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Today at Work

The hourly payoff

Leisure and hospitality workers have emerged from the pandemic as winners when it comes to wage growth. And as base pay has risen, tipped wages are becoming a smaller piece of the compensation pie for restaurant workers.

ALSO IN THIS ISSUE

ADP Research

OUR MISSION

Our mission is to make the future of work more productive through data-driven discovery. Companies, workers, and policymakers rely on our finely-tuned data and unique perspective to make informed decisions that impact workplaces around the world.

ABOUT *TODAY AT WORK*

Today at Work, released quarterly, is built on a foundation of ADP payroll data representing more than 25 million U.S. workers and nearly a decade of ongoing surveys that have reached more than 600,000 workers in 34 countries. Combined, these data sets provide a recurring, people-centered, and comprehensive view of the world of work.

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IN THIS ISSUE

LETTER FROM NELA

Leisure and hospitality breaks the mold on pay

Over the last four years, the level and speed of hiring has garnered a lot of attention. Record job losses at the onset of the coronavirus pandemic quickly were reversed as employers aggressively ramped up hiring during the recovery. This rapid increase in labor demand gave workers new employment opportunities and the power to command substantial pay increases.

This bust-and-boom hiring cycle was most pronounced in leisure and hospitality. Restaurants, hotels, and entertainment venues suffered the steepest employment drop of any industry as the economy fell into recession in 2020. But the industry also saw the strongest job gains as the economy recovered.

Hiring in leisure and hospitality finally has stabilized after four years of unprecedented swings. In this issue of *Today at Work*, our cover stories show how pay has evolved as a result.

As a whole, people who switch jobs typically show bigger year-over-year wage gains than people who don't. But after a two-year runup in pay growth for leisure and hospitality job-switchers, Liv Wang finds that industry job-stayers now have the upper hand when it comes to pay.

In a second article, Jeff Nezaj takes a closer look at how the structure of compensation has changed for sit-down restaurants over the past four years. Tips historically have made up a sizable share of take-home pay for full-service restaurant employees, but our research shows that that share is shrinking.

Though hiring has slowed this year, employer demand for productive workers who can help boost bottom lines hasn't. Dr. Mary Hayes and Jared Northup uncover the secret ingredient to keeping employees motivated and committed on the job.

Finally, while ADP Research spends most of its time examining HR-related activities such as hiring, promotions, and pay raises—all of which can indicate the strength or weakness of the job market—administrative inactivity also can be revealing. Tim Decker's analysis of this inactivity reveals how seasonal patterns in administrative action shape the world of work.

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STICKING AROUND

There's a secret ingredient that makes motivated and committed employees who they are.

Employee turnover is expensive. Onboarding, training, and bringing new personnel up to speed is costly, and the loss of valuable institutional knowledge can be incalculable.

ADP Research has shown that employees with a strong sense of motivation at work and commitment to the job are the least likely to be looking for something new. These are people who feel most connected to their work, their colleagues, and their employer.

We sought to learn what makes these employees so loyal, and whether they might offer practical solutions to the problem of turnover. What we found was a secret ingredient that helps make motivated and committed workers who they are.

Using nearly three years of monthly worker sentiment survey data, we created a single, unified measure of employee motivation and commitment, the EMC Index. Workers who respond positively to certain questions are classified as highly motivated and committed.

We've learned that these people are less likely to have an intent to leave their current employers. But why?

