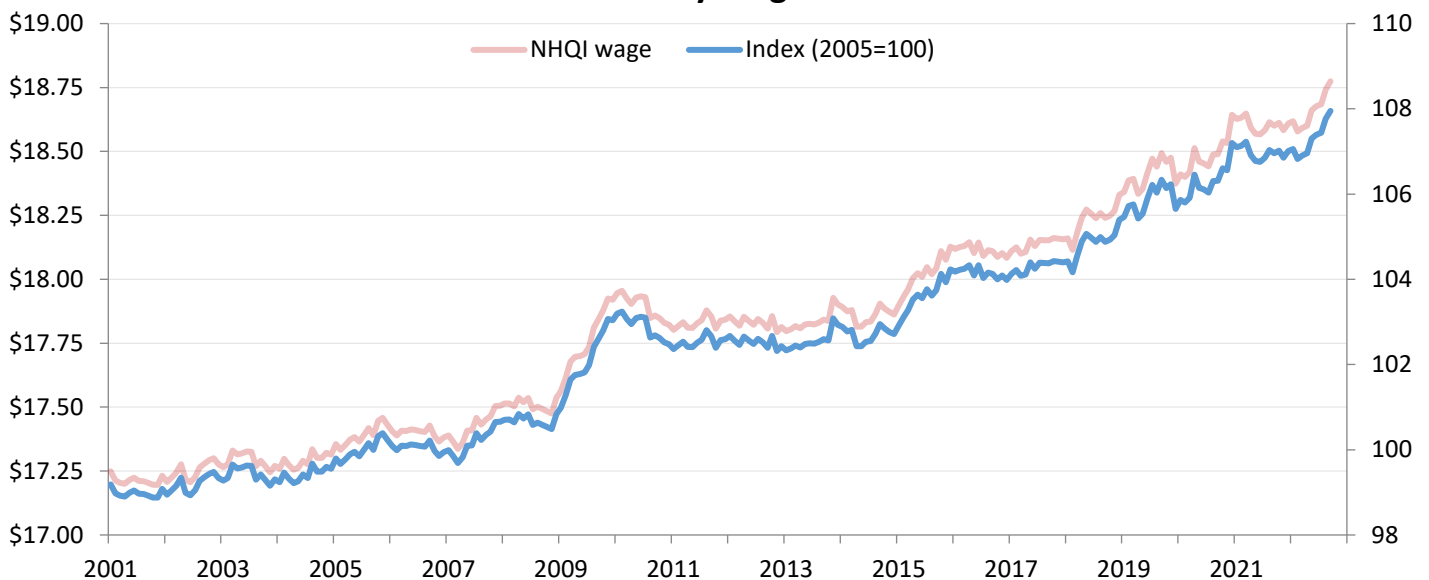
269-385-0437

Upjohn Institute New Hires Quality Index reaches fifth consecutive record high and workers of color continue to show strong gains

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows the inflation-adjusted hourly earnings power of individuals starting a new job edged up 0.2 percent between August and September, reaching \$18.77 and the fifth consecutive record high. Over the past 12 months the index is up 0.9 percent; since 2005, it is up 8.0 percent. Hiring volume, however, slipped 0.7 percent over the month; it nonetheless remains 3.0 percent above its pre-pandemic (February 2020) level, and even adjusting for population growth, hiring *rates* are still up 1.5 percent from before COVID. Despite continued high inflation, rapid interest rate hikes, and slower GDP growth, the U.S. labor market remains robust, even as other [signs](#) suggest it has recently begun to [cool](#). Although the number of payroll jobs surpassed its prepandemic peak in August, the job count is still shy more than 5 million of where it would be had prepandemic job growth continued unabated.

