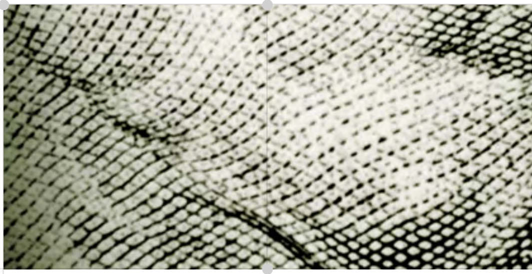
QUARTERLY WORKFORCE
RESEARCH REPORT

JANUARY – MARCH 2023

ADP | Research Institute



Today at Work

WHAT IS THE TRUTH ABOUT PAY?

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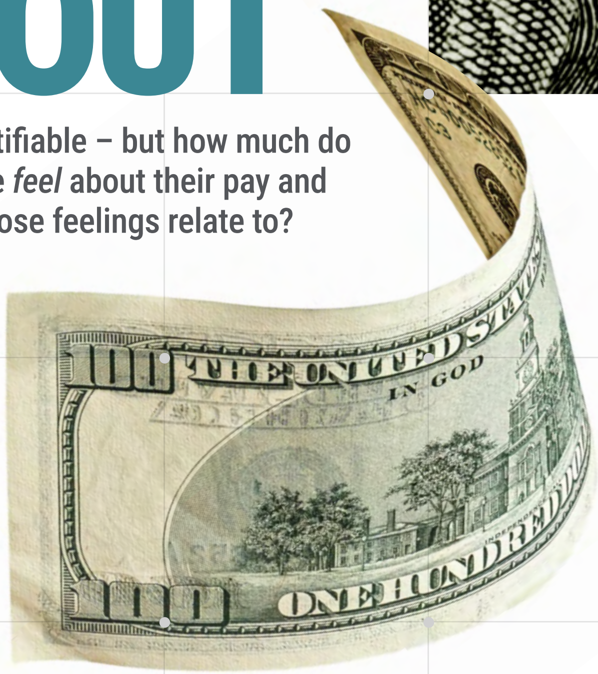

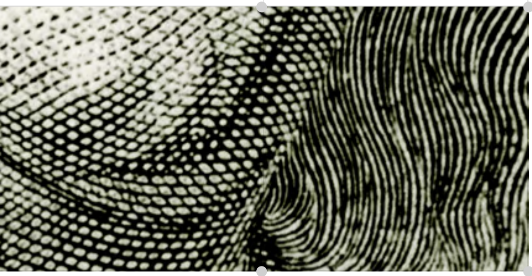

In This Issue Of Today at Work.

About Today at Work:

Today at Work is a quarterly workforce report that blends ADP's extensive data set representing 25 million people with monthly worker sentiment surveys from a stratified random sample of 2,500 workers to provide a recurring, people-centered, and comprehensive view of the world of work.

Today at Work presents a complete view of the employee's job lifecycle rooted in data from every career touchpoint, coupled with surveys that capture how people feel about the workplace and how those feelings drive their actions.

The mission of the ADP Research Institute is to generate data-driven discoveries about the world of work and derive reliable economic indicators from these insights. We offer these findings as our unique contribution to making the world of work better and more productive, and to bring greater awareness to the economy at large.

Learn More At www.ADPRI.org

About The Authors:

Marcus Buckingham

NYT Best-Selling Author and Co-Head of ADP Research Institute

Marcus Buckingham is a best-selling author and co-head of the ADP Research Institute. Building on nearly two decades of experience as a senior researcher at the Gallup Organization, he has focused on finding the most reliable ways to measure employee engagement, team effectiveness, leader effectiveness and performance. He brought his data-based discoveries to build a tech company focused on helping people find and leverage their strengths at work. He is the author of two of the best-selling business books of all time and has two of Harvard Business Review's most circulated, industry-changing cover articles. His strengths assessments have been taken by more than 10 million people worldwide and used to help individual contributors, leaders and teams better understand and utilize their strengths to perform at their best. Marcus joined the ADP Research Institute in 2017 to lead People + Performance Research, where he has spearheaded global studies on Employee Engagement, Workplace Resilience and Inclusion. He sits on Harvard Business Review's editorial advisory board.

Nela Richardson, Ph.D.*

Chief Economist, ADP and Co-Head of ADP Research Institute

Dr. Nela Richardson is chief economist of ADP and co-head of the ADP Research Institute, leading Labor Market Research. She serves on the foundation boards for the U.S. Chamber of Commerce and the National Association for Business Economics, and is a member of the Bureau of Economic Analysis Advisory Committee and the Conference of Business Economists. Prior to joining ADP Research Institute, she was a principal and investment strategist at Edward Jones Investments and chief economist at Redfin, Corp., a real estate brokerage and technology company, where she led a team of data scientists, economists, and writers to track trends in the housing market. Nela earned a doctorate in economics from the University of Maryland-College Park with concentrations in financial economics, international finance, and economic development. She obtained a master's degree in economics from the University of Pennsylvania and a bachelor's degree from Indiana University in Bloomington, where she was a triple major in mathematics, economics, and philosophy.

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Mary Hayes, Ph.D.

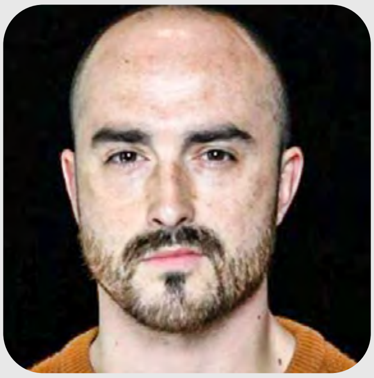
Research Director

Dr. Mary Hayes joined the ADP Research Institute in January 2018. She earned a Ph.D. in Educational Leadership from the University of Nebraska–Lincoln in 2018. Her master's degree in Educational Psychology from the University of Nebraska–Lincoln was focused on qualitative, quantitative and psychometrics methodology with additional work in survey research methodology. Both of Mary's degrees focus on the psychology of people and how these people flourish though positive psychology. Mary's research focus has been on engagement, turnover, knowledge worker performance, and teams in the workplace. Mary has partnered with Marcus Buckingham for more than a decade to design and implement valid and reliable tools to help workers get more out of their work experiences. Prior to her time at ADP Research Institute, Mary served as the Innovation and Impact Director at Creighton University School of Pharmacy and also provided consultation services in HR management and human performance.

Frances Chumney, Ph.D.

Senior Researcher for Psychometric Methods

Dr. Frances Chumney joined the ADP Research Institute in March 2018. In addition to her role as psychometrician for the institute, Frances is Head of Applied Research and Measurement for TMBC – an ADP Company. Frances' research is focused on the consequences of design and method on the development of measurement tools and the interpretations of their findings. This line of inquiry represents the intersection of her expertise in the psychology of survey response, measurement, quantitative analysis, and statistical modeling. Before joining ADP, Frances taught statistics and research methods. Prior to that, she served as methodologist for large-scale grants funded by the U.S. Department of Education and other government agencies. Frances earned master- and doctoral-level degrees in Quantitative, Qualitative, and Psychometric Methods and a doctoral minor in Survey Research and Methodology from the University of Nebraska–Lincoln.



Ben Hanowell

Director of People Analytics Research

Ben Hanowell joined the ADP Research Institute in July 2021. As an anthropologist and people analyst, he studies the decisions people make about where, when, and how they work. He also studies the decisions companies make about workforce management, relying on data from human capital management systems, surveys, public datasets, and in-depth interviews. Before joining ADP Research Institute, Ben was a senior data scientist at Amazon studying one of the world's largest private workforces. He developed algorithms to measure and predict which package-delivery contractors were most willing to work. Before joining Amazon, Ben worked at A Place for Mom, a senior-living referral service, and Redfin Corp., the tech-powered real estate brokerage. Ben's inter-disciplinary graduate research at the University of Washington was funded by the National Science Foundation, the National Institute of Child Health and Development, and a Fulbright Scholarship.

Jeff Nezaj

Principal Data Scientist

Jeff Nezaj joined the ADP Research Institute in April 2017. As a director of analytics with nearly twenty years of experience, he mines ADP's vast repository of payroll data to provide valuable insights into the labor market. Prior to joining ADP Research Institute, Jeff held leadership positions at direct-to-consumer marketing and financial services companies. At Univision Communications, Jeff led the enterprise business unit's analytics group, where his valuable data insights helped guide customer strategy. In a previous position at Guthy-Renker, a direct marketing company, Jeff played a key role within customer analytics, providing insights that resulted in a better understanding of customer behavior across all direct-to-consumer products. A native New Yorker, Jeff received a bachelor's degree in engineering from the New York University Polytechnic School of Engineering and a master's degree in statistics from Columbia University.

Liv Wang

Senior Data Scientist

Liv Ye Wang is a senior data scientist at ADP Research Institute, having joined the team in 2017. She manages company-wide data mining and analytics initiatives, identifying relevant data from client systems and platforms. Liv is the driving force behind ADP's monthly Pay Insights report. She also has conducted research on remote work and the gig economy. With master's degrees in economics from Fordham University and CUNY Graduate Center and a bachelor's degree in economics from Shanghai University of Finance and Economics, Liv is now pursuing a doctorate in economics at CUNY Graduate Center. Before joining ADP Research Institute, Liv was an economics intern at the Port Authority of New York and New Jersey, where she developed business forecasts for the aviation division. She also taught finance and macroeconomics classes at Hunter College, City College of New York, and Baruch College.

Section 1:

What is the truth about pay?

An employee's pay is quantifiable– but how much do we know about how people feel about their pay and what kinds of behaviors do those feelings relate to?

Do people feel paid fairly for the work they do? Which industries are most dissatisfied with their pay, and which are the happiest? Does gender affect one's feeling about pay? How about one's race, or education level, or part-time versus full-time status, or the length of one's tenure within an organization?

Besides, why should any of us care about how workers feel about their pay? What negative or positive outcomes does a feeling of inequity drive in the workplace?

For the first time, ADP Research Institute is able to answer these questions – and more – about people's feelings about their pay to provide data-based insights into what those feelings can then affect.

Pay Equity: Where do we stand?

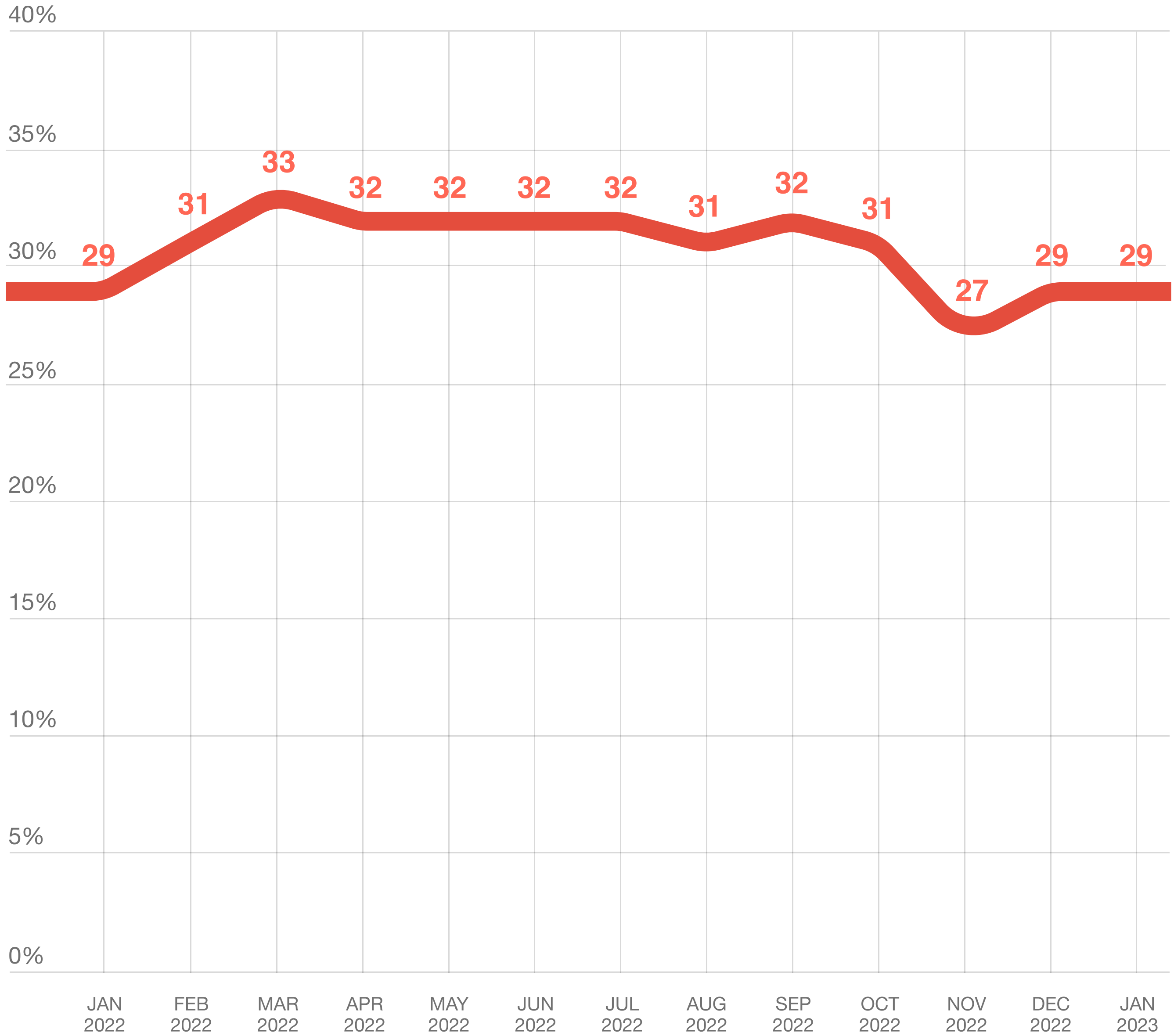
Every month, ADP Research Institute asks a stratified random sample of 2,500 U.S. workers to respond to the following statement about their pay: “My pay is fair for the work that I do.”

The respondents are offered a simple binary response scale; they can answer “yes” or “no” to the statement.

Below you will see the percentage of people who respond “no” – they do not believe their pay is fair.

% of people who believe they are paid *unfairly*

Although it varies a little throughout the year, on average 1 out of 3 workers surveyed believe their pay is not fair.

