

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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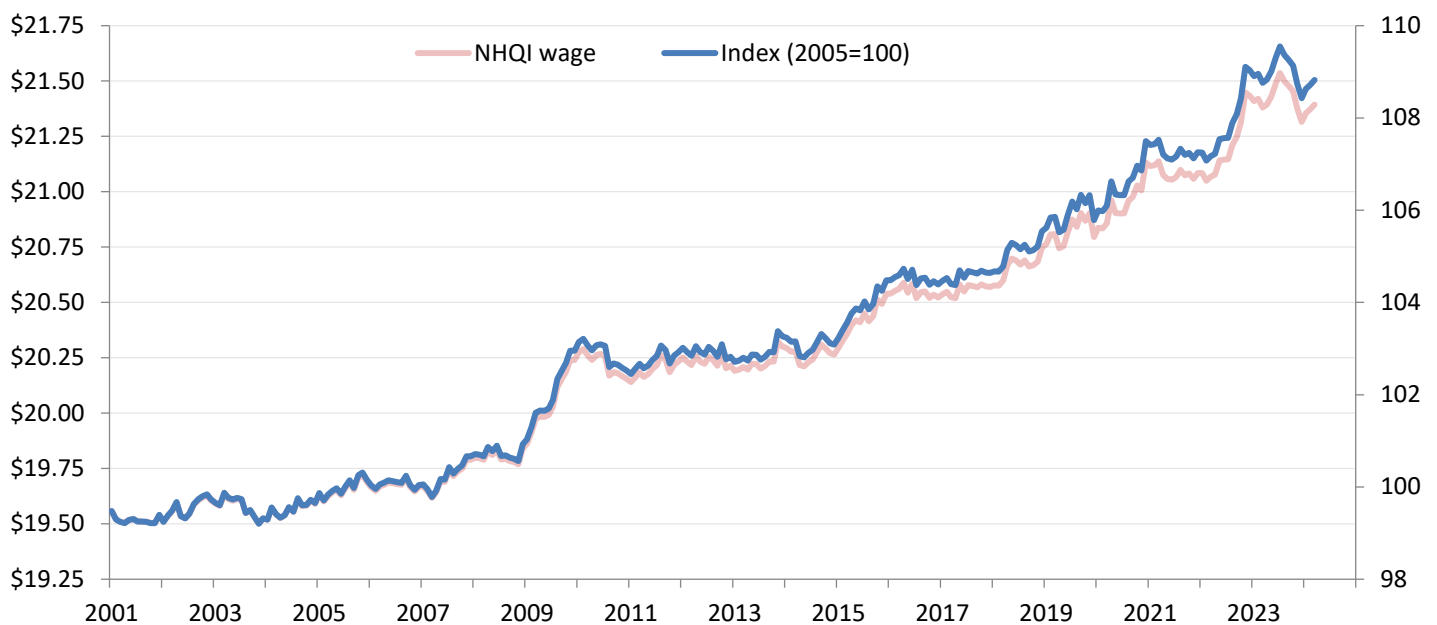
Upjohn Institute New Hires Quality Index rises 0.1 percent in March 2024, but volume falls sharply as fewer workers change employers

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.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job inched up 0.1 percent between February and March of 2024, to \$21.39, the third consecutive monthly gain. The index is essentially level from one year ago, but down 0.7 percent from its peak in July 2023. Hiring volume continued to fall, down 0.4 percent over the month, 5.2 percent from last March, and 3.2 percent since February 2020. Adjusting for population growth, hiring *rates* are 6.1 percent below the pre-COVID baseline and at a series low.