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



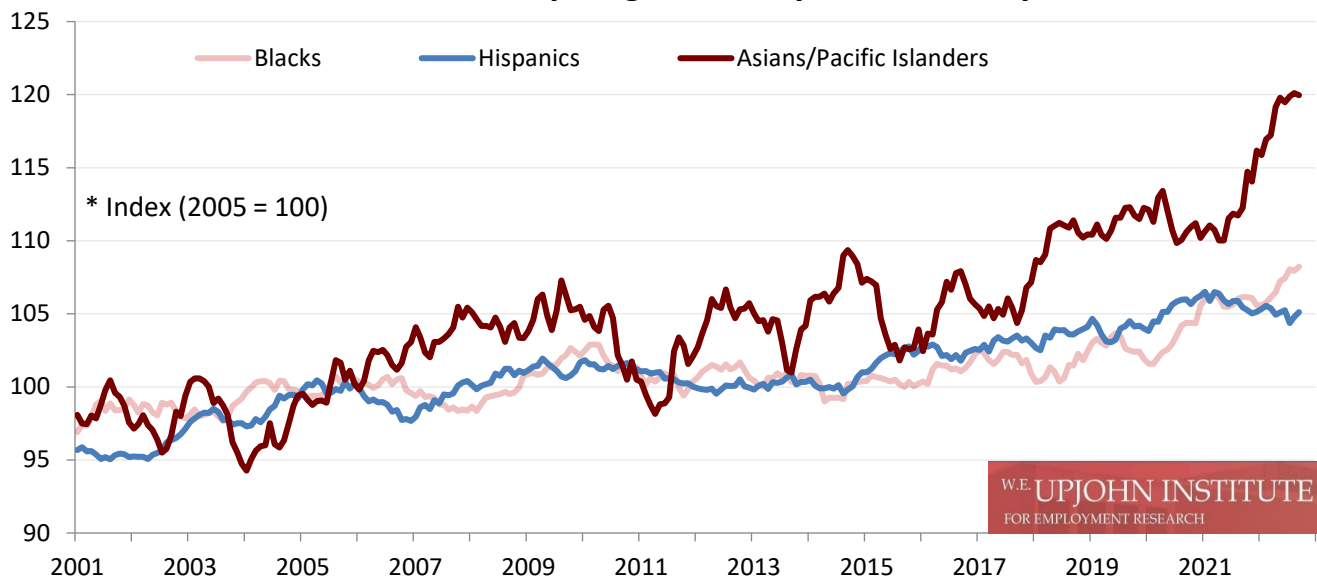
SOURCE: Upjohn Institute New Hires Quality Index

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.

Although U.S. GDP [grew](#) in the 3rd quarter of 2022 after contracting for the previous two quarters, the Federal Reserve’s telegraphed [plans](#) to continue to increase short-term interest rates to combat inflation has much of the country—and the world—[worried](#) about a recession. With the pandemic having afflicted a [disproportionate toll](#) on people of color, and these Americans also [suffering](#) more during recessions—but also [benefitting](#) more when the labor market is strong—we return in this month’s NHQI release to focus on trends by race and ethnicity. In particular, how have hiring trends for Black, Hispanic, and Asian and Pacific Islander workers fared recently?

The graph below shows the hourly wage index separately for Black (salmon), Hispanic (blue), and Asian and Pacific Islander (dark red) workers. Each index is normalized to the respective group’s own level in 2005 in order to better show relative changes. Perhaps the most striking aspect of the graph is the performance of Asian and Pacific Islanders. Although the series is volatile, owing to this group’s relatively small size, it has grown considerably since 2005, up 20 percent, with nearly half of this growth coming since the start of the pandemic in early 2020. Within the past six months, though, growth has begun to taper off. The wage index for Black workers may seem modest by comparison, but it is up 8.3 percent since 2005, and some *three-quarters* of this growth has happened since COVID first struck. Moreover, wage index growth has continued in recent months and the series is at an all-time high. In contrast, the wage index for newly hired Hispanic workers has been less sanguine, up just 5.1 percent since 2005 and actually declining since early 2021. (The wage index for newly hired white workers, although not shown, is up 9.3 percent since 2005, and up 1.2 percent over the past year.) The strong labor market both before and after COVID has thus not affected all workers of color equally, at least in terms of the occupation-based earnings power among the newly hired.

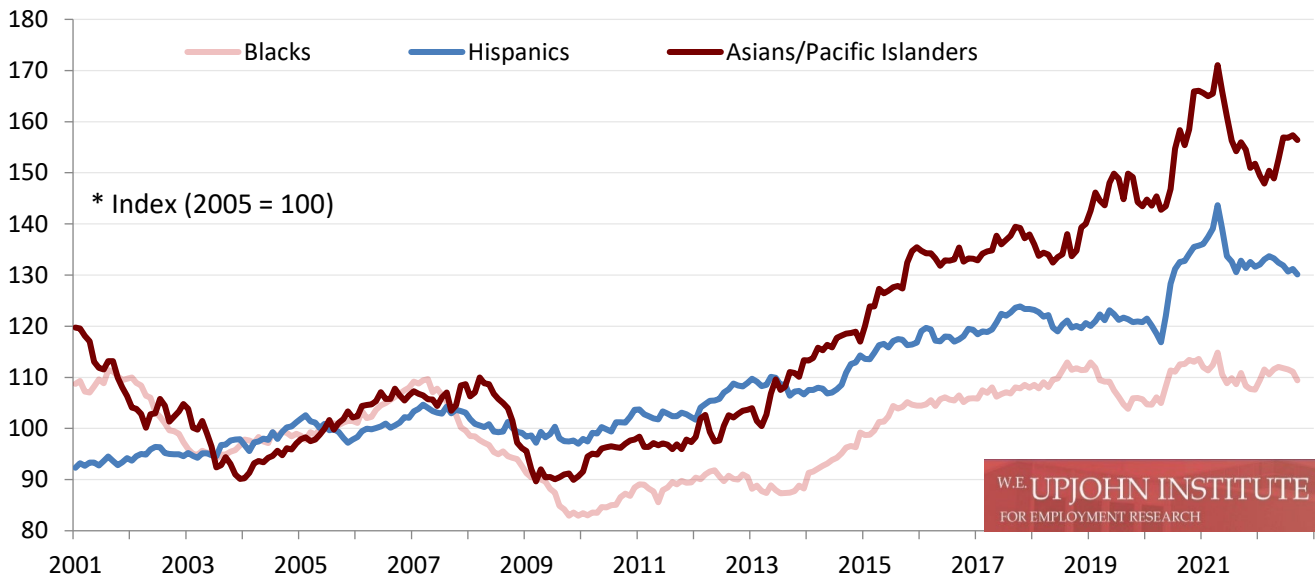
New Hires Hourly Wage Index: by race/ethnicity