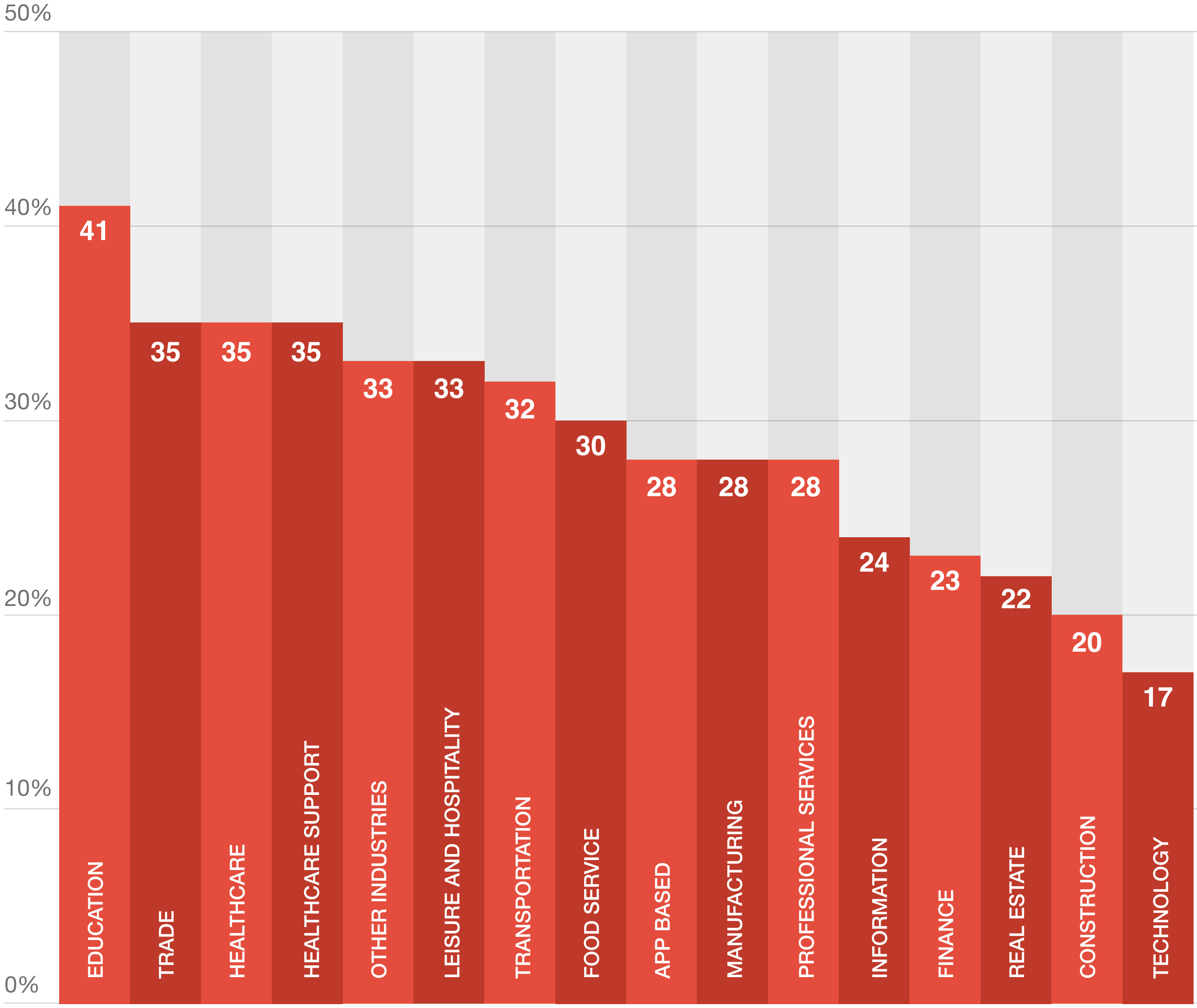


How workers feel about Pay Equity by Industry

Below you'll find the percentage of people who responded "no" – their pay is not fair.

% of people who believe they are paid unfairly by *Industry*

Approximately 2 out of every 5 workers in Education, Healthcare and Healthcare Support do not believe that they are paid fairly. It is concerning that three of the highest concentrations of pay inequity are in these industries – the people who are teaching our children and caring for those in ill health are the least likely to feel that they are paid fairly.



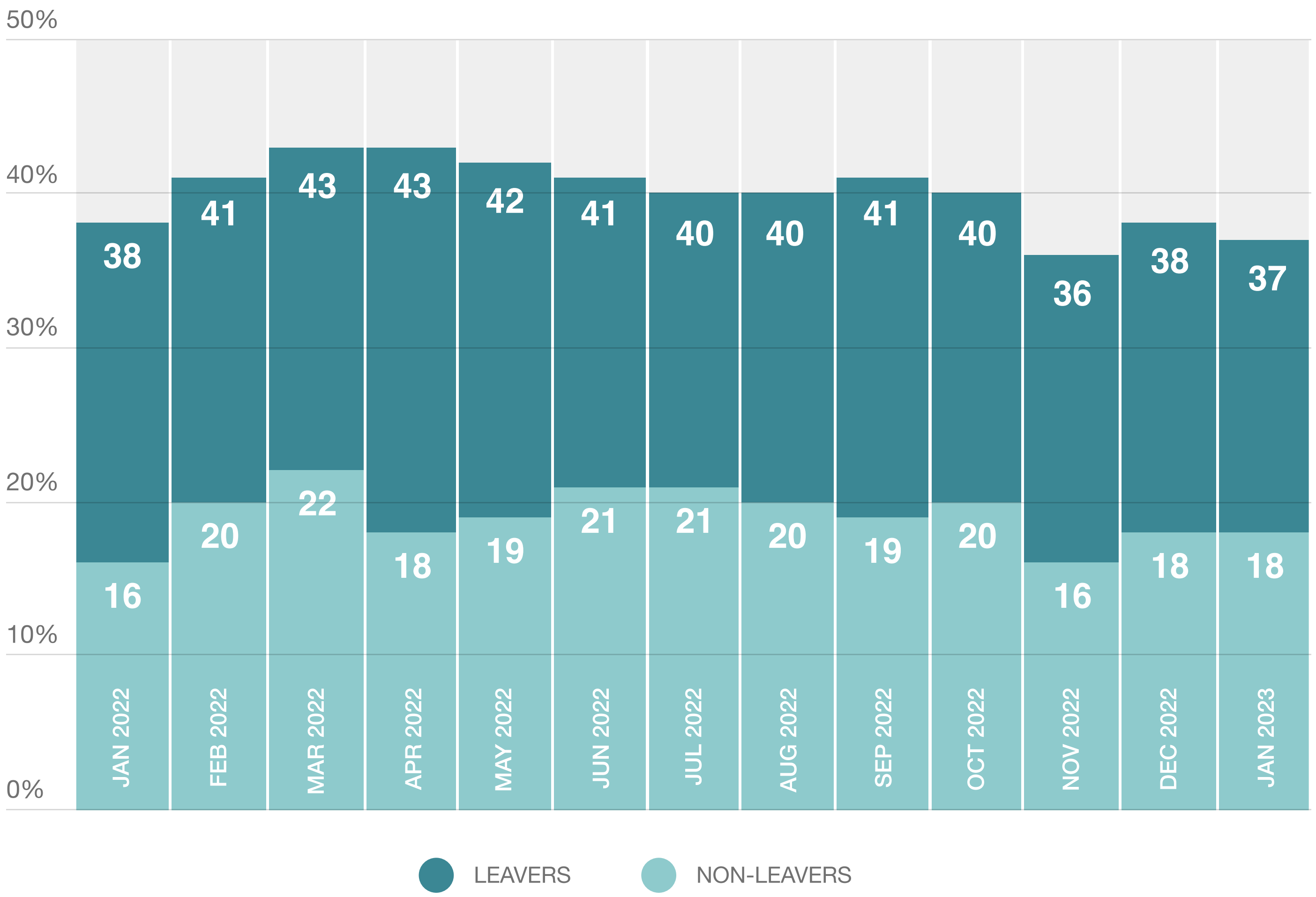
What do people's feelings about their pay affect?

Pay Equity and Intent to Leave

There is a relationship between people's feelings about their pay and whether they say they intend to leave their organization. The graph below shows the percentage of leavers and non-leavers who believe they're unfairly paid.

% of people who believe they are paid unfairly by their *Intent to Leave*

A worker's feeling about Pay Equity has a relationship with their willingness to leave their organization. The graph below shows the relationship between pay and intent to leave.



Pay Equity and Talent Brand

As part of our ongoing monthly sentiment survey of 2,500 workers, ADP Research Institute asks people how likely they are to recommend their employer to friends and family as a place to work. In the two graphs below, you can see the relationship between workers' feelings of being paid fairly and their likelihood to promote the company's talent brand or detract from the company's talent brand. The first graph shows individual contributors, and the second graph shows managers.

Pay Equity to *Company Talent Brand (Individual Contributors)*

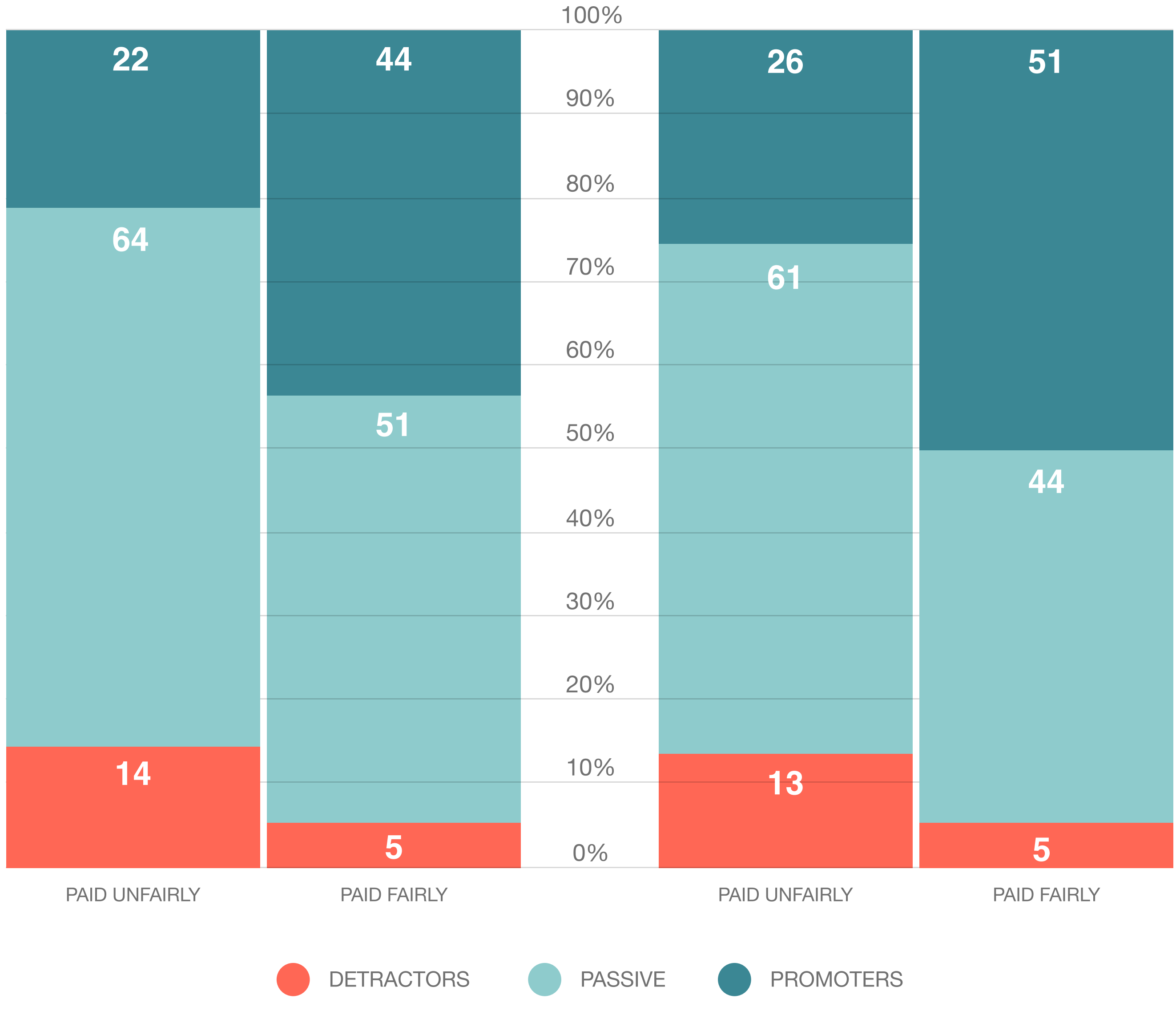
Individuals who believe their pay is fair are 2.8x more likely to be a **promoter** of the company's talent brand than those who do not.

Individuals who believe their pay is unfair are 2.9x more likely to be a detractor than those who do not.

Pay Equity to *Company Talent Brand (Managers)*

Managers who believe their pay is fair are 2.9x more likely to be a **promoter** of the company's talent brand than those who do not.

Managers who believe their pay is unfair are 3.0x more likely to be a detractor than those who do not.



Pay Equity and Engagement

As part of our ongoing monthly sentiment survey of 2,500 workers, the ADP Research Institute asks eight questions to measure employee Engagement. These questions can be found in our Definitive Series: Employee Engagement full research report.

Using this ongoing measure of Engagement, we can see a clear link between people's feelings of Pay Equity and their levels of Engagement.