WHAT EMPLOYERS CAN DO

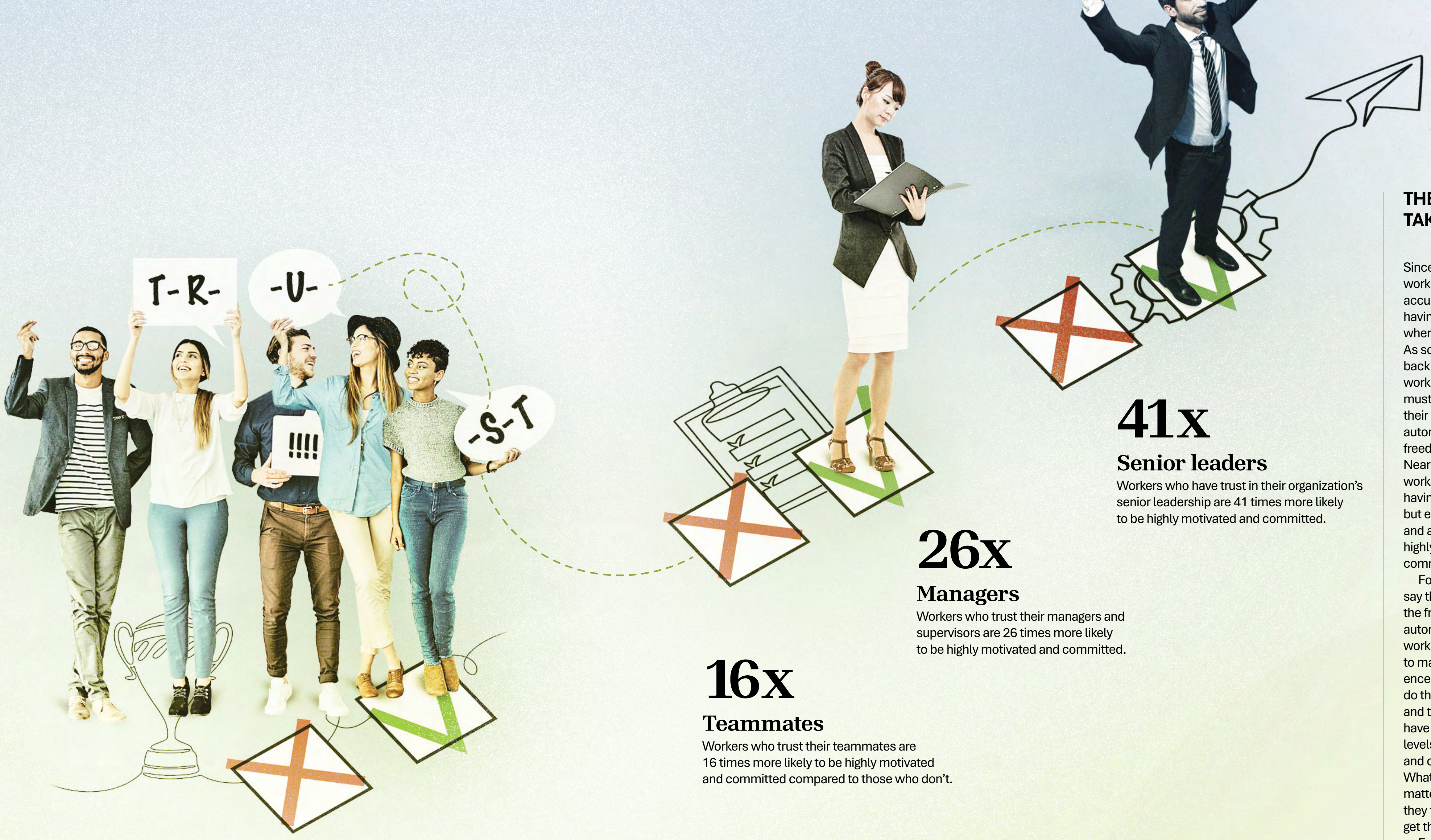
There's one secret ingredient: Trust, specifically trust in teammates, managers and supervisors, and senior leaders.

Trust takes time to build and can be thrown by even the slightest leadership misstep. One of the strongest relationships we found is between trust and employee freedom, flexibility, and autonomy at work.

We define employee freedom as the ability to choose how work gets done. Flexibility is the latitude workers have to choose where they work and to set their own schedule. Autonomy refers to an employee's ability to make daily decisions instead of being told what to do.

More than 63 percent of workers say they don't get the freedom, flexibility, or autonomy they need on the job. About 25 percent say they get at least one of the three levels of independence. Only 12 percent say they have enough of all three.