But to get a more complete picture, we also need to examine hiring volume. The graph below shows the indexed *volume* of new hires for each racial and ethnic group. Asians and Pacific Islanders once again show the most rapid growth, even before the pandemic. After the spike in recovery and return hiring in mid-to-late 2020, hiring volume for this group eased before rising slightly over the past six months. It is currently 56.4 percent above its level in 2005; although the current level is up just a tick over the year, hiring volume for Asians and Pacific Islanders is still 8.9 percent above prepandemic levels. A similar, if slightly more muted, story holds for Hispanic workers, whose hiring volume is up 30.1 percent since

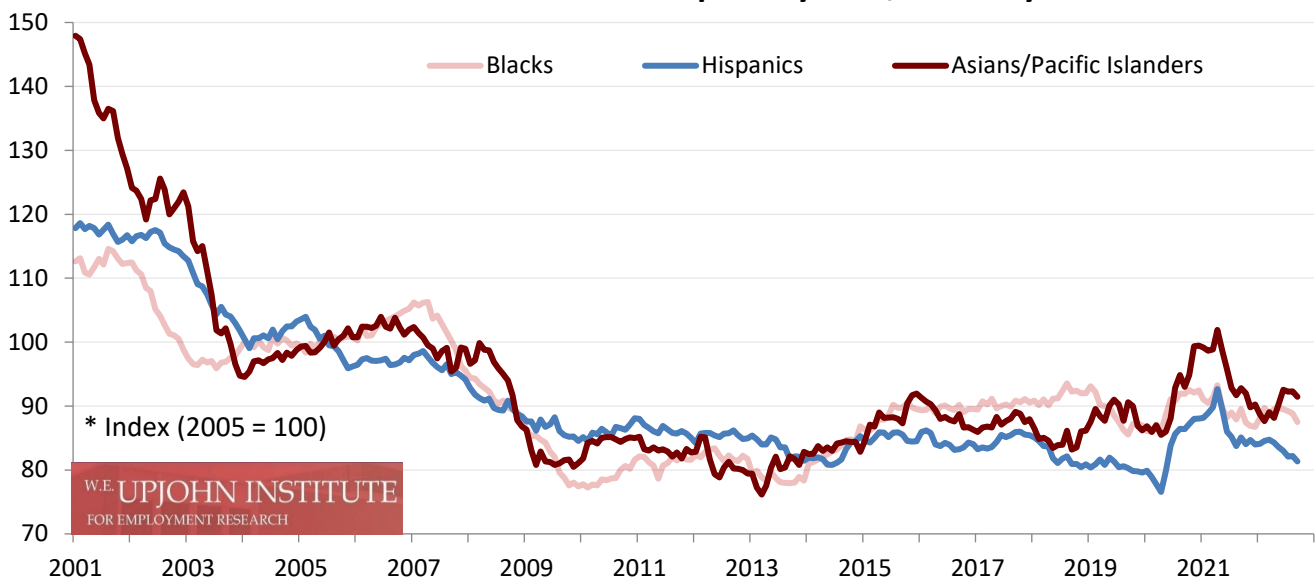
2005, and 8.3 percent since the pandemic began. However, Hispanic hiring volume has edged down more recently, with 2.0 percent decline over the year. Black workers have seen much smaller vicissitudes in terms of hiring, with gains of just 9.4 percent since 2005 and 4.5 percent since early 2020. Over the past year, their hiring volume has also slipped slightly, by 1.3 percent. All three groups have nonetheless exhibited greater growth in hiring volume than white workers, whose count of newly hired workers is *down* 18.1 percent since 2005, 0.4 percent since the pandemic started, and 2.7 percent over the year. These patterns would seem to suggest that the slowing economy still favors hiring dynamics among workers of color, but it is important to adjust for differential population growth before making such a conclusion.