% of people who believe they are paid unfairly by *Engagement*

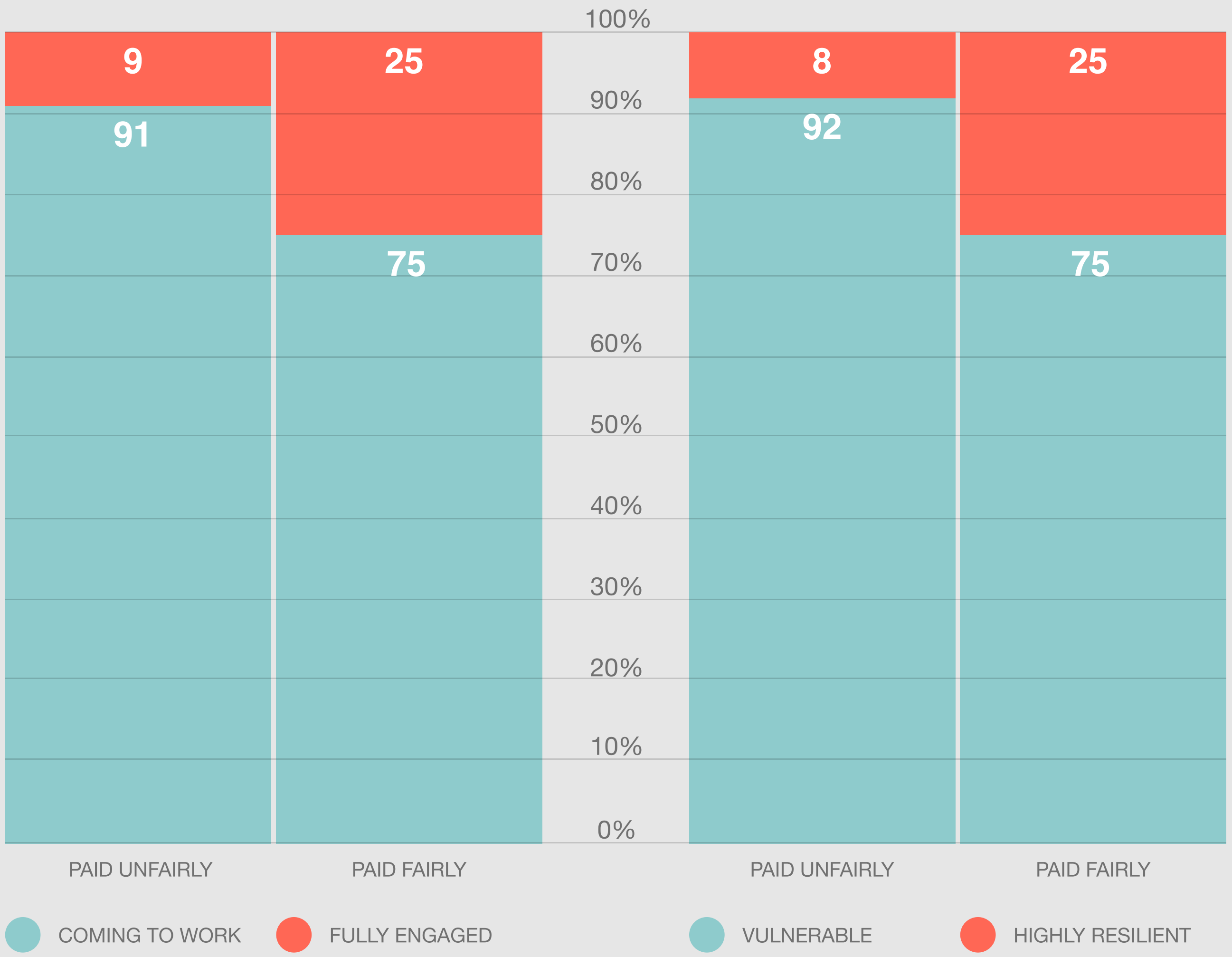
Pay Equity is clearly a differentiator for Engagement. Workers who believe their pay is not fair are 3.4x less likely to be Fully Engaged.

Pay Equity and Resilience

As part of our ongoing monthly sentiment survey of 2,500 workers, the ADP Research Institute asks 10 questions to reliably measure Workplace Resilience. Those questions can be found in the Workplace Resilience Study full report. As you can see in the graph below, there is clearly a relationship between people's feelings about their pay and their level of Resilience.

% of people who believe they are paid unfairly by *Resilience*

Similar to Engagement, there is a correlation between being Highly Resilient and feeling that one's pay is fair. Those who believe their pay is unfair are 3.8x more likely to not be Highly Resilient.

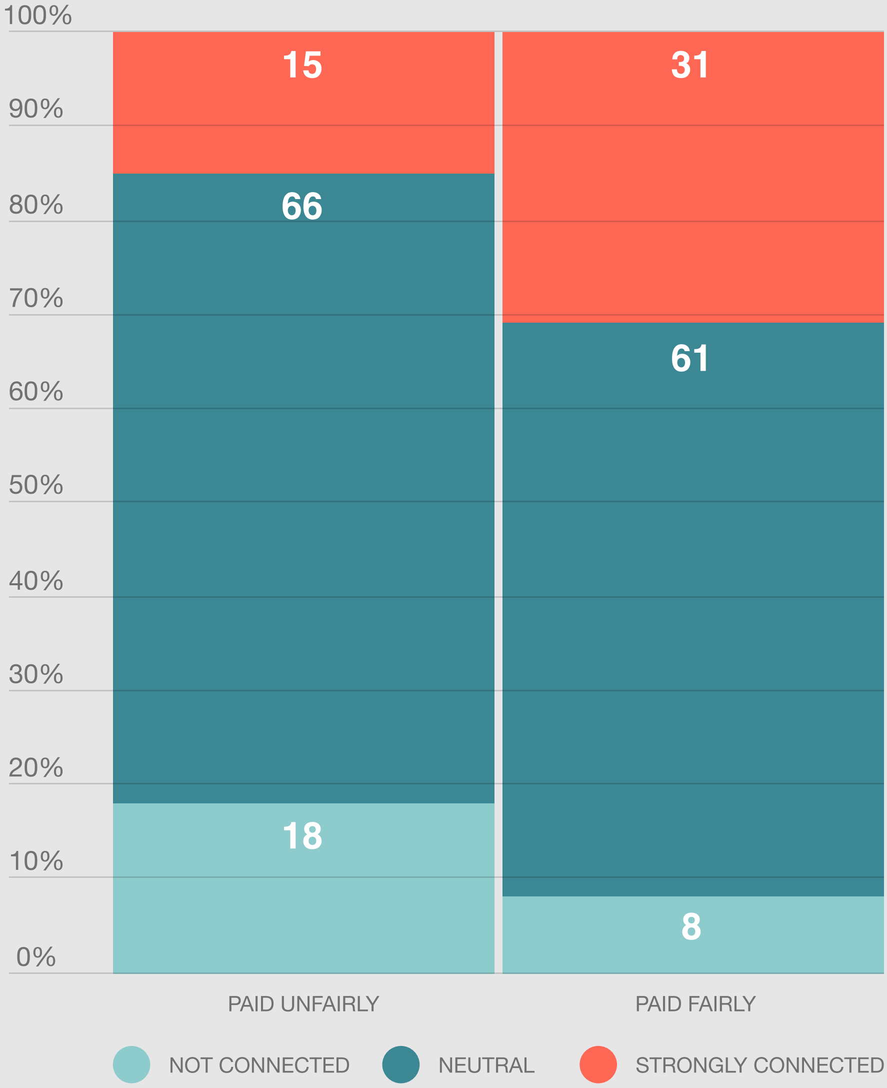


Pay Equity and Inclusion

As part of our ongoing monthly sentiment survey of 2,500 workers, the ADP Research Institute asks 12 questions to measure an employee's feelings of Inclusion. Those questions can be found in the Measuring the "I" in DE&I full report.

% of people who believe they are paid unfairly by *Inclusion*

There is a clear correlation between a person's feeling of Pay Equity and their feeling of Inclusion. For those who report being Strongly Connected, they are 2.5x more likely to also believe they are paid fairly. And those who feel "Not Connected" are 2.5x more likely to report their pay is unfair.



In summary, while we do not necessarily know which comes first, we do see meaningful relationships between people's feelings about their pay, and their likelihood to advocate for their company's talent brand, their level of Engagement, their level of Resilience, and their feelings of Inclusion.

What affects people's feelings about their pay?

Which characteristics of a person affect their feelings about pay? What factors can cause someone to believe they are paid fairly? What is part of their mental calculation when they think about answering that question?

There are some things that do not seem to matter when it comes to evaluating whether a worker believes their pay is fair or not.

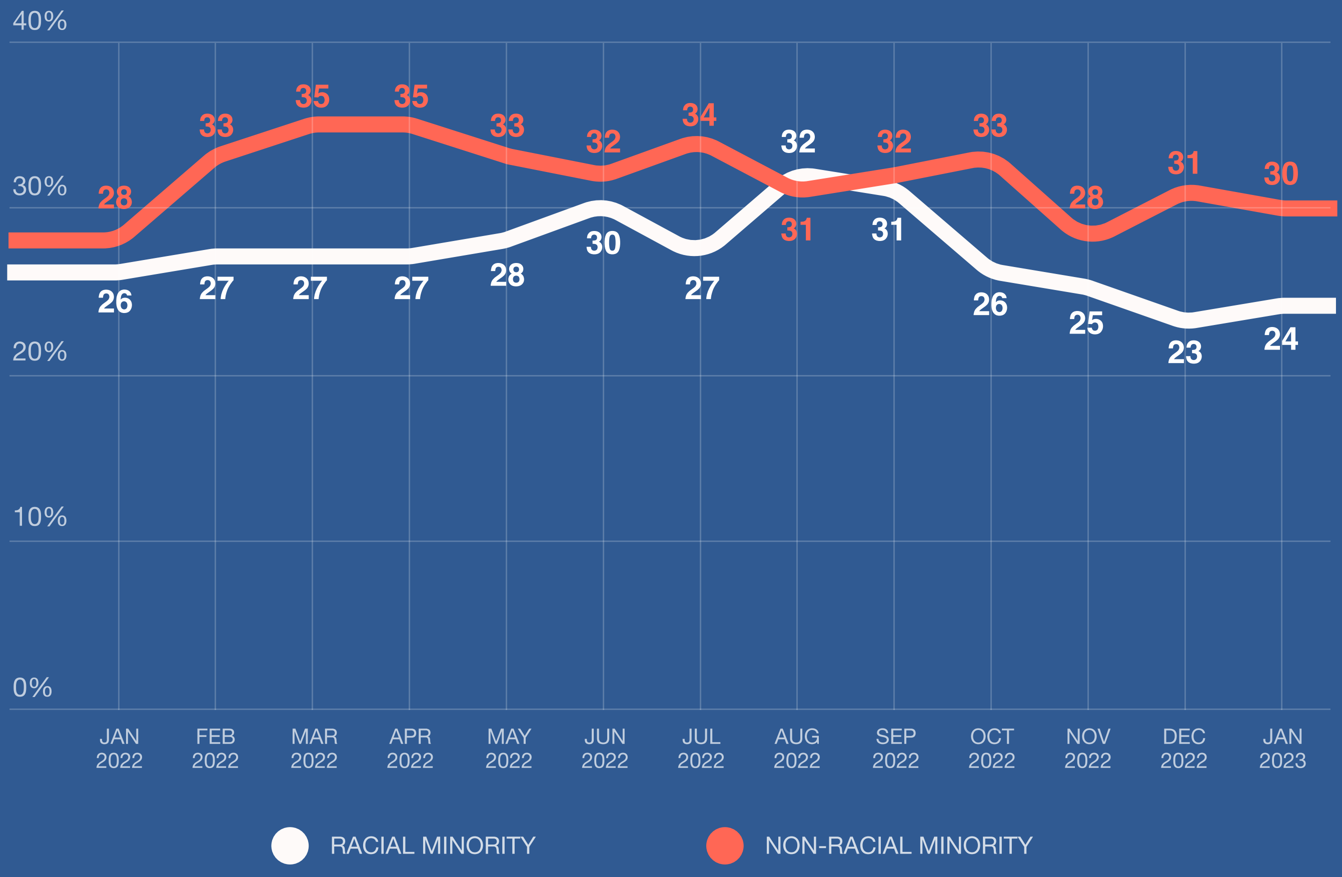
What does NOT seem to relate to one's feeling of Pay Equity?

Race

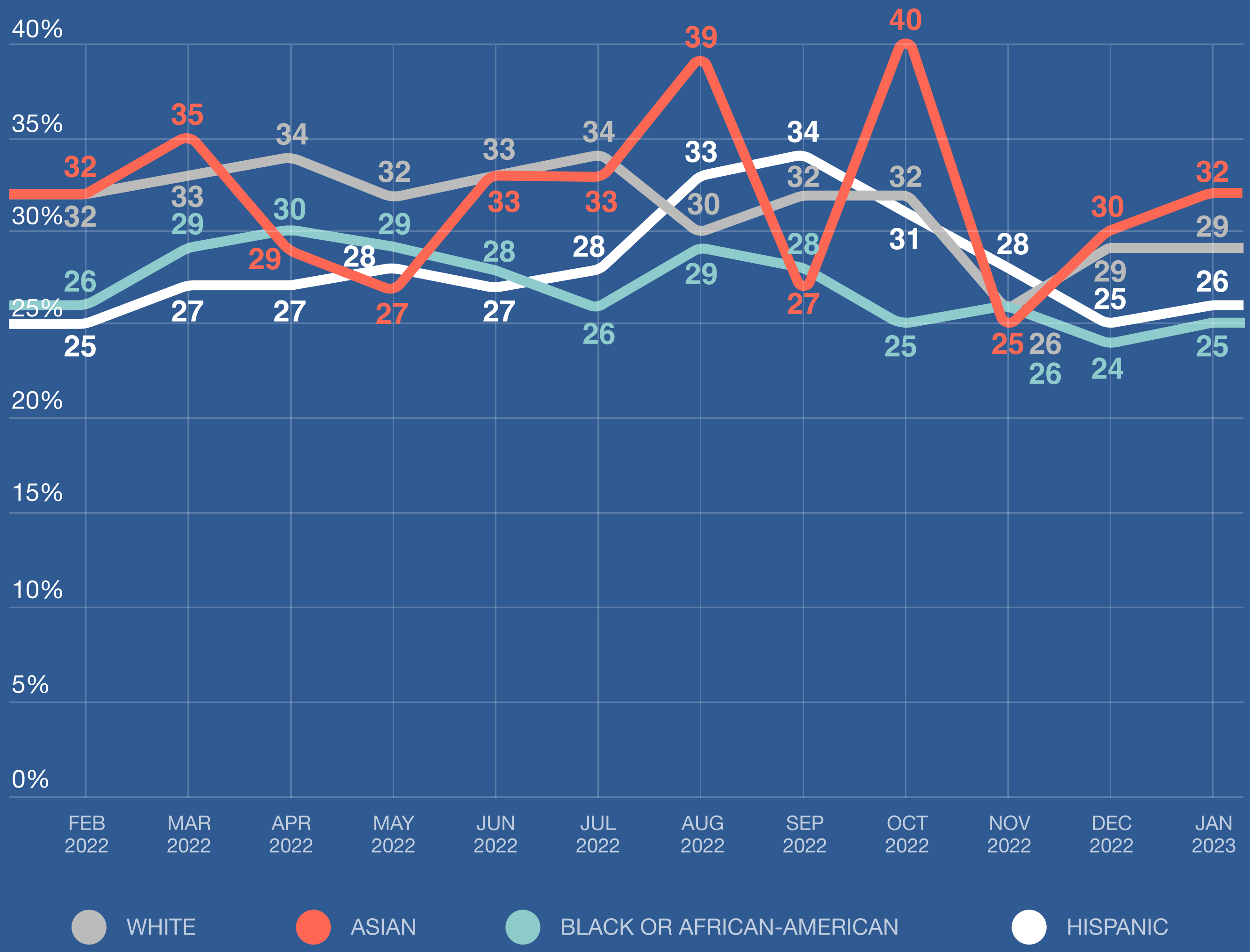
A person's race does not seem to relate to their feeling of Pay Equity.

