New Enhancements to
ADP National Employment Report®

Frequently Asked Questions

1. Why has ADP made enhancements to the monthly *ADP National Employment Report*?

ADP is dedicated to providing the deepest, richest insights in order to help inform workforce strategies. Launched in 2006, the *ADP National Employment Report* has been a major part of that effort by providing a monthly snapshot of the current U.S. nonfarm private sector employment situation based on actual transactional payroll data.

The [ADP Research Institute](#)^{SM}, a specialized group within the company that provides insights around employment trends and workforce strategy and is responsible for producing the *ADP National Employment Report*, has chosen to collaborate with Moody's Analytics, Inc. and its experienced team of labor market researchers to make enhancements to the report and further align it with the U.S. Bureau of Labor Statistics (BLS) numbers.

By working with Moody's Analytics to introduce a new methodology and an expanded level of detail by company size and industry, ADP is committed to providing the public with an even deeper, richer, and more illuminating lens into the current U.S. employment landscape.

2. Do you expect the enhanced *ADP National Employment Report* findings to track more closely to the monthly numbers issued by the BLS?

Since its inception in 2006, the *ADP National Employment Report* has maintained a strong long-term correlation with the BLS numbers and is viewed as a powerful labor market indicator because it is based on transactional payroll data and not just survey data. We are confident that the new methodology of the report will further align the report's findings with the revised BLS numbers. In fact, using this methodology developed for ADP by Moody's Analytics, our adjusted historical *ADP National Employment Report* data dating back to 2001 has a 96 percent correlation with the revised BLS numbers.

3. Does the *ADP National Employment Report* strive each month to predict the BLS job number that is published two days later?

No. Ultimately, the *ADP National Employment Report* is designed to align with the final revised BLS numbers, and not those that are first reported. We believe that our number is a better predictor of the BLS's final, revised numbers. The BLS revises its employment data several times: In the two subsequent months after the initial release (first print) of the employment data, the employment numbers are revised to incorporate businesses that report late. The first print of employment data includes roughly 70% of establishments sampled. The second print incorporates an additional 20% or so of establishments. The third print incorporates another 1-2% of the sample for a final response rate of roughly 94%. Because our data is based on actual live payroll data, we believe our number will most closely correlate with – and should be compared with – the final revised BLS numbers when all of the data from the survey respondents has been incorporated.

4. **Why did ADP choose to collaborate with Moody's Analytics on these new enhancements?**

Moody's Analytics is one of the most trusted names in economic forecasting with a vast and dedicated research team focused on national and local U.S. employment. This team is led by their chief economist Mark Zandi, one of the world's most respected labor market experts.

Our new strategic collaboration with Moody's Analytics marks the beginning of an exciting stage in the evolution of the *ADP National Employment Report*, as we work to create deeper, richer and more illuminating look at U.S. monthly employment.

Moving forward, we intend to work closely with the Moody's Analytics team and make additional enhancements to the *ADP National Employment Report* as appropriate.

5. **What is the methodology being used for the newly enhanced *ADP National Employment Report*?**

Moody's Analytics has created a new methodology for the *ADP National Employment Report*. The analysis begins with processing ADP data according to the following steps:
- Classification by industry and size class based on the North American Industrial Classification system (NAICS)
- Creation of matched pairs for employment during the pay period including the 12th of the month
- Seasonal adjustment
- Removal of outliers
- Adjustments are made to match the industry and size distribution to the Quarterly Census of Employment and Wages (QCEW) industry and size data reported each March
- Regressions are run to predict the current month's BLS number by industry
- These are then aggregated to derive the growth in total nonfarm private employment
- Industry, size and total growth rate estimates are then converted into differences.

Additional information about Moody's Analytics' methodology can be found at http://ADPemploymentreport.com.

6. **What are some of the specific enhancements that have been made to the *ADP National Employment Report*?**

The goal of the enhanced *ADP National Employment Report* is to provide more specific, in-depth data on U.S. nonfarm private sector employment trends. As a result, the report now features five distinct company-size classes:
- 1-19 employees
- 20-49 employees
- 50-499 employees
- 500-999 employees
- 1,000 or more employees

In addition, we have expanded the number of industry categories we are tracking from three to five. They include:
- Construction
- Financial Activities
- Manufacturing
- Professional and Business Services
- Trade, Transportation and Utilities

To reflect the availability of this enhanced level of data, new charts and supporting data are available at http://ADPemploymentreport.com.

7. **What data set will the enhanced *ADP National Employment Report* be based on? Has the sample size changed in any way?**

   The enhanced *ADP National Employment Report* is comprised of ADP transactional payroll data, U.S. Bureau of Labor Statistics employment data, and the Philadelphia Federal Reserve Bank's Aruoba-Diebold-Scotti Business Conditions Index. The sample size of the ADP data set from which the newly enhanced report is derived has been expanded from 344,000 to 406,000 U.S. companies, and from 21 million employees to 23 million, which accounts for more than 20 percent of all U.S. private sector employees.

8. **What if any impact does the increased size of the data set have on year-over-year or other comparisons with the historical data?**

   The larger data set, with the new methodology by Moody's Analytics, will help enable ADP Research Institute to more closely match the final BLS numbers.