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



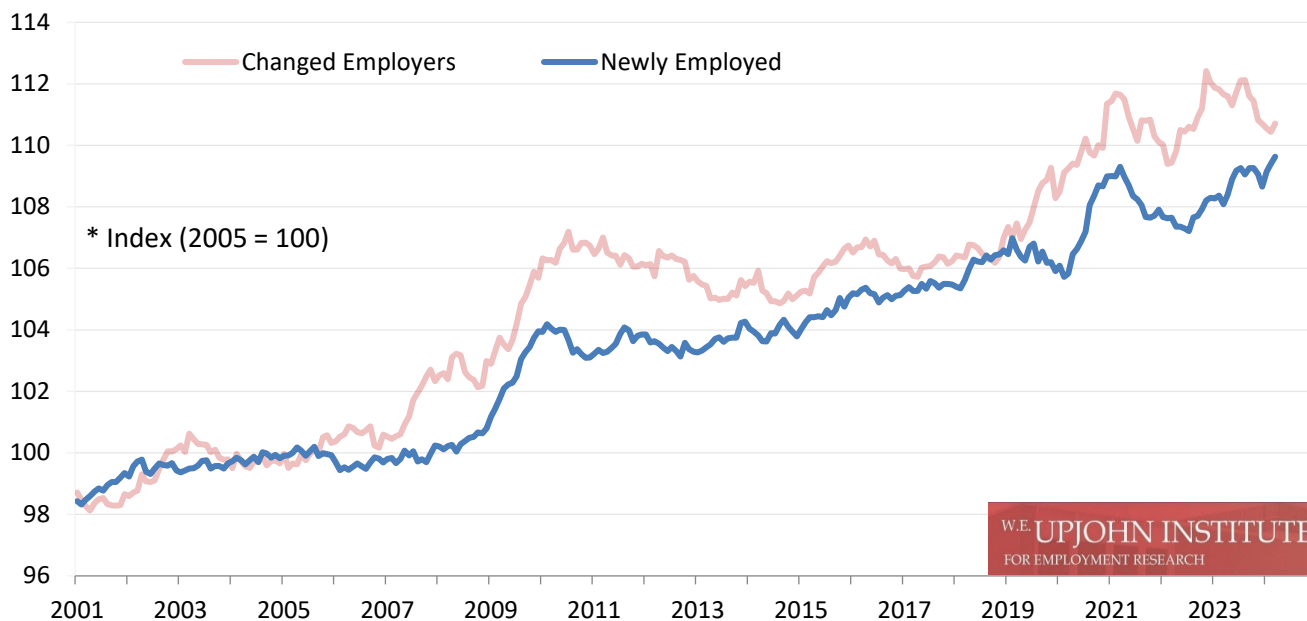
SOURCE: Upjohn Institute New Hires Quality Index

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.

On its surface, the labor market has appeared to continue to confound expectations, with [payroll job gains](#) of more than a quarter of a million in each of the months of the first quarter of 2024, even as the broader measure of the employed share of the prime working-age population remains [stagnant](#). Part of the surprise stems from a growing [discrepancy](#) between the household and payroll surveys that together provide monthly snapshots of the state of the labor market. Some have [posited](#) that the household survey may not be capturing population controls, or weights, correctly by not fully accounting for recent increases in immigration. Does this mean that the labor market is as strong as the payroll job gains suggest? We shed some light on this question in this month's NHQI release by examining trends separately for workers changing employers—one of the main ways workers secure higher wages and better jobs and a core signal of labor market tightness—and those shifting into employment from nonemployment.

The graph below shows the hourly wage index separately for these two groups of newly hired workers, with workers changing employers in salmon and newly employed workers in blue. Each index is normalized to the respective group's own level in 2005 to better show relative changes. Although workers changing employers have seen faster increases in earnings power since 2019, this gap has recently been closing. Since the end of 2022, the wage index for workers changing employers has declined 1.2 percent, while the wage index for individuals transitioning into employment has *grown* by the same amount. In fact, the wage index for newly employed workers is at a series high.