% of people who believe they are paid unfairly by *Racial Minority Status*

Although there is some variation during the course of the year, in general, one's racial minority status does not seem to factor into one's feeling about pay significantly. As you can see on the next page, this holds true regardless of a person's specific racial group.



% of people who believe they are paid unfairly by ***Racial Groups***

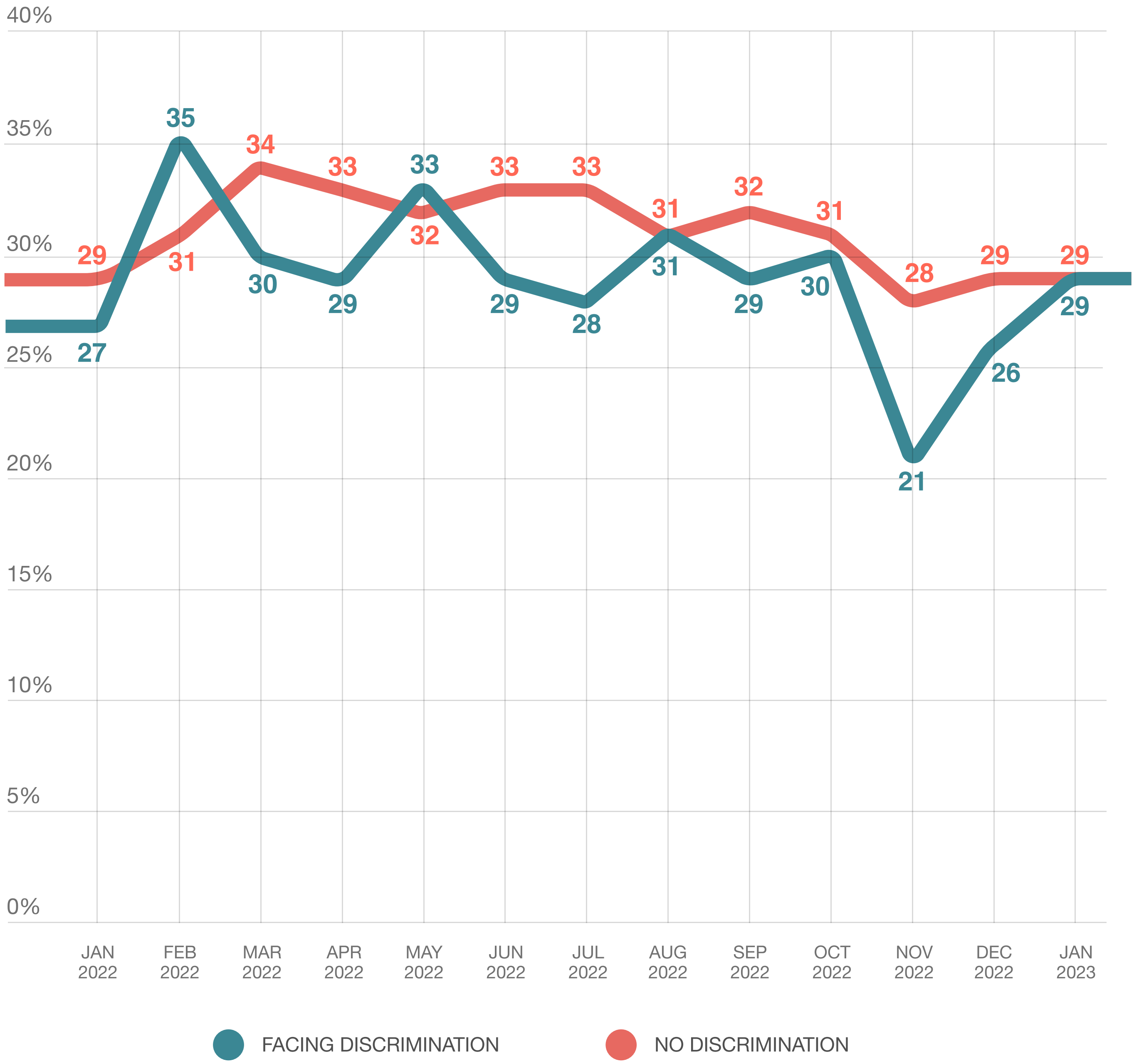


Discrimination

As part of our ongoing monthly sentiment survey of 2,500 workers, ADP Research Institute asks people to respond to this statement: "I am currently experiencing discrimination in the workplace."

In the graph below, you can see that there is not a strong relationship between people who answer "yes" to the question above, and the people who answer "no" to the question of being paid fairly.

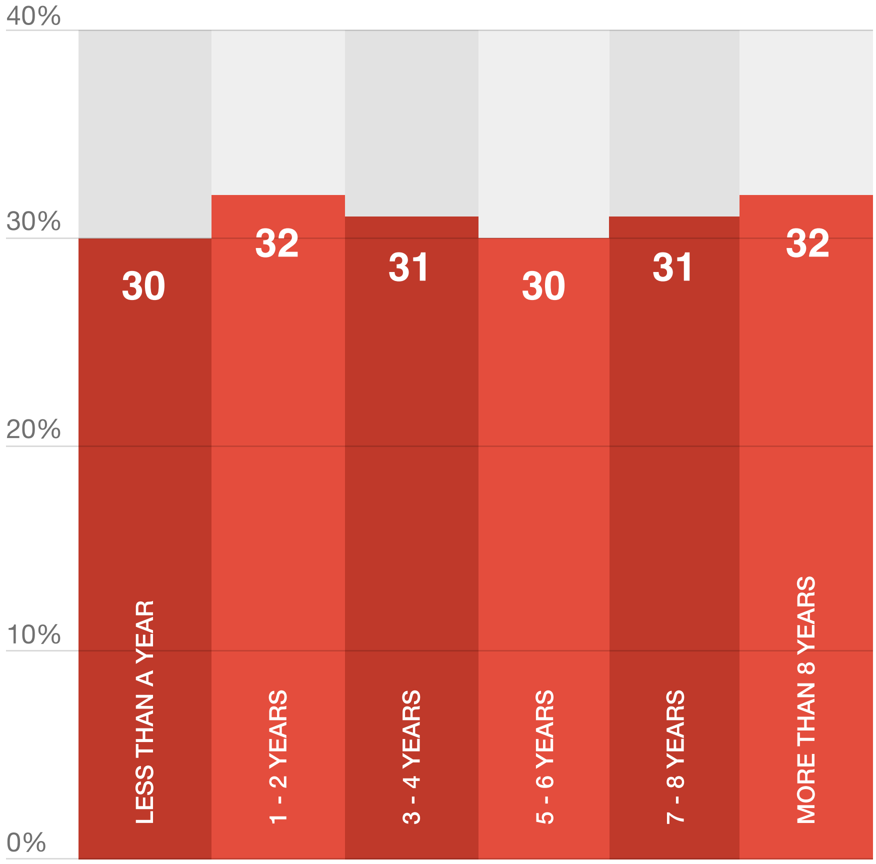
% of people who believe they are paid unfairly by *Discrimination*



Tenure

Although tenure does seem to relate to measures of Engagement and Inclusion, a worker's time with a company tells us little about their feelings on Pay Equity.

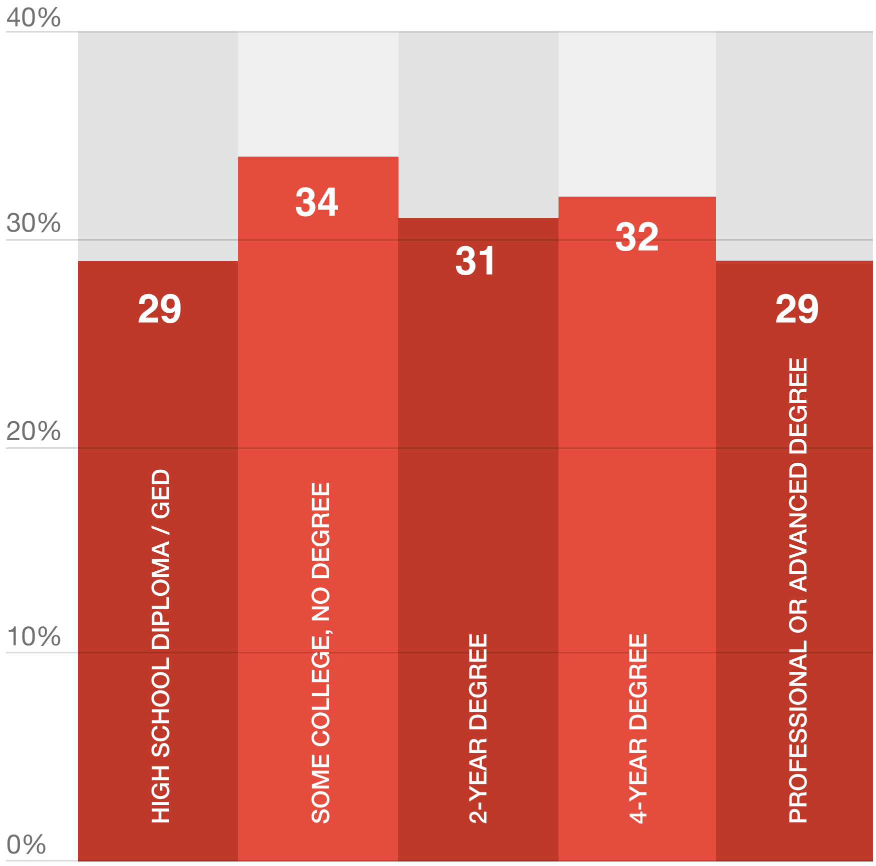
% of people who believe they are paid unfairly by *Tenure*



Education Level

A worker's level of education also does not appear to affect how they feel about their pay.

% of people who believe they are paid unfairly by *Education*



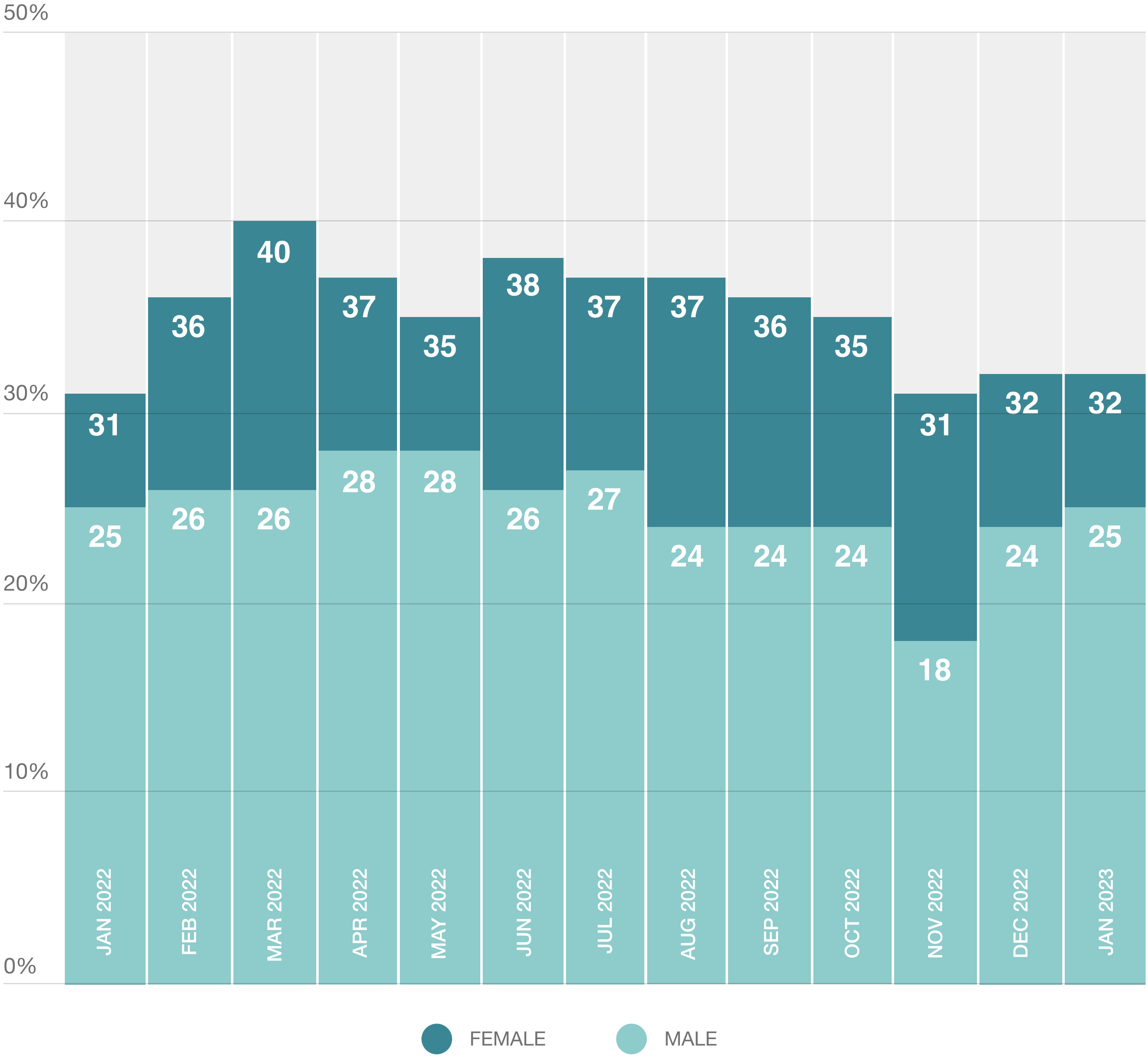
In contrast, what DOES relate to feelings of pay equity?

The following characteristics do factor into what someone thinks about their Pay Equity.

Gender

Some factors do play a role in feelings about Pay Equity. Across a full year, women are, on average, 1.6x more likely to feel they are **NOT** paid fairly.

