

# W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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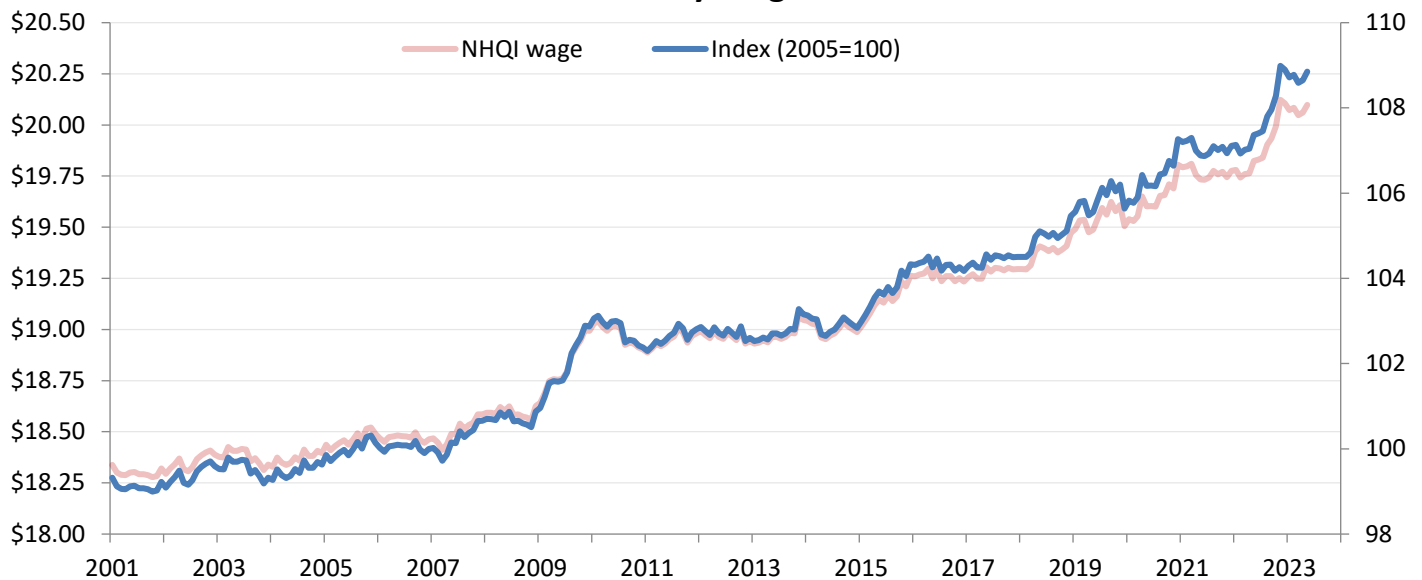
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## Upjohn Institute New Hires Quality Index gains 0.2 percent in May 2023, but hiring volume continues to slow, dipping 0.4 percent

KALAMAZOO, Mich.— The Upjohn Institute New Hires Quality Index shows inflation-adjusted hourly earnings power of individuals starting a new job increased 0.2 percent between April and May of 2023, to \$20.10, just 2 cents shy of the record high reached last November. Over the past 12 months the index is up 1.4 percent; since 2005, it is up 8.8 percent. Hiring volume declined for the second month, slipping 0.4 percent in May and declining 3.2 percent over the year. Volume is now only 0.6 percent above its pre-pandemic (February 2020) level; adjusting for population growth, however, hiring *rates* are now 1.6 percent *below* the pre-COVID baseline. Although the labor market remains robust, it has begun to cool.

