The New Hires Quality Index

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October 11, 2017
Introduction

- Much timely (monthly) government data on number of new jobs
  - By industry, not occupation or much else
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- There are also considerable wage data for workers
  - Almost always for incumbents, not new hires

- Result is that we don’t know much about the “quality” of new jobs
Motivation

- Understanding characteristics of new jobs, and workers in them, of key concern
  - An important coincident, and perhaps leading, indicator
  - Provides insight into cyclical labor markets
  - Can shed light on structural changes in skill demand

Of new jobs created last month, how "good" were they?

Wage is often a useful summary statistic

Occupation—what you do—matters to wage more than industry–where you do it
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- Goal: Create a new index of job hires quality
Most jobs added in Boston since recession called low-paying

By Katie Johnston | GLOBE STAFF  SEPTEMBER 22, 2015

Many of the job gains have come in low-paying sectors such as food service, home health care, and janitorial services, while higher-paying fields such as information services, have not grown as rapidly.

The Washington Post

The ‘low-wage recovery’ is a myth

To do this, she divided businesses into three groups by their pay. Today’s average hourly pay is $25. Low-paying employment is dominated by restaurant and hotel jobs (2015 average hourly rate: $14.12) and retail jobs ($17.21). Midlevel jobs include manufacturing ($23.90), health care and education ($24.97) and construction ($26.91). Finally, high-paying jobs included professional and business services ($29.59), finance ($31.10) and utilities ($36.02).
**The Low-Wage Recovery:**

Industry Employment and Wages Four Years into the Recovery

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Examples of New Hire “Job Quality” Lamp-post Inference

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New monthly index tracks “quality” of new job hires (2001 →)
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Uses Current Population Survey (CPS), the same source used to track the unemployment rate, to identify new hires:

- those switching in adjacent months from non-employment to employment
- those changing employers

Occupations in CPS merged with wage data from Occupational Employment Statistics

Resulting index shows change in realized skill demand through changes in occupation mix

Adjust for demographics, but not within-occupation skill changes

Also yields hire volume, and index for many subgroups
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Hourly wage index is up nearly 5 percent from 2005
New Hires Quality Index: Hourly Wages

Index (2005=100)

Source: Upjohn Institute New Hires Quality Index
Note: Wage index is based on a 12-month lagged moving average of monthly data.
Summary of findings

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2. Occupational mix rose sharply during recession, was flat during recovery, and rose again from mid-2014 through 2015
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New Hires Quality Index: Monthly Volume

SOURCE: Upjohn Institute New Hires Quality Index
NOTE: Index is based on a 12-month lagged moving average of monthly data

Volume of new jobs
Index (2005=100)

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New Hires Quality Index: Hires per capita

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4. Women have had a stronger recovery than men
New Hires Quality Index: Women and Men

Women index (2005=100)  Men Index (2005=100)

SOURCE: Upjohn Institute New Hires Quality Index
NOTE: Wage index is based on a 12-month lagged moving average of monthly data
New Hires Quality Index: Women and Men, volume

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Women volume index (2005=100)  Men volume index (2005=100)
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5. In 2005, college graduates accounted for one-fifth of all hires; in 2016, they accounted for one-fourth
New Hires Quality Index: Volume by education

Source: Upjohn Institute New Hires Quality Index

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6. Wage index gains have been comparable for newly employed and employer changers, but volume growth of former vastly outpaces that of latter
New Hires Quality Index: Index by Hire Type

SOURCE: Upjohn Institute New Hires Quality Index
NOTE: Wage index is based on a 12-month lagged moving average of monthly data.

Newly employed index (2005=100)
Employer changer index (2005=100)

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- Index is currently calculated for 26 subgroups
  - Sex, age, education, sector, region, hire type
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For age groups, per-capita hiring volume also available
NHQI: Index, by age (2005=100)

SOURCE: Upjohn Institute New Hires Quality Index
NOTE: Wage index is based on a 12-month lagged moving average of monthly data
NHQI: Index, by education (2005=100)

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NOTE: Wage index is based on a 12-month lagged moving average of monthly data
NHQI: Volume index, by education (2005=100)

SOURCE: Upjohn Institute New Hires Quality Index
NOTE: Volume index is based on a 12-month lagged moving average of monthly data

Hershbein New Hires Quality Index 27/28
The Upjohn Institute New Hires Quality Index provides new and valuable information on job hires each month.

It complements existing measures of employment growth and worker wages.

It should be useful to policymakers, researchers, journalists, businesses, and workers.

Full report, methodology, and interactive:
www.upjohn.org/nhqi

Thank you!