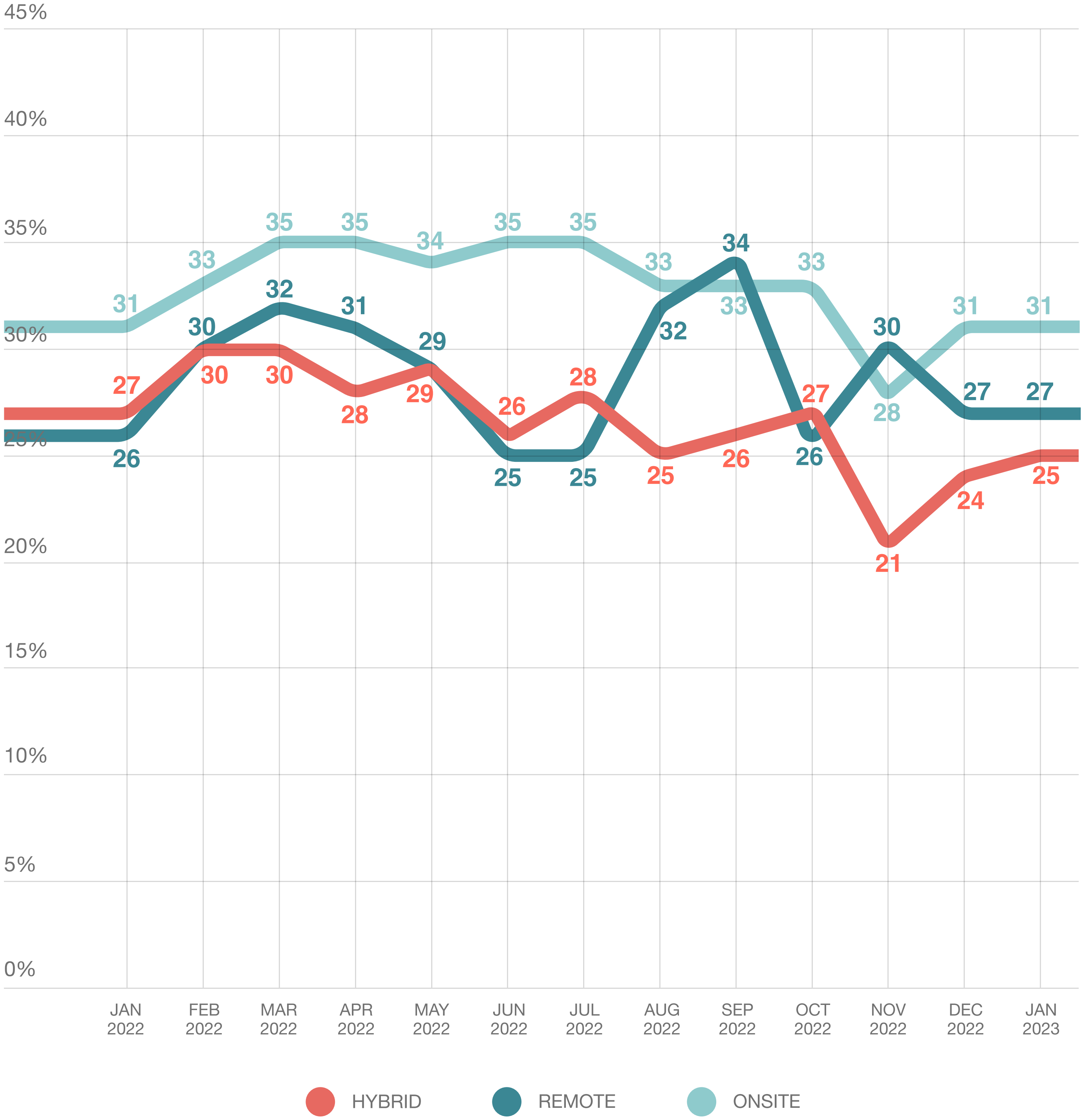
% of people who believe they are paid unfairly by *Gender*



Location

People who divide their time between home and onsite work are the least likely to say that their pay is unfair. Non-hybrid, onsite workers are the most likely to say their pay is unfair.

% of people who believe they are paid unfairly by *Location*

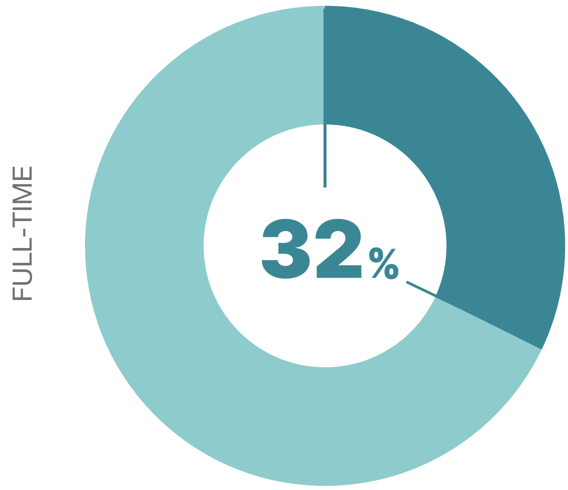


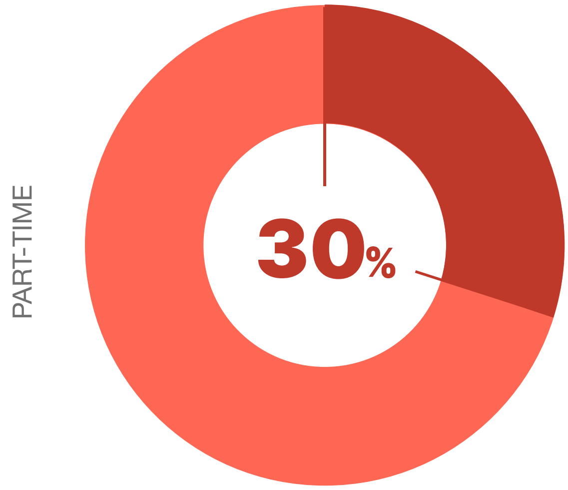
Employment Status

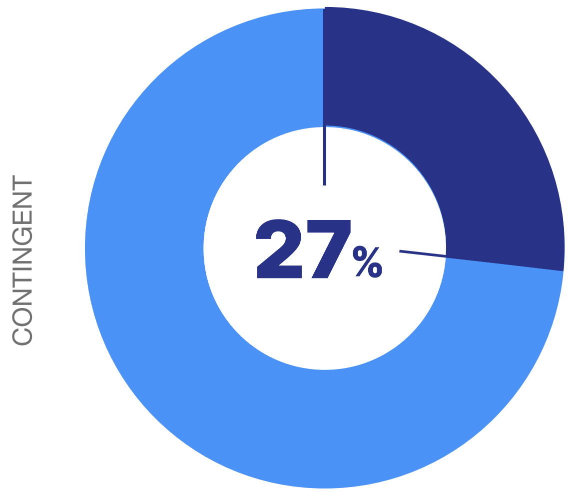
As part of our ongoing monthly sentiment survey of 2,500 workers, ADP Research Institute asks people about their employment status. We give them many choices, but those choices each fall into three distinct buckets: full-time, part-time, and contingent. We define contingent work as an independent contractor, consultant, or freelancer working on an as-needed basis for an organization.

As you can see, contingent workers feel that their pay is more equitable than full-time or part-time workers.

% of people who believe they are paid unfairly by *Employment Status*



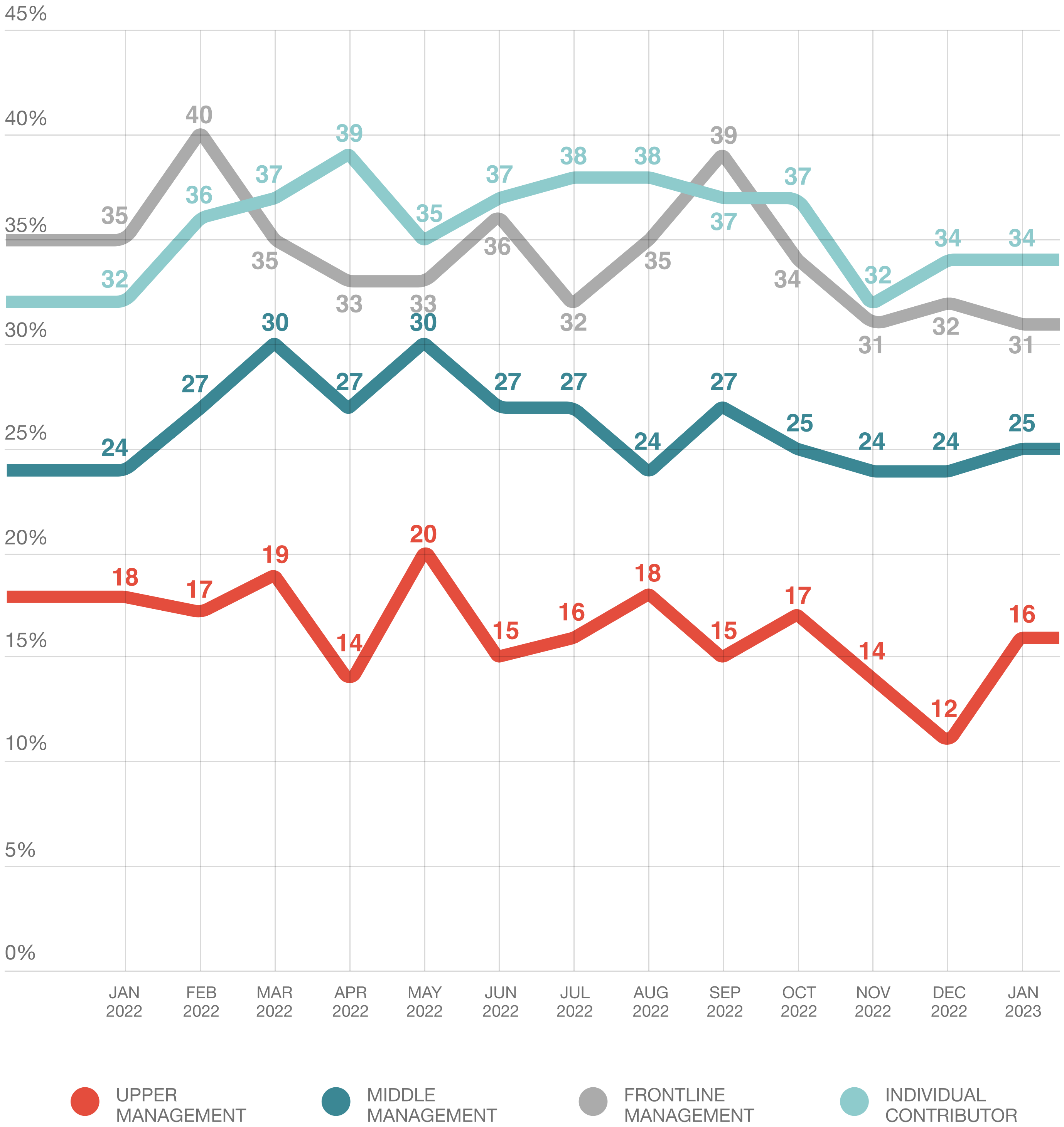




Organization Level

Perhaps unsurprisingly, the higher up a worker reports within the organization, the more equitable they feel their pay is.

% of people who believe they are paid unfairly by *Level*

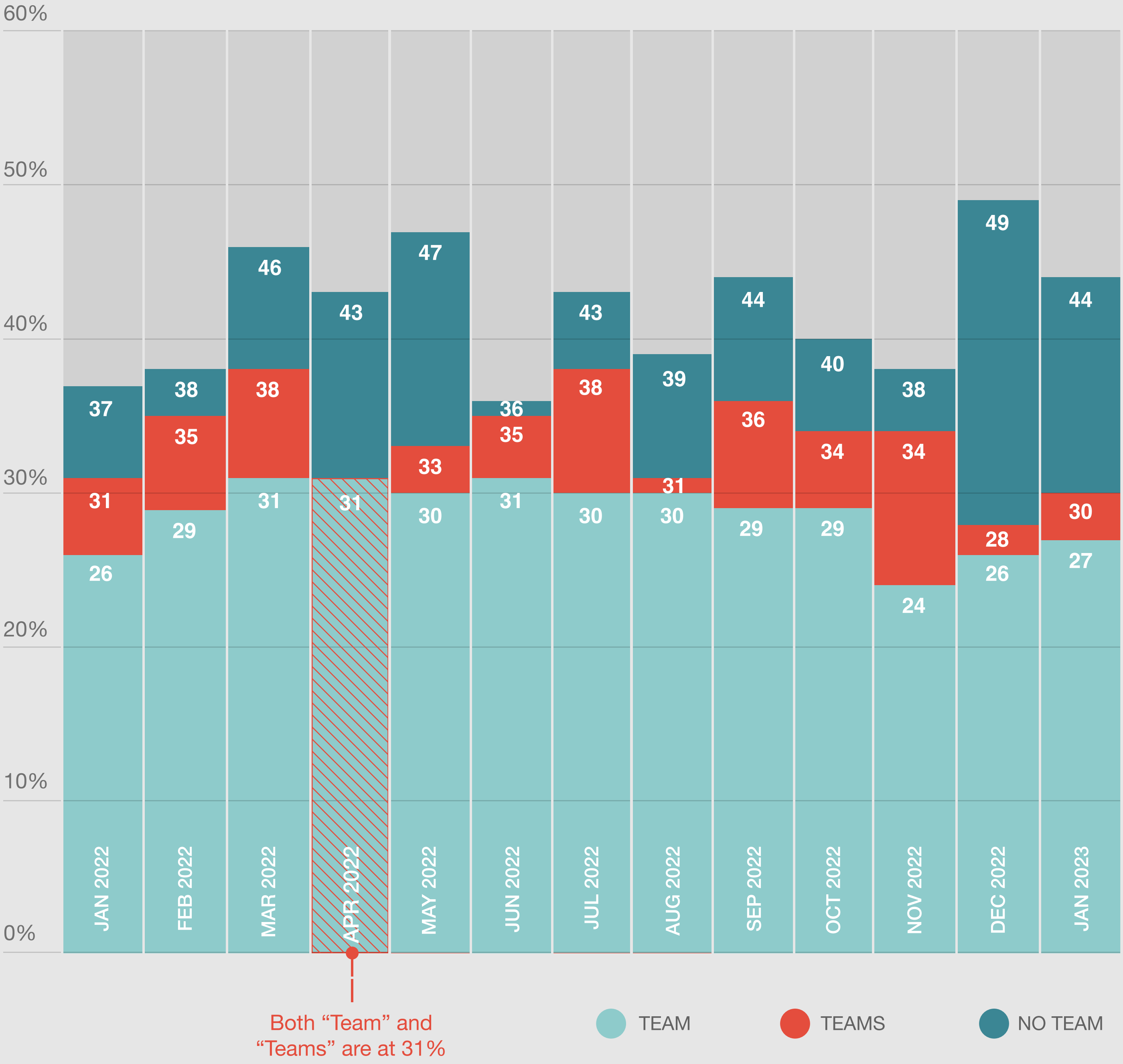


Team Membership

Being on a team does affect whether a worker believes they are paid fairly – particularly if the worker is only on one team. As part of our ongoing monthly sentiment survey of 2,500 workers, ADP Research Institute asks about team membership -- specifically offering the following three options:

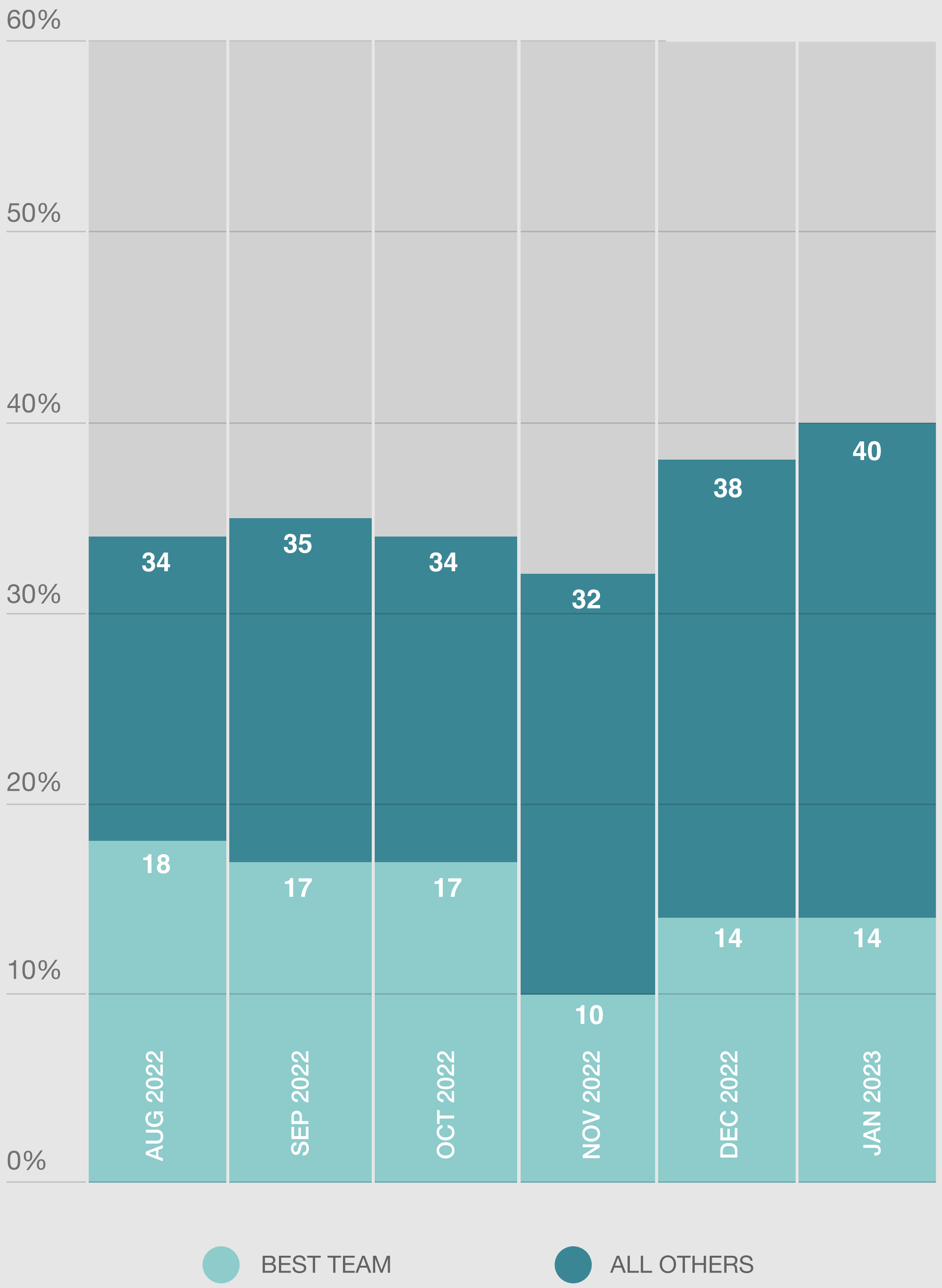
Yes, I am a member of a team.
Yes, I am a member of two or more teams.
No, I am not a member of a team.

% of people who believe they are paid unfairly by *Team Membership*



% of people who believe they are paid unfairly by ***"On Best Team"*** and ***All Others***

We also asked people if they are currently working on "the best team they've ever worked on." Those people who replied "yes" are much more likely to respond that they are paid fairly.



Type of Work

As part of our ongoing monthly sentiment survey of 2,500 workers, ADP Research Institute asks what kind of work people do – specifically offering the following three options:

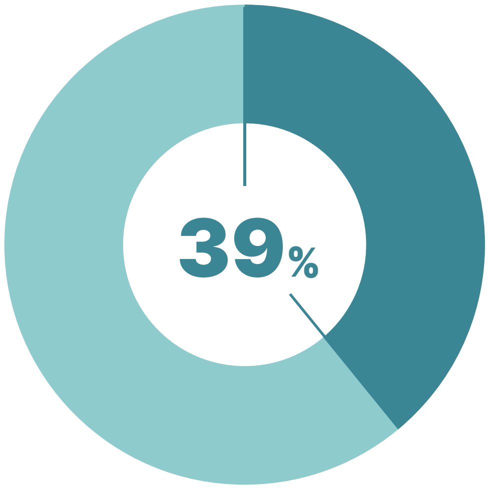
I have a level of freedom to use my expertise to create something new.

I use a level of expertise to solve similar problems each day.

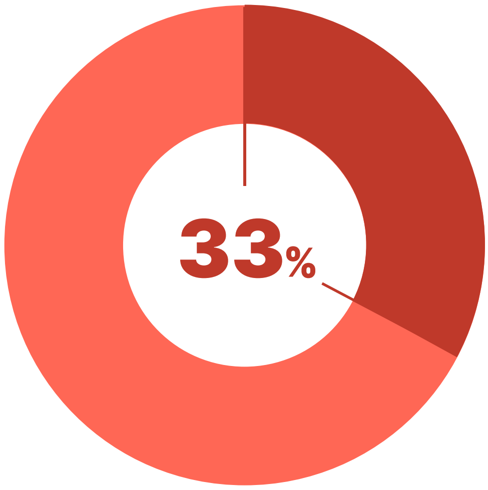
I do similar repetitive tasks each day.

Those who do the same thing every day report higher levels of feeling that their pay is unfair. While this could be a proxy for level, as those doing the same work every day are typically not managers, it is surprising that the more standardized someone's work is, the more they may feel that their pay is not fair. This is unexpected, since with everyone doing the same job in the same way, one might expect people's feelings of Pay Equity to be high – but they are not.

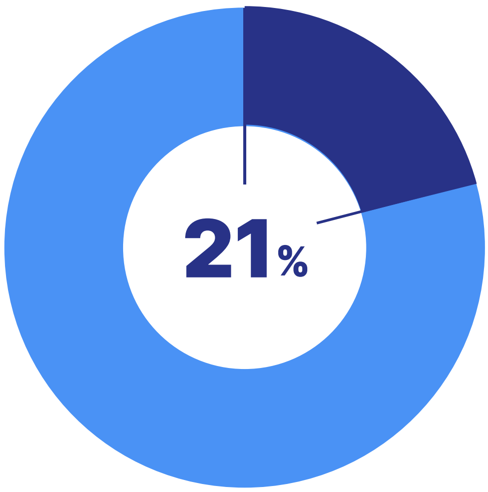
% of people who believe they are paid unfairly by *Work Type*



I DO SIMILAR REPETITIVE TASKS EACH DAY



I USE A LEVEL OF EXPERTISE TO SOLVE SIMILAR PROBLEMS EACH DAY



I HAVE A LEVEL OF FREEDOM TO USE MY EXPERTISE TO CREATE SOMETHING NEW

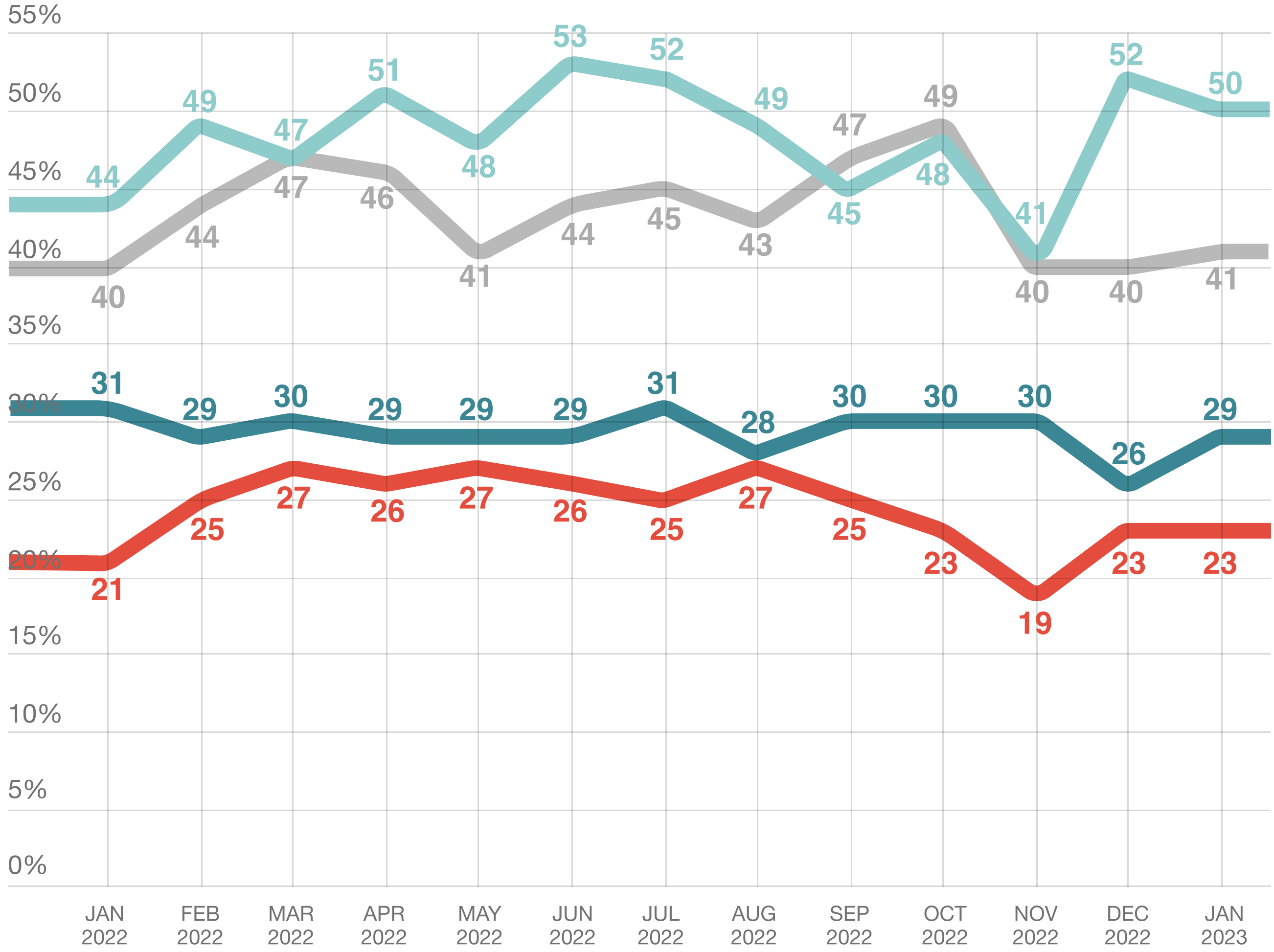
Love of Work

As part of our ongoing monthly sentiment survey of 2,500 workers, ADP Research Institute asks people how they spend most of their time in their current position using the following four response options:

- *Things I love to do and am great at doing.*
- *Things I love to do but have to work at to do well.*
- *Things I do not love doing but am great at doing.*
- *Things I do not love doing and have to work at to do well.*

When the worker does work that they love and that they are good at, they are much less likely to say they're paid unfairly.

% of people who believe they are paid unfairly by *"Love of Work"*



Summary

How much a worker gets paid matters - and so do their feelings about it.

And those feelings about Pay Equity might have less to do with the numbers on a paycheck and more with other aspects of their working life.

If you personally want to feel better about your pay, the data might suggest that you find contingent work, where you can be a hybrid worker, on a team filled with people who support one another, and where you’re doing a lot of work that you love and that you’re good at. Obviously, this is not possible for every worker in every situation - but it is instructive to think about these ingredients of Pay Equity.

Knowing these factors influence one’s feelings of Pay Equity may not be consistent with the movement toward transparent pay. This is an area that we need to study more – but does knowing everyone’s pay make people feel differently about their own?

If you're an organization leader hoping to help your employees feel good about their pay, there are dials you can turn. Allow hybrid work schedules, put a strong emphasis on teams, and make sure that managers are fitting people to work that they love. This doesn’t mean you can “get away” with paying people less - it simply means that paying them a competitive wage might not be enough if these other elements are not in place. Getting these other elements in place puts a worker's understanding of their pay in a much more positive light.

To learn more about workforce trends, go to www.ADPRI.org

Section 2:

Happening Now in People Analytics

The Real Deal On Pay Growth

After laying mostly dormant for 40 years, inflation woke with a vengeance in 2021, peaking at more than 9 percent in June 2022. While things have improved, the damage has been done. Price increases have eroded take-home pay, even with the rapid wage growth we saw in 2021 and 2022.

ADP Research Institute analyzed the payroll data of more than 9 million U.S. workers at 16,000 employers across eight sectors to see how inflation affected wages in different industries and for people across the corporate hierarchy – from front-line workers to senior executives.