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

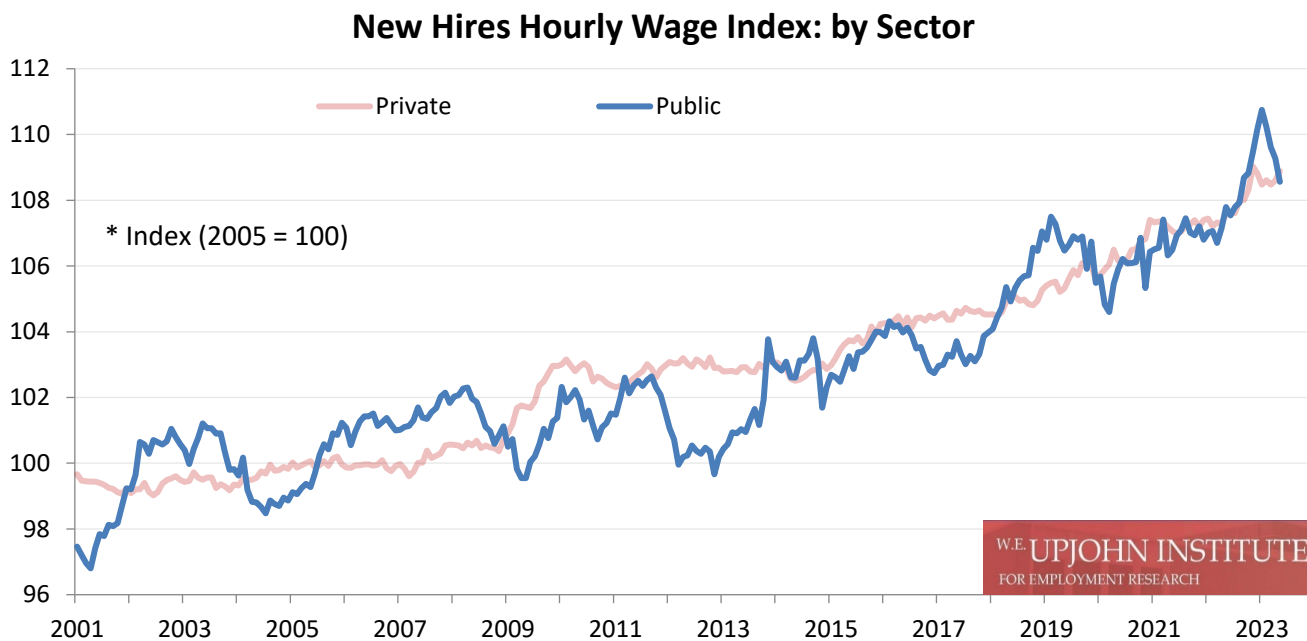
NOTE: The lighter line uses the left axis and shows the inflation-adjusted hourly wage of new hires. The darker line uses the right axis and shows the relative change since the base year of 2005.



The recent slowdown in hiring may not be borne equally by all segments of the labor market. While the [tech sector](#) has experience heightened layoffs recently, many states are still [experiencing](#) large [surpluses](#) from lagged effects of federal stimulus on consumer spending, and several are [raising](#) worker [salaries](#) to