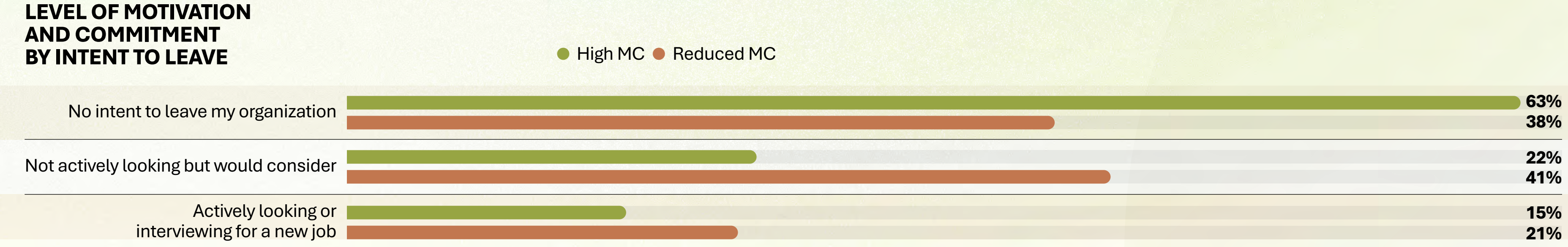
Equipping employees with freedom, flexibility, and autonomy are key steps in building trust. When workers feel trusted to get the job done in the way they see fit, motivation and commitment increases dramatically. Retention follows.



16x
Teammates
Workers who trust their teammates are 16 times more likely to be highly motivated and committed compared to those who don't.

26x
Managers
Workers who trust their managers and supervisors are 26 times more likely to be highly motivated and committed.

41x
Senior leaders
Workers who have trust in their organization's senior leadership are 41 times more likely to be highly motivated and committed.



SOURCE: ADP RESEARCH EMPLOYEE SENTIMENT SURVEY

THE TAKEAWAY

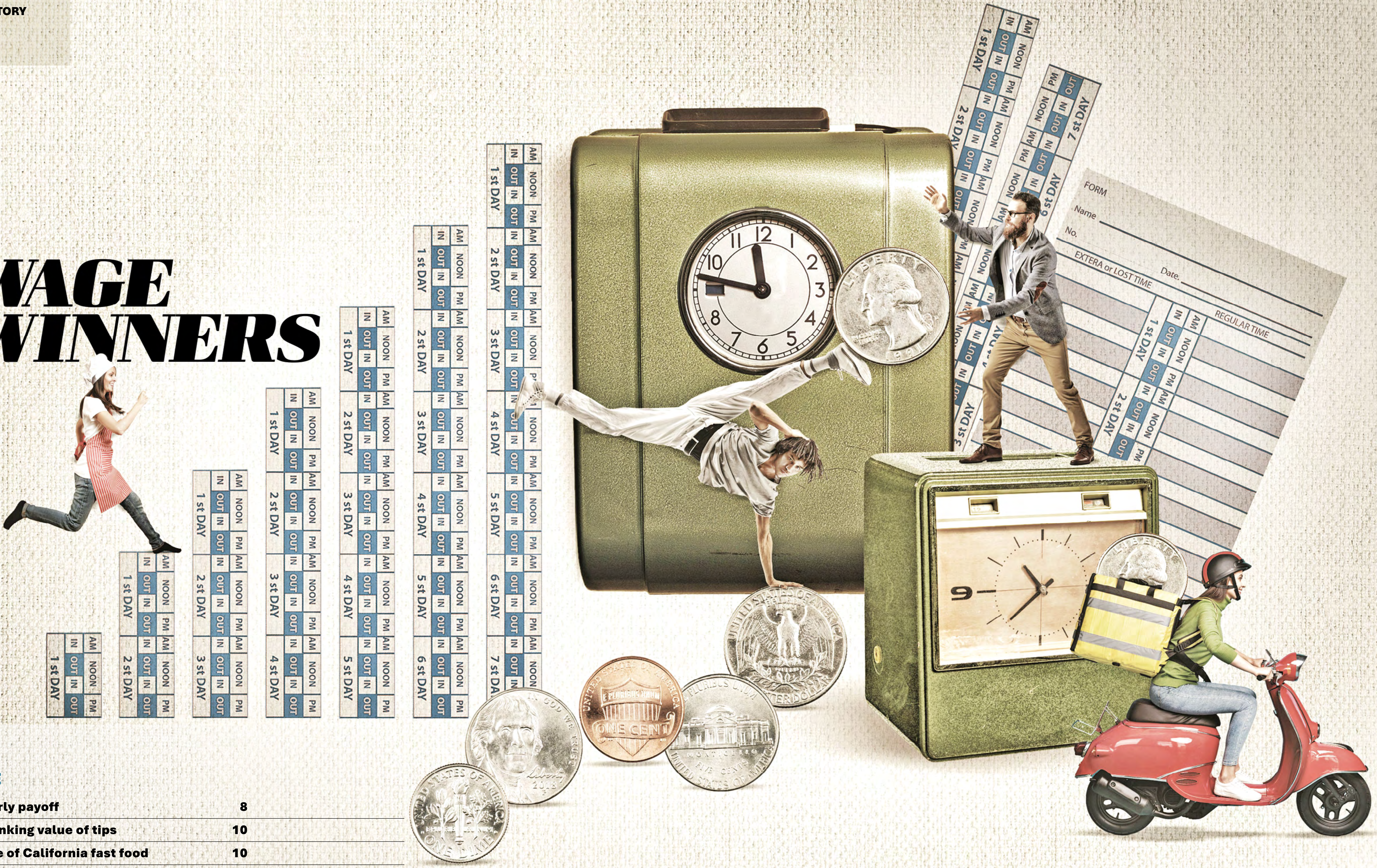
Since the pandemic, workers have grown accustomed to having flexibility in where they work. As some are called back to the office or work site, employers must ensure that their teams still have autonomy and freedom on the job. Nearly 70 percent of workers who report having no flexibility but enough freedom and autonomy are highly motivated and committed.