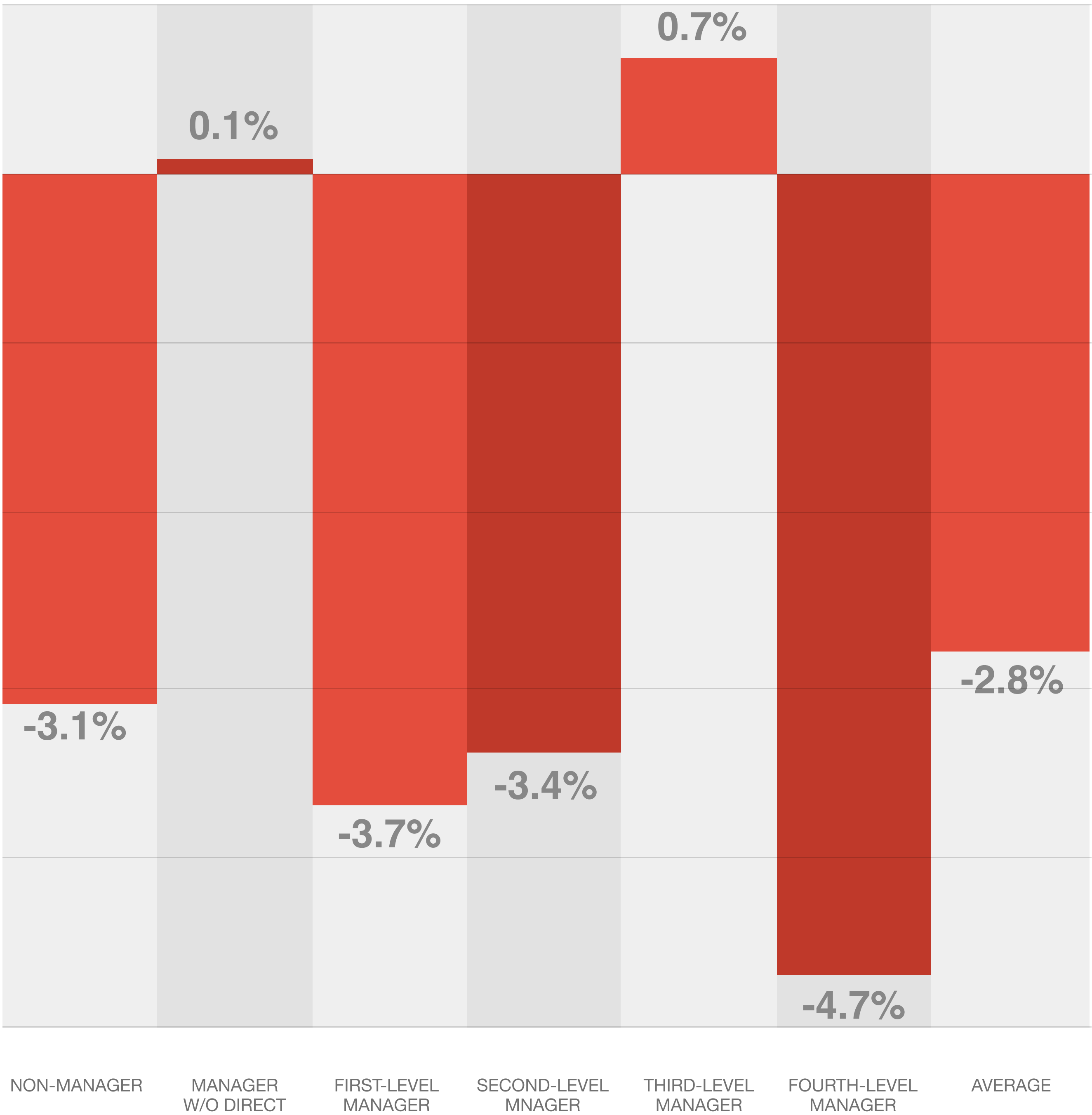
From Front Lines to The C-Suite

At nearly every level of the corporate hierarchy, average wage growth, when adjusted for inflation, fell in 2022.

One exception was level-three managers, executives who are fairly high in the corporate ranks. Their wages inched up 0.7 percent from the year before. Managers without direct reports also saw a slight real increase in hourly pay.

For everyone else, real average hourly wages fell. Senior executives – people above the level-three managers – saw the steepest drop, with their earnings down 4.7 percent.

Average Real Wage Growth by Hierarchy



Construction Comes Out Ahead

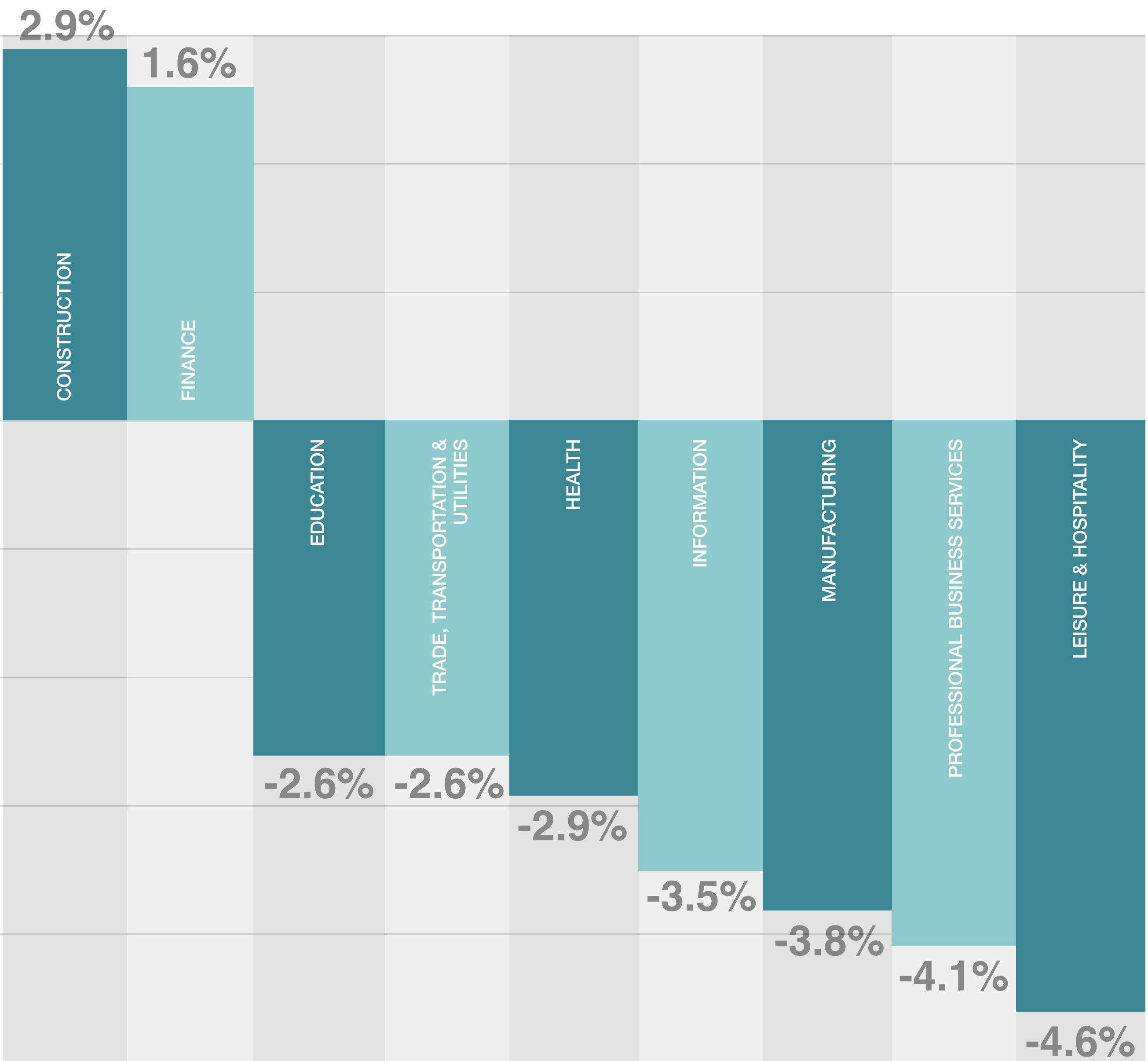
Inflation's impact on pay varied greatly by industry. Where real wages for level-three managers were up overall, for example, managers in several sectors lost ground in 2022. Leisure and hospitality executives were the biggest outliers, with wages dropping more than 15 percent from 2021.

Looking at specific industries as a whole, construction workers weathered cost-of-living increases the best in 2022, with real hourly average wages up nearly 3 percent. Finance was the only other sector that saw positive real wage gains, up 1.6 percent.

Workers in leisure and hospitality, where salaries tend to be the lowest of any industry, saw average hourly wages fall more than anyone, down 4.6 percent.

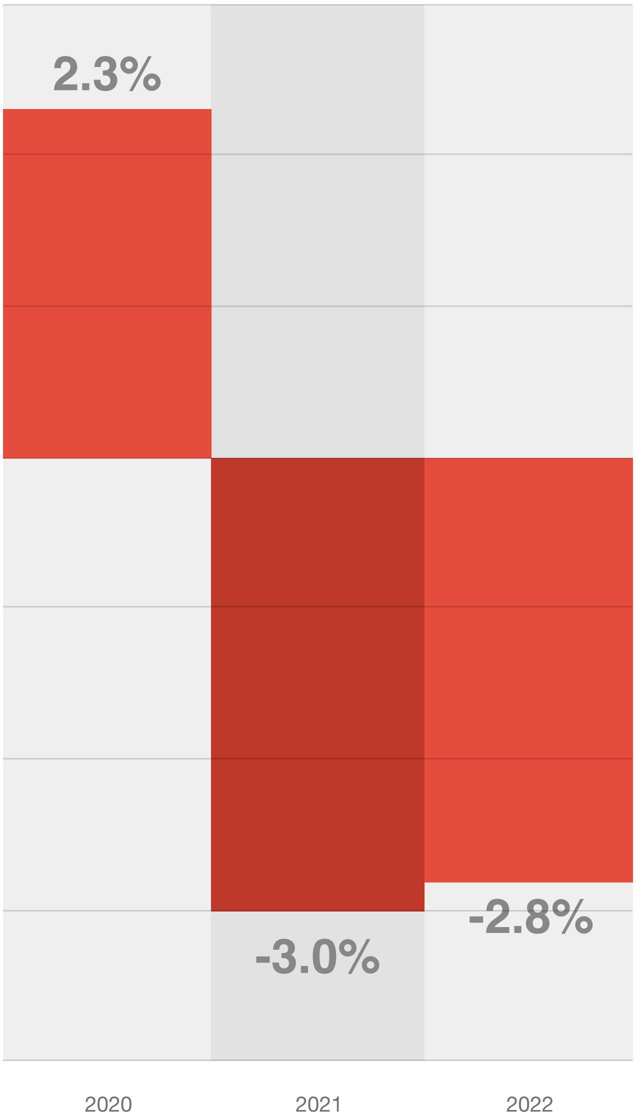
But high-paying sectors were not left unscathed. Information technology and professional business services employees saw steep real wage declines of 3.5 percent and 4.1 percent respectively.

Real Wage Growth by Industry



In short, two years of high inflation have taken a painful toll. Workers feel underpaid in part because the value of their hard-earned dollar has been falling.

Average Real Wage Growth by Year



Section 3:

This Quarter's Employee Sentiment Score Card

Employee Sentiment

Findings from our monthly survey of 2,500 U.S. workers

Fully Engaged

Respondents who feel motivated to deliver their best at work

Highest Resilient

Employees who feel motivated to withstand workplace challenge and change

Strongly Connected

Respondents who say they feel seen, heard and valued

Trust

Respondents who completely trust their team leader and senior leaders

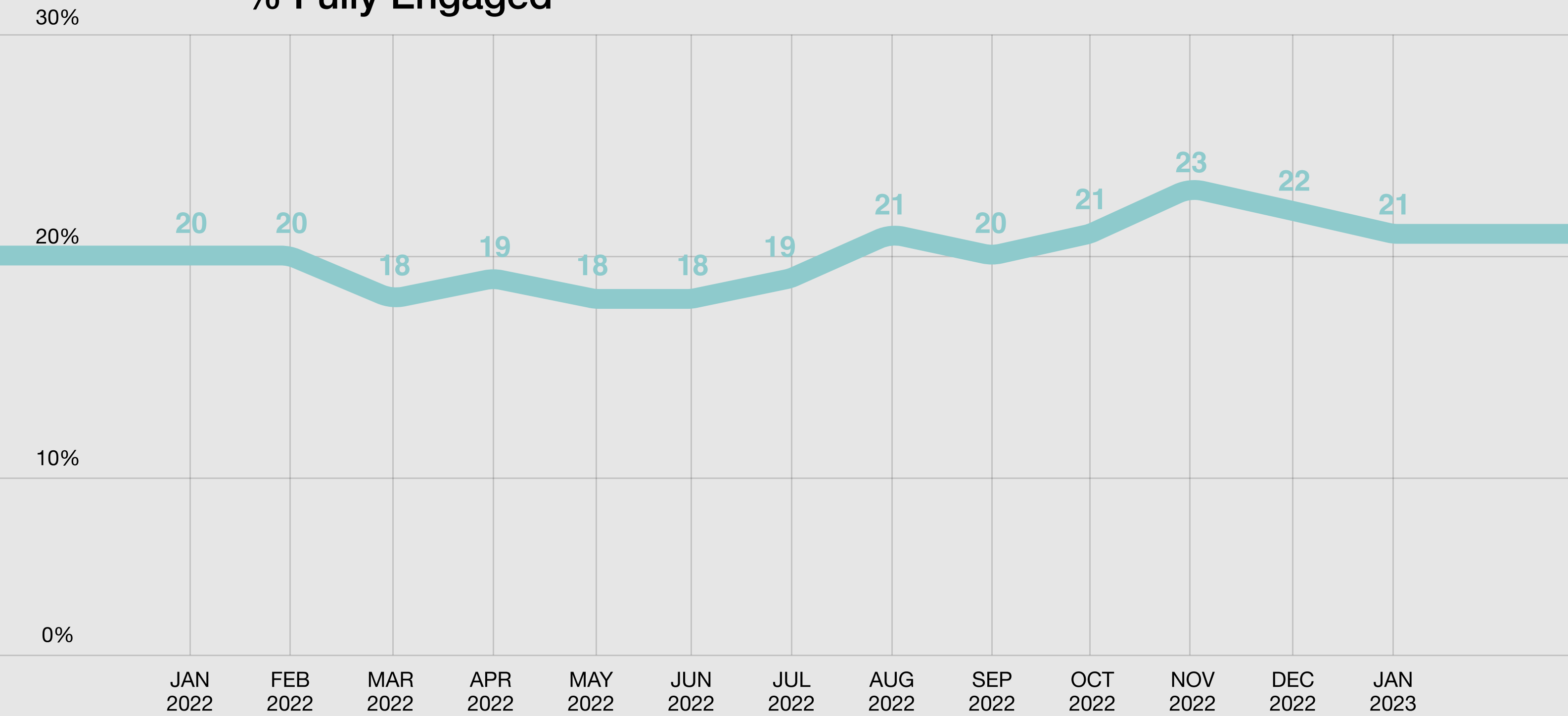
Intent to Leave

Respondents actively looking for a new job or interviewing

Fully Engaged

Respondents who feel motivated to deliver their best work.