New Hires Volume Index: by race/ethnicity

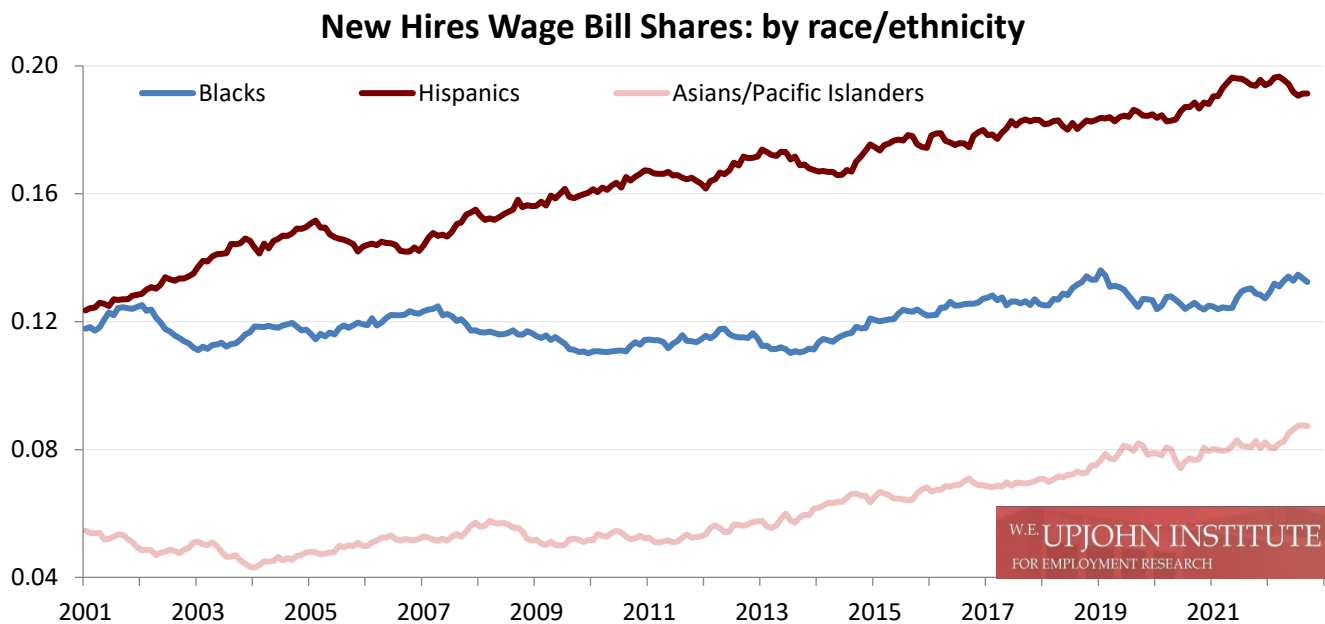


Indeed, as shown in the next graph, which displays indexed hiring rates (hires per 1000 people), adjusting for population vastly shrinks the differences in hiring volume trends among the racial and ethnic groups, and all (including whites, who are not shown) face current hiring rates below levels in 2005.

New Hires Volume Per-capita: by race/ethnicity



Nevertheless, all three groups of workers—Black, Hispanic, and Asian and Pacific Islander—have hiring rates above prepandemic levels (1.8, 3.1, and 6.4 percent, respectively), while rates for whites are slightly *below* where they were in early 2020. Consequently, the conclusion that the labor market has not yet soured on workers of color finds support in the NHQI. This can also be seen in the final graph, which shows for each racial and ethnic group the wage bill share—the product of the wage and hiring volume indices that represents the fraction of total earnings power accruing to each group. Since 2001, Hispanic workers’ share of the new hire wage bill has jumped from 12.4 percent to 19.1 percent, a 55 percent increase of which just under three-quarters is accounted for by their greater hiring volume (the rest coming from a higher wage index). The wage bill shares have also increased sharply for Asian and Pacific Islander workers, from 5.5 to 8.7 percent, and more modestly for Black workers (from 11.8 to 13.2 percent). Much of these gains, especially for the latter two groups, have come since 2015, roughly when the strong labor market began. Since the pandemic started, the wage bill shares for Black, Hispanic, and Asian and Pacific Islander workers are up 0.7, 0.7, and 0.9 percentage points, respectively, while that for whites has dropped 2.4 percentage points. Thus far, then, workers of color have continued to benefit from strong hiring dynamics; the questions is whether this will change in the months to come.



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 October 2022 will be released during the first week of December 2022. 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 press releases for [July 2018](#), [July 2019](#), [July 2020](#), [July 2021](#) and [July 2022](#).

4. Does the NHQI count self-employed workers?

No, the NHQI excludes the self-employed (including 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 September 2022. 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.