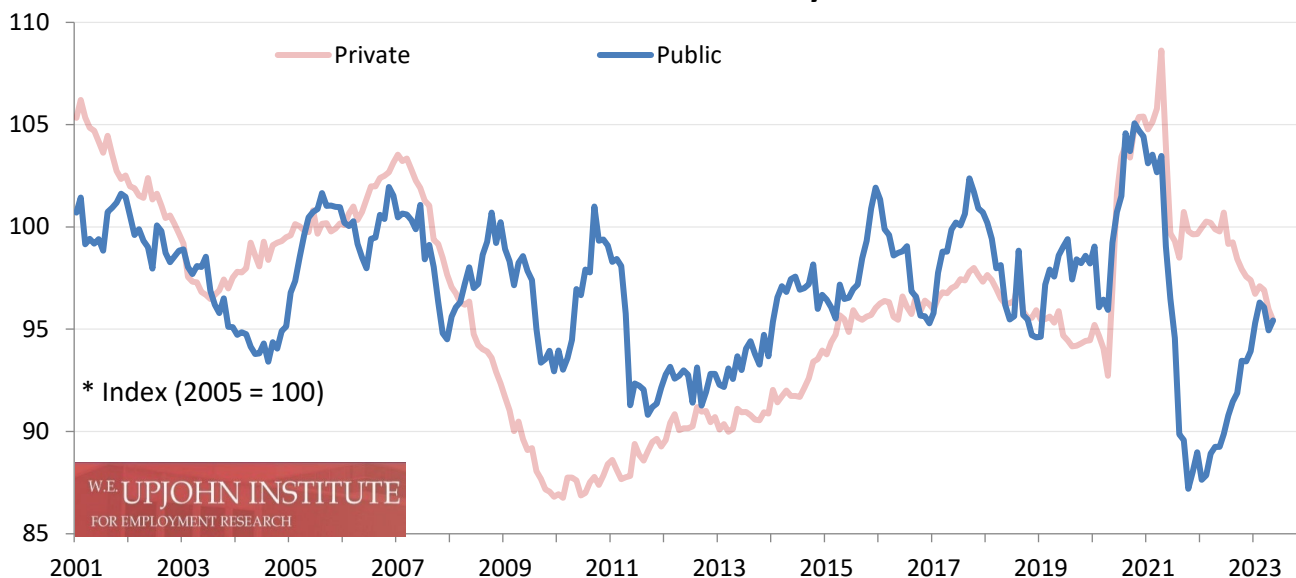
compete with the [private sector](#). Indeed, as of May 2023, total public-sector employment remains nearly 200,000 below its prepandemic level, even as private-sector employment is nearly 4 million higher since before COVID. In this month's NHQI release, we examine trends in hiring for private-sector and public-sector workers. (Private-sector workers include for-profit and nonprofit private companies, while public-sector workers include those employed by local, state, or federal governments.)

The graph below shows the hourly wage index separately for newly hired workers for these two groups, with private-sector workers in salmon and public-sector workers in blue. Each index is normalized to the respective group's own level in 2005 to better show relative changes. For the most part, both groups have trended similarly over time, although the smaller number of public-sector workers makes their series more volatile. (Public sector employment is about one-sixth the size of private-sector employment, and since public sector tenure tends to be [longer](#), the difference is even greater for new hires.). Since 2005, the wage index for the private sector has risen 8.9 percent; for the public sector, the increase is 8.6 percent. This implies both sectors have seen similar growth in the mix of occupations new workers have been hired into. Since the pandemic began, the public-sector wage index is up 3.6 percent to the private-sector's 2.8 percent, and this is despite a sharp drop in the public-sector wage index since the start of 2023.



