



ADP Research Institute Releases 2019 State of the Workforce Report: Pay, Promotions and Retention, Providing Unprecedented View of the Organization of U.S. Firms

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First-of-its-kind research based on actual firm data allows business leaders to benchmark critical organizational insights
Research reveals that 3.2 percent of employees leave each month; employers promote 8.9 percent of their employees annually

ROSELAND, N.J., April 16, 2019 /PRNewswire/ -- The ADP Research Institute today released the *2019 State of the Workforce Report: Pay, Promotions and Retention*. The study provides comprehensive, data-driven organizational benchmarks derived from the aggregated and anonymized actual HR and payroll data of U.S. workers. The inaugural report shares pay, promotion, and hierarchy insights, inclusive of all industries and firm sizes of at least 50 employees. The results are further examined by age, gender, firm size, and tenure.

The report uncovers key insights pertaining to business leaders and the HR community at large. It was designed to help employers gain a better understanding of the hierarchical structure of organizations, pay levels, how pay and promotions are connected and how employers retain workers throughout their organizations. Based on payroll from more than 13 million employees, the research provides details about how firm hierarchy, promotions, turnover and span of control is vital to understanding relevant labor market trends.

"Employees are a firm's greatest asset, and the data presented in the State of the Workforce report provides an opportunity for firms everywhere to improve organizational design, better serve their employees, and grow their business," said Dr. Ahu Yildirmaz, co-head of the ADP Research Institute. "When making key workforce decisions, it is critical for business leaders to know, for example, that the average number of direct reports per manager is 6.9 and the data shows that managers with more direct reports experience higher turnover."

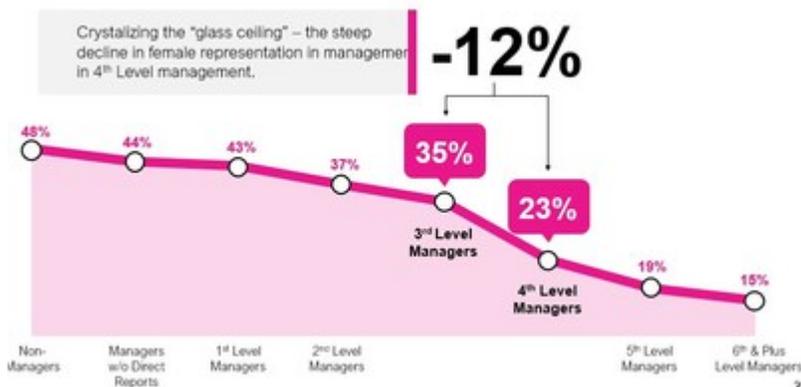
Many of the key findings from the inaugural study focus on promotional activities, a topic of great importance to younger employees focused on career opportunities. Overall, employers promote 8.9 percent of their employees annually and those employees received an average wage increase of 17.4 percent. Interestingly, however, promotions within a team are associated with higher turnover among other team members. Dr. Yildirmaz noted that, "While promotional opportunity may be perceived as a net positive, it can also have negative impact for team members who have been passed over." On the flipside, the probability for promotion exceeds 20 percent for employees as they reach higher levels of management within the organization. Firms are more likely to promote internal employees for management positions, and the percentage of internal hires increase for higher levels in the organization.

"A void has existed in the market for human resources data, therefore employers often need to undertake complex organizational restructuring projects with limited insight," said Matthew Levin, chief strategy officer of ADP. "The State of Workforce report can help HR leaders lead the charge in organizational strategy by providing the reliable hierarchy, pay and promotion benchmarks they need to make informed decisions."

Additional key findings include:

Women are promoted earlier than men, but face glass ceiling at fourth level of management

- The average number of years to first manager promotion for women is 6.6 years and 7.3 years for men.
- As women move up management levels, there is a steep decline at the 3rd level of management; this decline becomes more pronounced at each level of advancement.



Average wage is \$29.03 per hour, with women earning 79 percent of what men earn

- Managers are paid an average of \$47 per hour, while non-managers earn \$25.
- Women earn \$25 an hour, 79 percent of the \$32 for males. The ratio of women pay to men reaches as high as 82 percent at the fourth level of management, but drops to 77 percent at the top levels of the firm.

Average number of direct reports per manager is 6.9

- Employees who have managers with more direct reports are more likely to leave the firm. For example, direct reports' turnover for managers with 4-6 direct reports is 2.3 percent; direct reports' turnover for managers with greater than 15 direct reports is 3.5 percent.
- Leisure/Hospitality (11.4 direct reports) and Education/Healthcare (8.5 direct reports) have highest number of direct reports.

Firms are more likely to promote internally to management (17.2 percent) than make a new hire for management (15.6percent)

- At the highest level of management, 21.5 percent are internal promotions while just 12.5 percent are new hire.

To see detailed State of the Workforce data, including data broken down by industry, gender, and age, visit <https://www.adp.com/resources/articles-and-insights/adp-research-institute/research-topics/state-of-workforce-report.aspx>.

About the ADP Research Institute *State of the Workforce Report: Pay Promotions and Retention*

ADP Research Institute State of the Workforce Report provides comprehensive high quality, data-driven organizational benchmarks derived from ADP's aggregated and anonymous de-identified HR and payroll data. This report helps employers gain a better understanding of the hierarchical structure of organizations, pay levels, how pay and promotions are connected and how employers retain workers throughout their organizations. Providing details about firm hierarchy, promotions, turnover and span of control is vital to understanding relevant market trends, which is the focus of this report.

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Joanna DiNizio, ADP, LLC, Joanna.DiNizio@adp.com, 973-974-5178