9. **Is Moody's Analytics contributing any of its own data to the enhanced *ADP National Employment Report*?**

   No, Moody's Analytics is not contributing any of its own data to the *ADP National Employment Report*. The new methodology of the *ADP National Employment Report* is now comprised of ADP payroll data, U.S. Bureau of Labor Statistics employment data, and the Philadelphia Federal Reserve Bank's Aruoba-Diebold-Scotti Business Conditions Index.

   Working in close collaboration with the ADP Research Institute, Moody's Analytics' team of experienced labor economics-focused researchers, nearly half of whom have Ph.D.'s, will contribute its extensive data analytics capabilities to help determine the *ADP National Employment Report* numbers each month.

10. **Is revised historical data available for the enhanced *ADP National Employment Report*?**

    Yes, in recent months we have applied the *ADP National Employment Report*'s new methodology to our historical transactional payroll data dating back to 2001. We have made this revised historical data publicly available for download from our website located at http://ADPemploymentreport.com.

11. **Why has ADP decided to include a breakdown for five industries? Which industries have been chosen for inclusion?**

    In an effort to provide an expanded snapshot of the monthly change in nonfarm private sector employment, the *ADP National Employment Report* now includes an industry snapshot of five industries that constitute more than 50 percent of all U.S. private sector employment. These industries are:
    - Construction
    - Financial Activities
    - Manufacturing
    - Professional and Business Services
    - Trade, Transportation and Utilities

    The industries included in the report are aligned with the North American Industrial Classification System (NAICS), the system used by the U.S. Bureau of Labor Statistics. Furthermore, the five industries chosen show a high correlation between forecasted employment growth and BLS reported employment growth.

12. How is the enhanced *ADP National Employment Report* tracking business sizes?

The enhanced *ADP National Employment Report* is categorized based on company size. The more specific private sector employment information is now provided according to five classes:
- 1-19 employees
- 20-49 employees
- 50-499 employees
- 500-999 employees
- 1,000 or more employees

By breaking data into five company size categories, the *ADP National Employment Report* provides a more compelling, in depth look at private sector employment based on company size.

13. How does the new methodology measure small business job growth?

In the new methodology these establishments are aggregated up to the "parent" company based on a common Federal Employer Identification Number (EIN). Such aggregates are then classified by the size of parent company rather than the size of the establishment. For example, the aggregation of all of a company's different locations may now appear in a larger business category, rather than as many "small" or "medium" businesses.

14. Have any changes been made to the *ADP National Employment Report* announcement schedule?

The first *ADP National Employment Report* using the Moody's Analytics methodology will be released on Thursday, November 1. Future monthly reports will typically be released at 8:15 a.m. ET on the Wednesday preceding the BLS Employment Situation Report announcement, but this may change based on the BLS's official calendar.

15. Has ADP made any changes to the *ADP National Employment Report* news release format?

The *ADP National Employment Report* has been enhanced to reflect the more specific private sector employment information provided in the report. Most notably, moving forward, a single report/press release will be issued. A sample template of the new report/release can be found at
http://ADPemploymentreport.com.

16. Who is the chief media spokesperson for the enhanced *ADP National Employment Report*?

Dr. Mark Zandi, Chief Economist at Moody's Analytics, is the chief media spokesperson for the *ADP National Employment Report*. Moody's Analytics, a subsidiary of Moody's Corp., is a leading provider of economic research, data and analytical tools. Dr. Zandi is a cofounder of Economy.com, which Moody's Corp. acquired in 2005.

As a trusted adviser to policymakers and an influential source of economic analysis for businesses, journalists and the public, Dr. Zandi frequently testifies before Congress and provides his expert commentary to national TV, print and online media outlets regarding U.S. employment and the broader economic outlook. He earned his B.S. from the Wharton School of the University of Pennsylvania and his M.A. and Ph.D. at the University of Pennsylvania.

17. Where can I learn more about the enhanced *ADP National Employment Report* and how to review the findings?

More information about the newly enhanced *ADP National Employment Report*, including a presentation explaining the new methodology, format, charts, and publishing schedule for future release dates, can be found at http://ADPemploymentreport.com.

In addition, to provide a detailed educational overview of the *ADP National Employment Report*'s new methodology and enhanced features, ADP and Moody's Analytics will be hosting a series of interactive, one-hour webinars on the following days. Interested parties are welcome to attend any one of the events, and are encouraged to join no later than five minutes prior to the start of each event.

Friday, October 26, 2012 – 1:30 p.m. ET

Webcast Link: http://www.media-server.com/m/p/pn8ycou5
Conference Dial-In Information**:**
Toll-Free: (877) 736-3442
International: (706) 679-0359
Conference ID/Passcode: 53325973

Monday, October 29, 2012 – 4:00 p.m. ET

Webcast Link: http://www.media-server.com/m/p/2i749a89
Conference Dial-In Information**:**
Toll-Free: (877) 736-3442
International: (706) 679-0359
Conference ID/Passcode: 53343996

Tuesday, October 30, 2012 – 2:00 p.m. ET

Webcast Link: http://www.media-server.com/m/p/7678476g
Conference Dial-In Information**:**
Toll-Free: (877) 736-3442
International: (706) 679-0359
Conference ID/Passcode: 53358311

Please note: A replay of each webcast will be available approximately two hours after the conclusion of each event, and remain available for 12 months. These can be accessed using the same webcast URL's listed. A teleconference replay of all three webinars will also be available through November 9 by calling either (855) 859-2056 or (404) 537-3406, and then entering any one of the passcodes listed above.

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