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ADP® Workforce Vitality Report Shows Accelerated Wage Growth in Q3 2015

ROSELAND, NJ -- (Marketwired) -- 10/21/15 -- The ADP® Workforce Vitality Index (WVI), which measures the total wages paid to the U.S. private sector workforce, is 108.9 in the third quarter of 2015 (3Q2013=100, Not Seasonally Adjusted). The index grew by 5.1% from a year ago. The movement in the index depends on the contributions of wages and hours of workers who have remained in the same jobs from the previous quarter, the wages and hours of workers who switched jobs during the quarter, and employment changes. See Table1 below.

TABLE 1: ADP WORKFORCE VITALITY INDEX AND ITS COMPONENTS

Quarter	Year Over Year Growth				
	WVI	Holders' Hourly Wages	Holders' Hours	Switchers' Hourly Wages	Employment
Q3 2015	5.1%	3.5%	-0.1%	6.5%	2.4%
Q2 2015	4.1%	2.5%	0.0%	6.6%	2.5%
Q1 2015	3.7%	1.9%	-0.2%	8.0%	2.6%

As illustrated in Table 2 below, year over year wage growth for job holders is improving consistently over the last three quarters.

TABLE 2: HOLDER VS SWITCHER'S WAGE GROWTH

Quarter	Year Over Year Growth	
	Holders' Hourly Wages	Switchers' Hourly Wages
Q3 2015	3.5%	6.5%
Q2 2015	2.5%	6.6%
Q1 2015	1.9%	8.0%

"As the overall economy improves, wage growth among job holders appears to be picking up momentum based on the numbers over the first three quarters of this year," said Ahu Yildirmaz, VP and head of the ADP Research Institute®. "This may be based on companies wanting to retain top performers as job openings start to outpace the available talent pool."

Table 3 below illustrates how workers under 25 are enjoying the most robust wage growth, both among job holders and job switchers, with those age 25-34 also outperforming the older demographics. The large difference in wage growth among younger job switchers versus older ones may be the result of two factors:

- Younger workers typically have a much lower base wage so that increases have more impact on their salary growth
- Younger workers also tend to be more likely to leave jobs voluntarily in order to improve their compensation

TABLE 3: WAGE GROWTH BY AGE Q3 2015

Age	Year Over Year Growth	
	Holders' Hourly Wages	Switchers' Hourly Wages
< 25	4.5%	17.5%
25 - 34	3.8%	6.7%
35 - 54	2.9%	1.5%
55+	2.3%	1.3%
Total	3.5%	6.5%

The sweet spot for workers is the 25 to 34 age group. Switchers in this demographic can still command on average a nearly 7% increase in wages, but this group can also get larger raises without switching. Workers in this age group are those who are moving up in the ranks and being rewarded with hefty raises.

This dynamic slows for mid-life workers and those older than 55. Wage increases on the job and by switching are lower for both of these groups.

According to Table 4, wage growth accelerated in construction and job switchers in that industry could expect boosts of almost 20%. Home construction remained fairly steady in the third quarter and commercial construction has accelerated. Talent shortages are growing and thus driving up the wages that contractors are offering to lure experienced and skilled workers.

Despite the pressures that many manufacturers are under due to weaker demand from the energy and other commodity producing industries and from overseas, the shortage of qualified manufacturing workers is also driving up wages for both job holders and job switchers.

Vitality in financial services has held steady at a high level. Wage growth exceeds the average for all workers and labor shortages are also driving wages for switchers higher.

TABLE 4: WAGE GROWTH BY INDUSTRY Q3 2015

Industry Sector	Year Over Year Growth	
	Holders' Hourly Wage	Switchers' Hourly Wage
Construction	4.3%	19.6%
Education/Health	3.0%	3.4%
Finance	4.1%	12.6%
Leisure/Hospitality	5.3%	-9.4%
Manufacturing	7.2%	11.3%
Professional Services	3.8%	5.3%
Trade	1.8%	6.5%
Total	3.5%	6.5%

The 4th Quarter 2015 *ADP Workforce Vitality Report* will be released on January 20, 2016.

About the ADP Workforce Vitality Report

The *ADP Workforce Vitality Report* was developed by the ADP Research Institute in collaboration with Moody's Analytics. It is an unprecedented, in-depth quarterly analysis of the overall vitality of the U.S. labor market based on actual data that identifies labor market trends and dynamics across multiple dimensions. These dimensions include employment growth, job turnover, wage growth and hours worked. In addition to the macro data presented in the report, there are also segment-specific findings by industry, state, gender, age, experience, and pay level. For more information about the report, please visit <http://workforcereport.adp.com/>.

About Moody's Analytics

Moody's Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services, and research, including the proprietary analysis of Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO), which reported revenue of \$3.3 billion in 2014, employs approximately 10,000 people worldwide and maintains a presence in 33 countries. Further information is available at www.moodysanalytics.com.

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