



ADP® Workforce Vitality Report Report Methodology

ADP in collaboration with Moody's Analytics has developed a comprehensive *ADP Workforce Vitality Report* using ADP's large anonymous and aggregated payroll data set to provide insights on labor market dynamics using various dimensions and also to provide a benchmark to measure human capital management for individual firms. The report is derived from approximately 330,000 companies and 24 million employees, which accounts for more than 20 percent of all U.S. private sector employees.

This report introduces a new index, called the *ADP Workforce Vitality Index (WVI)*, which represents total wages paid to the U.S. private sector. It links both the employees and firms through individual worker's utility maximization and firm's profit maximization.

Most existing labor market indices are constructed at the national level. The few indices that do provide more details measure are either the overall performance for major metro areas, or selected aspects of a local economy. No existing indices assess the labor market performance at such a diversified and detailed level as does this report. Because the industrial, geographic and demographic characteristics of a specific labor market can look quite different from the national trend, understanding and evaluating the labor market dynamics of a finely defined category will benefit job seekers and employers who operate in a specific labor market. Specific indices will enable human resource managers to appropriately adjust their policies in response to the changing market conditions.

The WVI distinguishes four types of workers in the labor market: those who stay with the same firm (job holders), those who change jobs (job switchers), those who are newly hired by a firm (entrants), and those who left the firm either voluntarily or involuntarily (leavers). Such a distinction is meant to better capture labor market dynamics.

The WVI model is designed to calculate the year-over-year changes. It has following components: turnover rate, change in nominal hourly wage for job switchers, change in nominal hourly wage for job holders, change in quarterly hours worked for job holders, total employment growth.

The WVI index is constructed by various dimensions: region, industry, firm size, age, gender, full/part time status and tenure.

Summary values reported for all categories are aggregated from the individual payroll records for employees who are grouped in the category. This approach ensures that the levels of total employment and wages are consistent across various dimensions, which includes consistency among the four worker types.



The data is aligned with the Bureau of Labor Statistics sample, the Quarterly Census of Employment and Wages (QCEW) data and the Job Openings and Labor Turnover Survey (JOLTS).