



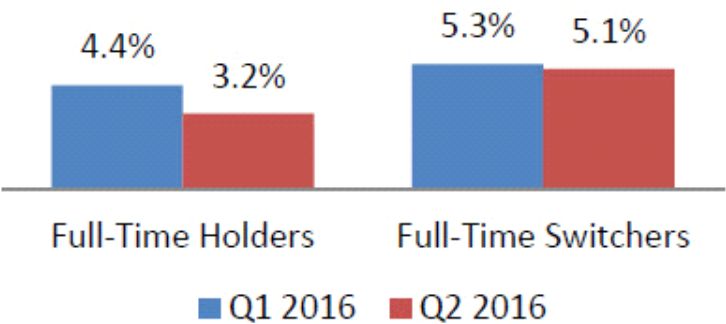
July 20, 2016

ADP® Workforce Vitality Report Q2 2016 Shows Continued Growth in Wages

ROSELAND, NJ -- (Marketwired) -- 07/20/16 -- According to the *ADP Workforce Vitality Report*, the labor market maintained its trend of growth in wages in the second quarter of 2016. The U.S. labor market continued to improve in the second quarter of 2016, but is less buoyant than it was the end of 2015. Gains in the second quarter were driven by growth in hours worked and employment.

Tracking the same set of full-time workers leads to a truer picture of wage growth among those who are consistently employed. Full-time job switchers fared better than job holders. Their wage growth rate slowed slightly, whereas holders' growth rate slowed by more than a percentage point from the previous quarter on a yearly basis. Wage growth on a year-ago basis was moderate largely because of an unfavorable year-ago comparison.

CHART 1: Annual Wage Growth 2Q 2016



"The positive trend in wage growth over the past few quarters suggests that wages may finally reflect the tightening labor market," said Ahu Yildirmaz, vice president and head of the ADP Research Institute®. "Employers are continuing to provide raises to their workers for retention."

Wage growth for full-time workers varied across industries during the past four quarters. Wage growth slowed in every industry but remained strong in most, with the exception of natural resources and mining. The information industry continues to lead the way in terms of wage growth at 6.5%. This industry is made up of many highly paid, well-educated workers who are valued and in short supply. Indeed, among all industries wages are highest in information. Among full-time switchers, workers switching from leisure/hospitality and trade gained the most. This is not surprising, as there are more low paying jobs in these industries and even little increase in wages would translate to a considerable growth because of their lower wage base.

Job switchers who move from a part-time to a full-time job garner a negative hourly wage growth. This is more or less true across all industries. This suggests the availability of benefits and more hours lead to increased take home pay and the stability of a more permanent job weighs more heavily than the hourly wage alone.

TABLE 1: Q2 2016 Wage Growth by Industry

YOY Wage Growth	Full-Time		Part-Time to Full-Time Switchers
	Holders	Switchers	
ALL	3.2%	5.1%	-3.8%
Manufacturing	3.6%	2.1%	3.9%

Construction	3.8%	5.7%	13.9%
Resources and Mining	-2.6%	-8.1%	-6.5%
Finance and Real Estate	3.4%	4.5%	-4.5%
Information	6.5%	6.0%	-10.6%
Professional and Business Services	2.9%	5.8%	-2.8%
Leisure and Hospitality	4.5%	7.1%	-13.0%
Education and Health Services	2.8%	4.0%	2.7%
Trade, Transportation, and Utilities	3.0%	7.8%	-1.1%

Workforce dynamics vary considerably across regions as well. The region that remains the strongest is the West, which despite exposure to commodities and the high dollar, benefits from strong demographics, booming tech, tourism and international trade, and a recovering housing market. The West leads other regions in terms of wage growth of holders, though growth has slowed in this region as well as in all others. Employment growth has seen a similar slowdown and during the past year, employment in the West and South grew by 2.5% and 2.3% respectively. These are far above the Northeast with 1.6% growth and the Midwest with growth of just 1.4%.

TABLE 2: Q2 2016 Growth by Region

Region	WVI	Employment	Wages, holders, individual
West	3.6%	2.5%	3.6%
South	2.7%	2.3%	2.8%
Northeast	2.5%	1.6%	3.3%
Midwest	2.0%	1.4%	2.9%

Wage growth for job holders is strongest for those with three to five years on the jobs: during the past year it increased by a respectable 4.2%. Those with two years or less earned 3.8% more during the four quarters ending in the second quarter. Those with five to nine years saw a modest increase of 3.4%, while growth slowed measurably, to 2.2%, for those with more than 10 years tenure.

TABLE 3: Year over Year Wage Growth by Tenure

Quarter	2 or less	3 to 5	5 to 9	More than 10
Q3 2015	4.6%	5.0%	4.1%	2.8%
Q4 2015	6.5%	6.9%	5.8%	4.4%
Q1 2016	5.5%	5.7%	4.7%	3.3%
Q2 2016	3.8%	4.2%	3.4%	2.2%

To summarize, wage trends across dimensions, the best wage growth is in the West, in the information industry, among women, younger workers, those with moderate job tenure and those employed at the medium-sized companies. These winners remain consistent from quarter to quarter. Across dimensions wages continue to grow although generally at lower rates. The one exception is the industry category, where wage growth in natural resources and mining turned negative over the year as the industry has struggled with low commodity prices, particularly oil prices.

TABLE 4: Who fared the Best by Mid Year: Wage Growth for Job Holders

Age	24 and younger	7.6%
Industry	Information	7.5%
Tenure	3 to 5 years	4.2%
Gender	Female	3.3%
Size	50 to 499	3.4%
Region	West	3.6%

The 3rd Quarter 2016 *ADP Workforce Vitality Report* will be released on Wednesday October 19, 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 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/>.

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