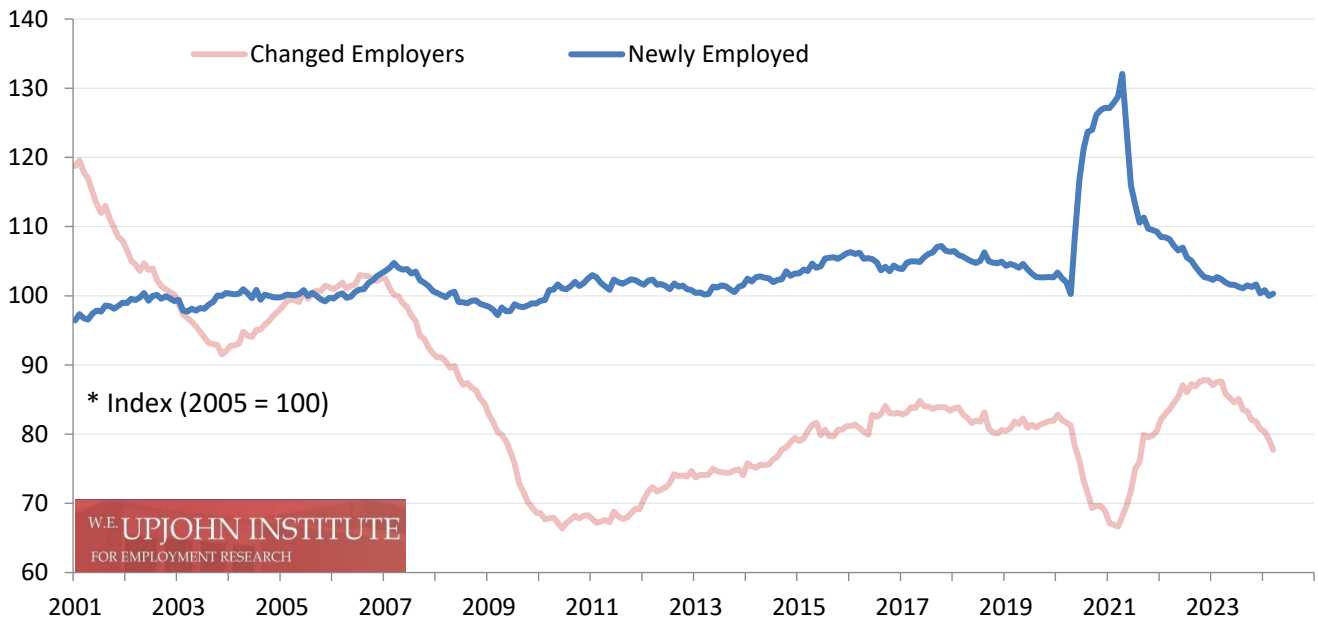
New Hires Hourly Wage Index: by new hire type



To interpret what these trends in the wage index imply for the state of labor market dynamism, we need to concurrently look at trends in hiring volume for each group of newly hired workers. The graph below shows hiring volume trends for both groups, in each case again indexed to levels from 2005. For workers changing employers, volume has plummeted, dropping 11.3 percent over the past 12 months, to a level significantly below where it was pre-pandemic. In conjunction with the softening wage index, the decline in volume for workers changing employers indicates that the job-hopping reallocation of 2021 and 2022 has played out, with little, if any, room left for this channel of job advancement. For the newly employed, in contrast, volume has decreased relatively modestly, just 2.0 percent since March 2023. With their still-

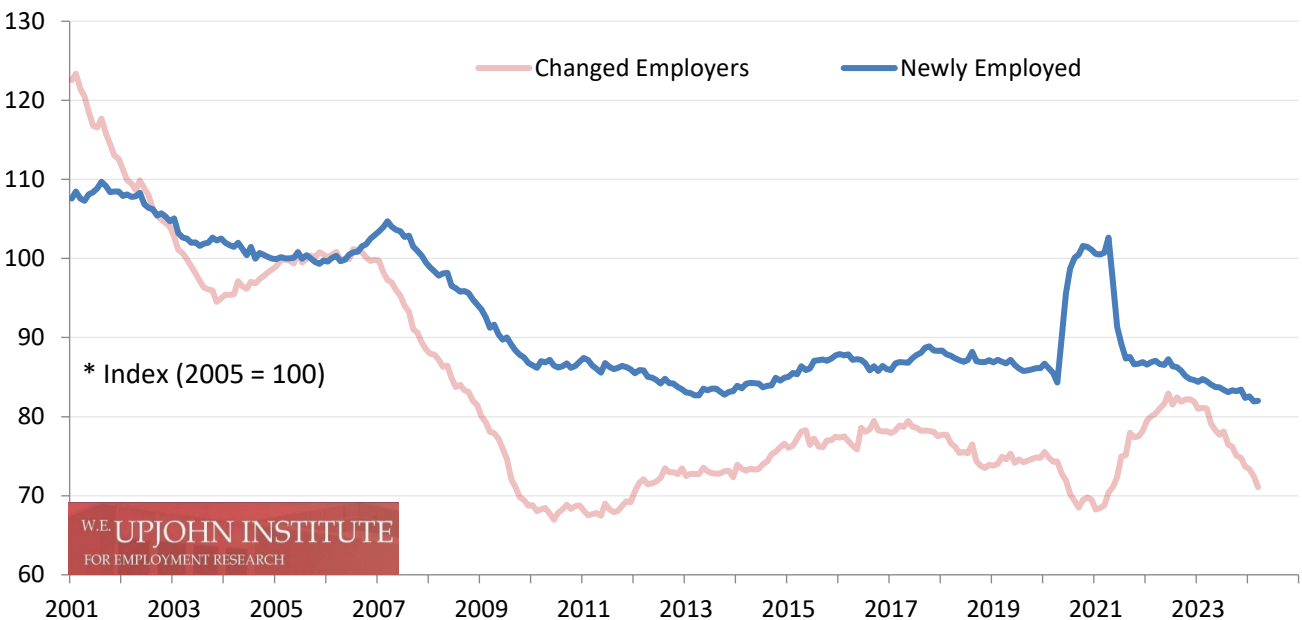
rising wage index, there appears to be some remaining slack for people to come into the workforce, but those doing so are becoming more selective.