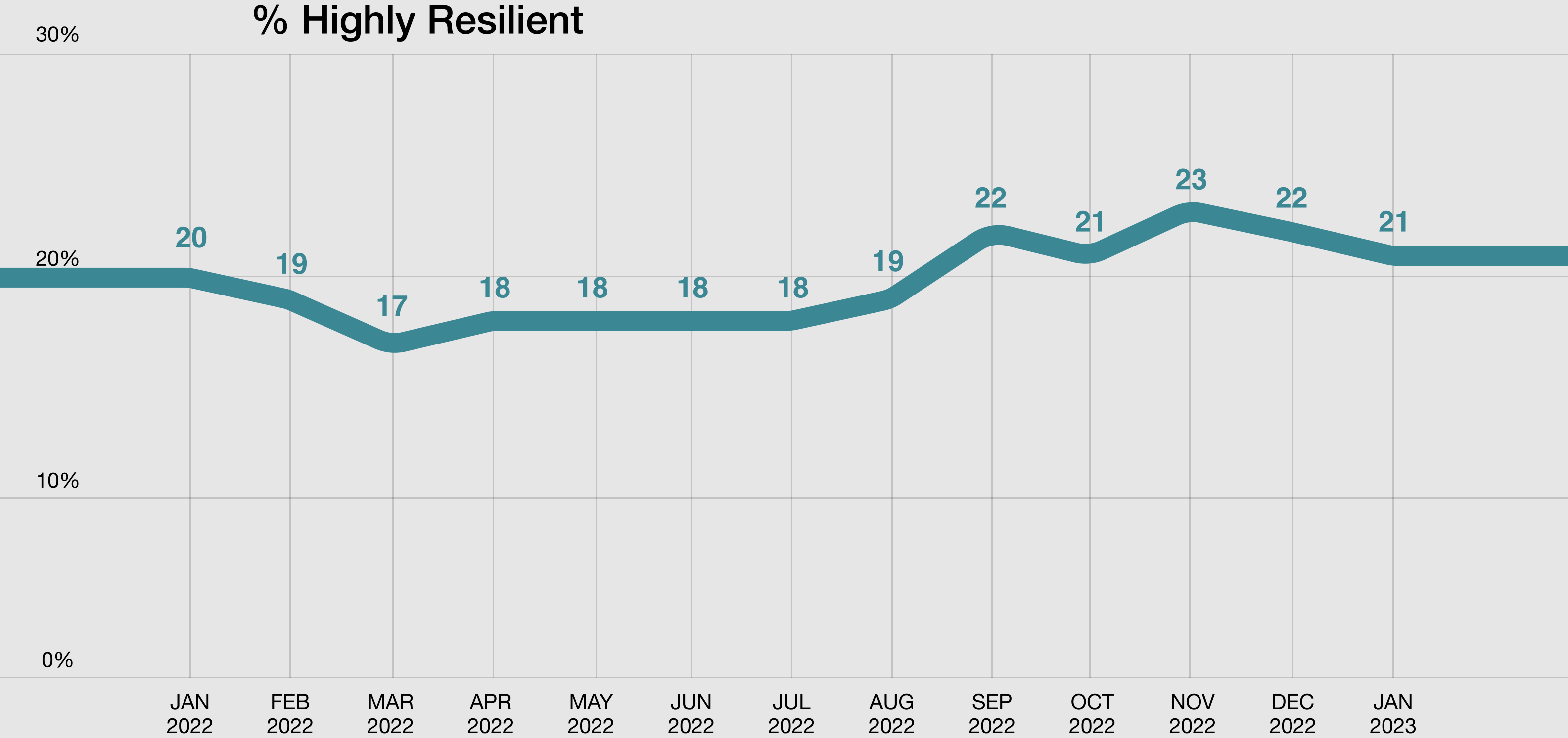
% Fully Engaged



Highly Resilient

Employees who feel motivated to withstand workplace challenge and change.

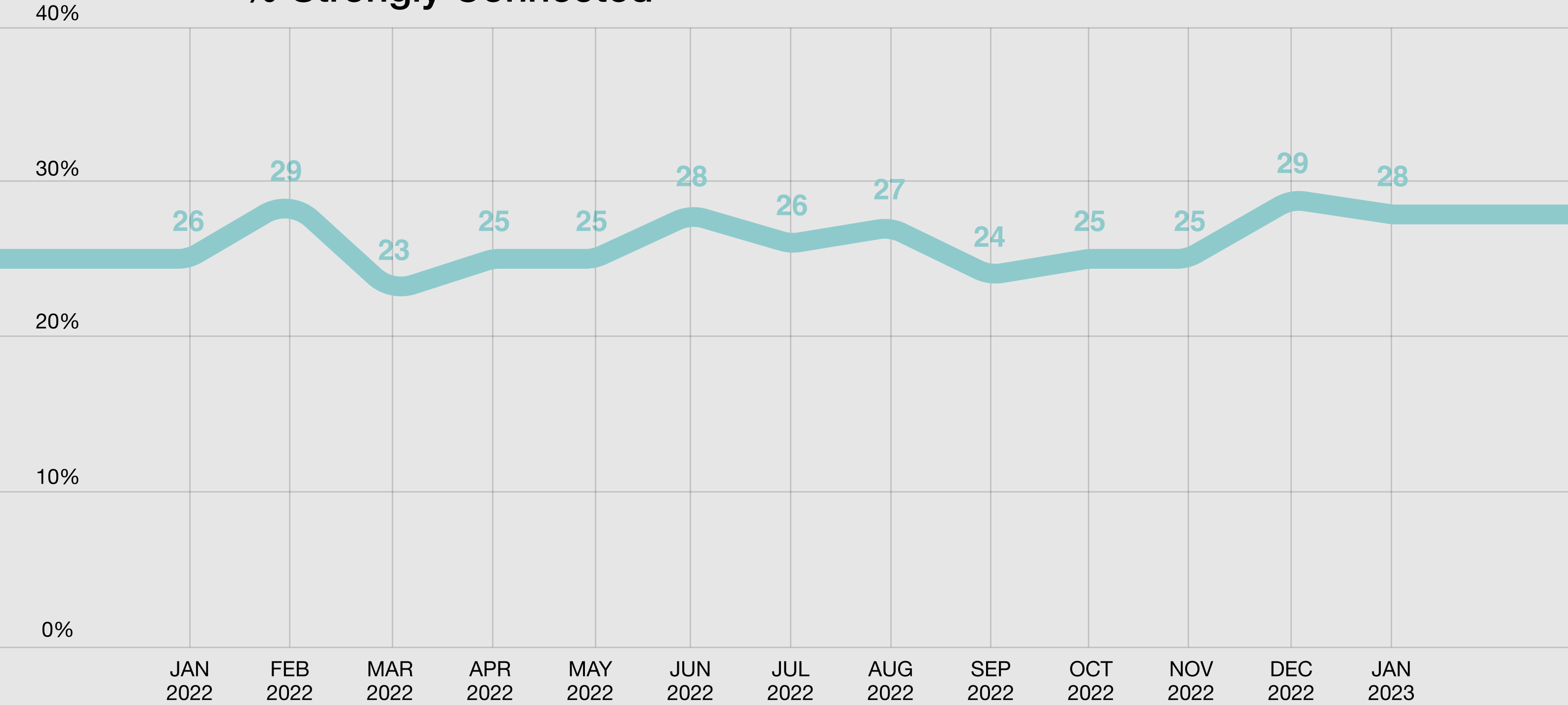
% Highly Resilient



Strongly Connected

Respondents who say they feel seen, heard, and valued.

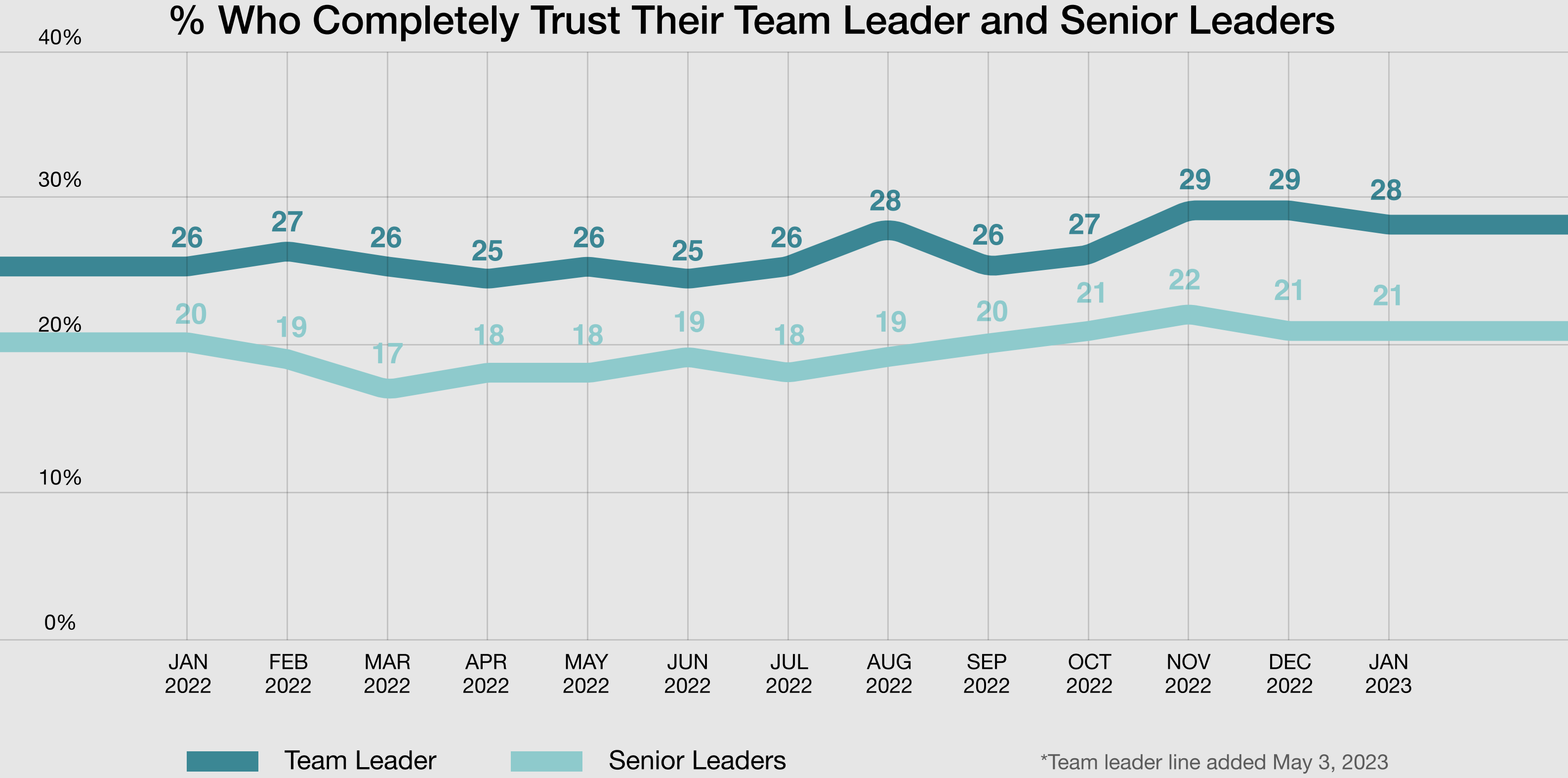
% Strongly Connected



Trust

Respondents who completely trust their team leader and senior leaders.

% Who Completely Trust Their Team Leader and Senior Leaders

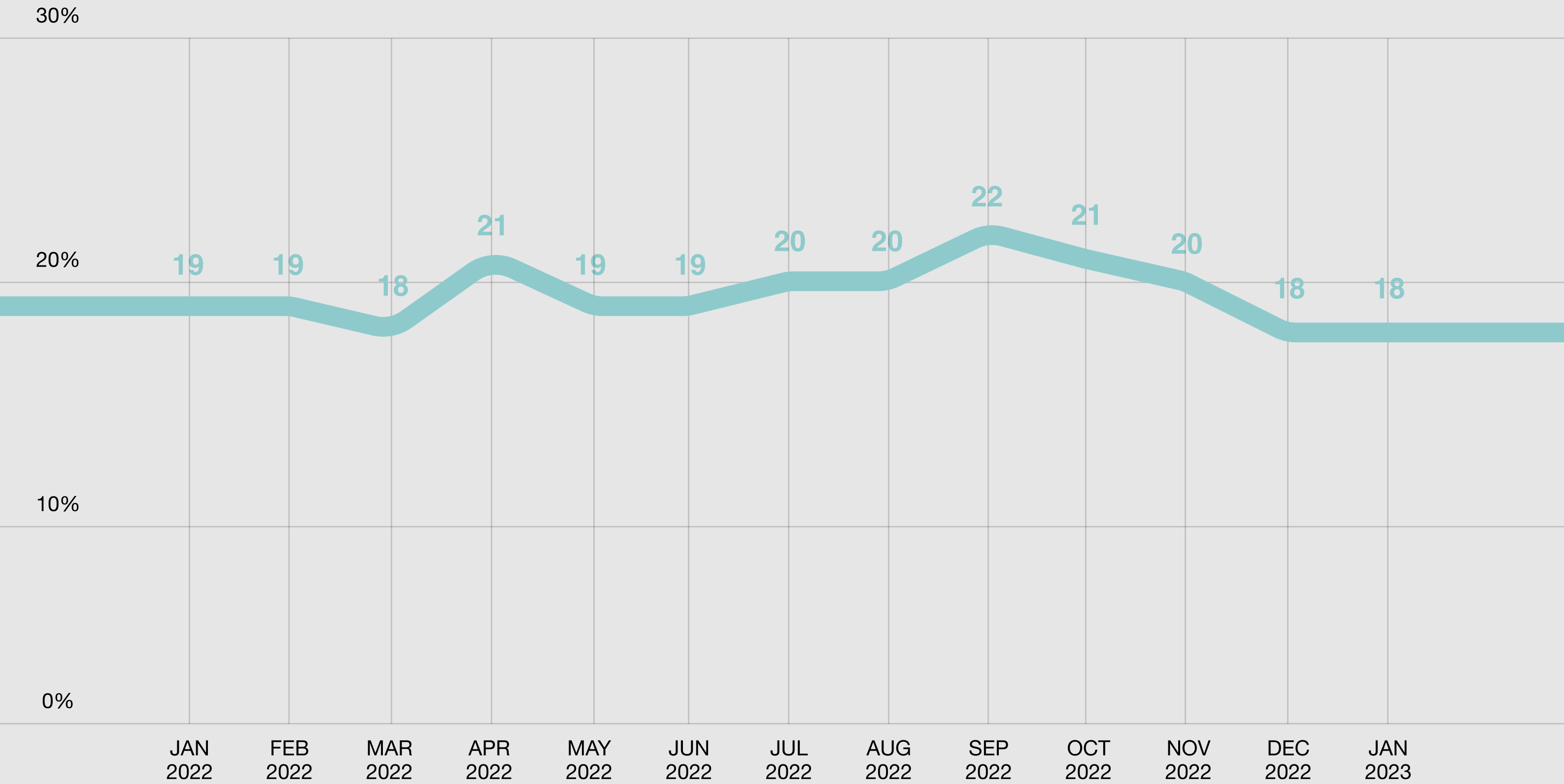


*Team leader line added May 3, 2023

Intent to leave

Respondents actively looking for a new job or interviewing.

% Who Are Actively Seeking Or Already Interviewing For A New Job



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