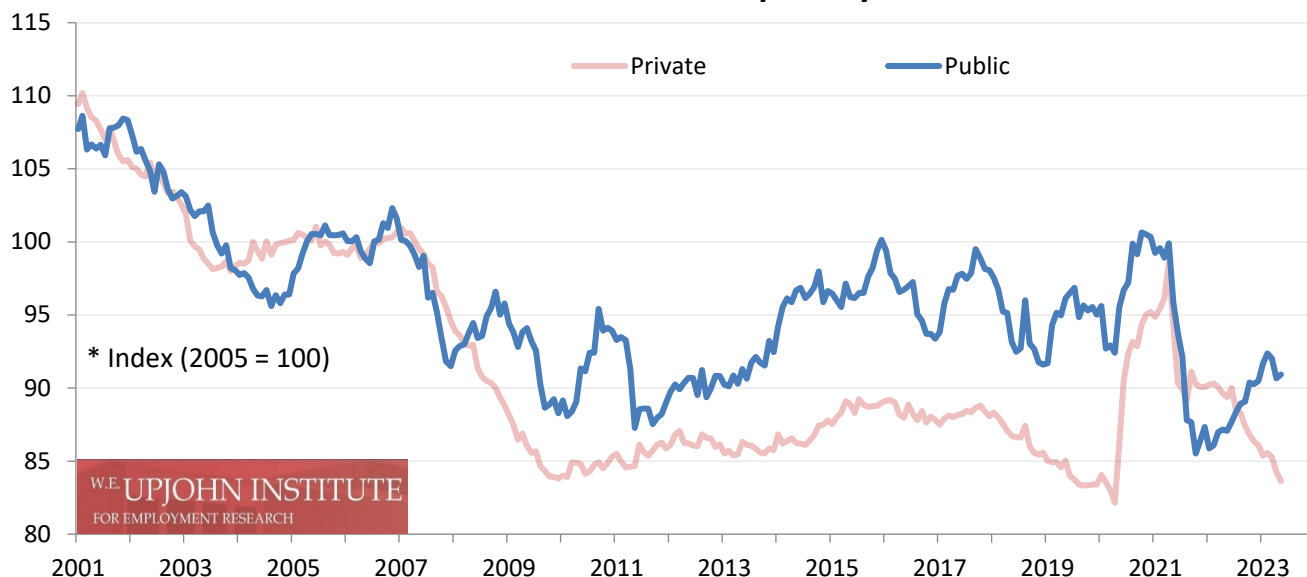
As shown in the graph below, public-sector hiring volume tends to be less cyclical during recessions than private-sector hiring—at least until the pandemic. Although public-sector hiring also jumped during the second half of 2020 as many workers were recalled, the relative increase was weaker than for private-sector hiring. Moreover, public-sector hiring plunged in 2021 to an all-time low at the end of that year—most likely because of wage competition in the private sector, as hiring in the latter sector remained considerably elevated from prepandemic levels. However, over the past year or so, these trends have reversed, with public-sector hiring volume up 6.9 percent over the past 12 months and private-sector hiring volume down 4.4 percent. Both are now within 1 percent of their prepandemic levels.

## New Hires Volume Index: by Sector



But because the number of incumbent public-sector workers is still down from before the pandemic, while the count for the private sector is up quite a bit, similar relative hiring volumes translate into different hiring *rates*. The graph below presents hiring volume per worker, or hiring rates, again benchmarked to levels in 2005. Interestingly, hiring rates fell for both groups after the Great Recession, but the rate for the public sector fell by less and experienced greater recovery than did the private-sector rate. On the other hand, the mid-2020 hiring surge increased hiring rates by far less in the public than private sector, in line with fewer COVID-related layoffs of government workers. Over the past 12 months, hiring rates have jumped 4.4 percent for public-sector workers and dropped 6.4 percent for private-sector workers, with the latter near an all-time low.

## New Hires Volume Per-capita: by Sector



Despite these diverging trends, the private-sector continues to account for the vast majority of the collective earnings power of all newly hired workers. The last graph shows the new hires wage bill share for private-sector workers. Hovering between 86–87 percent for most of the period prior to the pandemic,

the share rose to over 88 percent in early 2022 as private-sector hiring remained elevated and public-sector hiring dived. With the recent reversal of trends, the private-sector new hires wage bill share has returned to its typical range. But with private-sector hiring having fallen for the past year, and state government budget projections suggesting [less rosy](#) futures, with [California](#) and [New York](#) already facing deficits, it seems likely that overall hiring will slow in future months, with the labor market continuing to cool.

### New Hires Wage Bill Shares: Private Sector



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](http://www.upjohn.org/nhqi).

The full report, including methodology, can be found here: [https://www.upjohn.org/sites/default/files/2021-05/NHOI\\_report\\_0.pdf](https://www.upjohn.org/sites/default/files/2021-05/NHOI_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 June 2023 will be released during the first week of August 2023. To sign up to regularly receive monthly press releases for the Upjohn Institute New Hires Quality Index, visit: [www.upjohn.org/nhqi/signup](http://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 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 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 May 2023. 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.