New Hires Volume Index: by new hire type



Indeed, hiring dynamics of both groups have slowed considerably over the long horizon. The next graph presents *hiring rates*—new hires per existing worker (employer changers) or per nonemployed worker (newly employed)—again normalized to levels in 2005. On a per capita basis, the declines in hiring are even sharper. Here the hiring rate for those shifting into employment is at a series low, while that for workers changing employers barely exceeds the lows reached in the depths of the Great Recession and of the early pandemic.

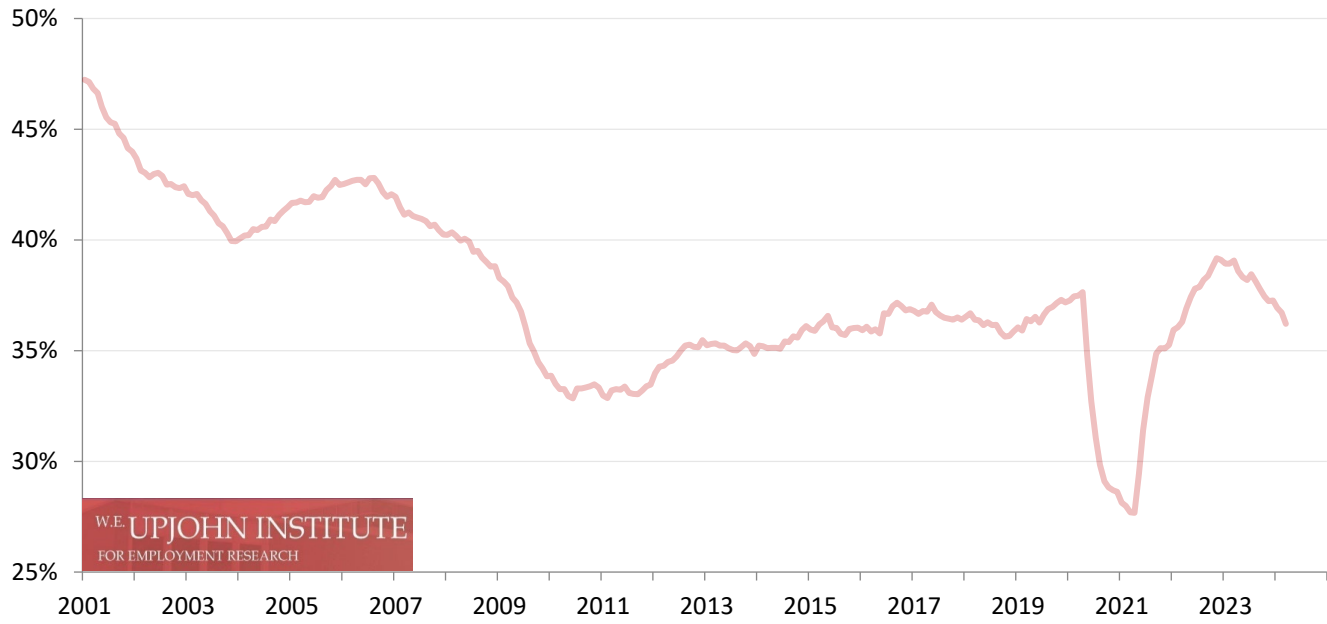
New Hires Volume Per-capita: new hire type



A final metric with which to gauge the strength of labor market dynamics—at least through hiring—is the fraction of total earnings power among all new hires accruing to those changing employers; that is, their

share of the new hires wage bill. Since peaking in late 2022 at about 39 percent, this share has steadily dropped, reaching just over 36 percent in March 2024, roughly in line with its level of 2015–2018. Although this would seem to be a return to an equilibrium after the vicissitudes of the pandemic, the overall lower level of hiring volume today suggests opportunities for most workers have cooled. This could change as Generation Z continues to enter the workforce and Baby Boomers retire, but for now, the labor market is more coasting than motoring.

New Hires Wage Bill Shares: Changed Employers



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/NHQB_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 April 2024 will be released during the first week of June 2024. 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 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](#), and [July 2023](#).

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 March 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.