For workers who say they have all the freedom and autonomy they need, work location seems to make little difference. People who do their jobs on site and those who don't have similarly high levels of motivation and commitment. What seems to matter more is that they feel trusted to get the job done.

Employers can provide guidance and support while still giving employees ample autonomy to do their best work. Mutual trust is key to building any lasting relationship, including those in the workplace.

For more, see *our report in Data Lab.*

WAGE WINNERS



INSIDE

AFTER MORE THAN A DECADE OF LOCAL INITIATIVES TO BOOST MINIMUM WAGES, HOURLY WORKERS IN THE UNITED STATES ARE SEEING GAINS.

In this issue's cover package, we look at how and why pay for leisure and hospitality employees has risen dramatically since the pandemic. Along the way, tips have become a smaller piece of total compensation for restaurant employees. Taken together, these shifts have increased earnings and given some of the country's lowest-paid workers a new level of financial stability.

The Hourly Payoff

Leisure and hospitality workers have emerged as pay winners since the pandemic.

LIV WANG
Lead data scientist
ADP Research

Leisure and hospitality businesses were hit hard by the coronavirus pandemic. As social distancing took hold, restaurants and other high-contact services were forced to rethink their business models or shut their doors. Over March and April 2020, the sector shed 8.2 million jobs.

The pain was severe, but short-lived. By March 2024, leisure and hospitality employment had climbed back to its pre-pandemic level. In fact, industry workers today stand out as big winners when it comes to wage growth.

AN UNUSUAL PAY PREMIUM

Base wages for leisure and hospitality workers typically fall at the bottom of the pay scale. But since November 2018, wages for industry new hires have jumped more than 38 percent, a gain second only to trade and transportation. By November 2023, the median wage for new leisure and hospitality hires was $15 an hour.

As Covid-19 infections rose in the United States, millions of people quit working altogether. But consumer demand for food delivery and other services soared, and employer demand for workers soared with it.

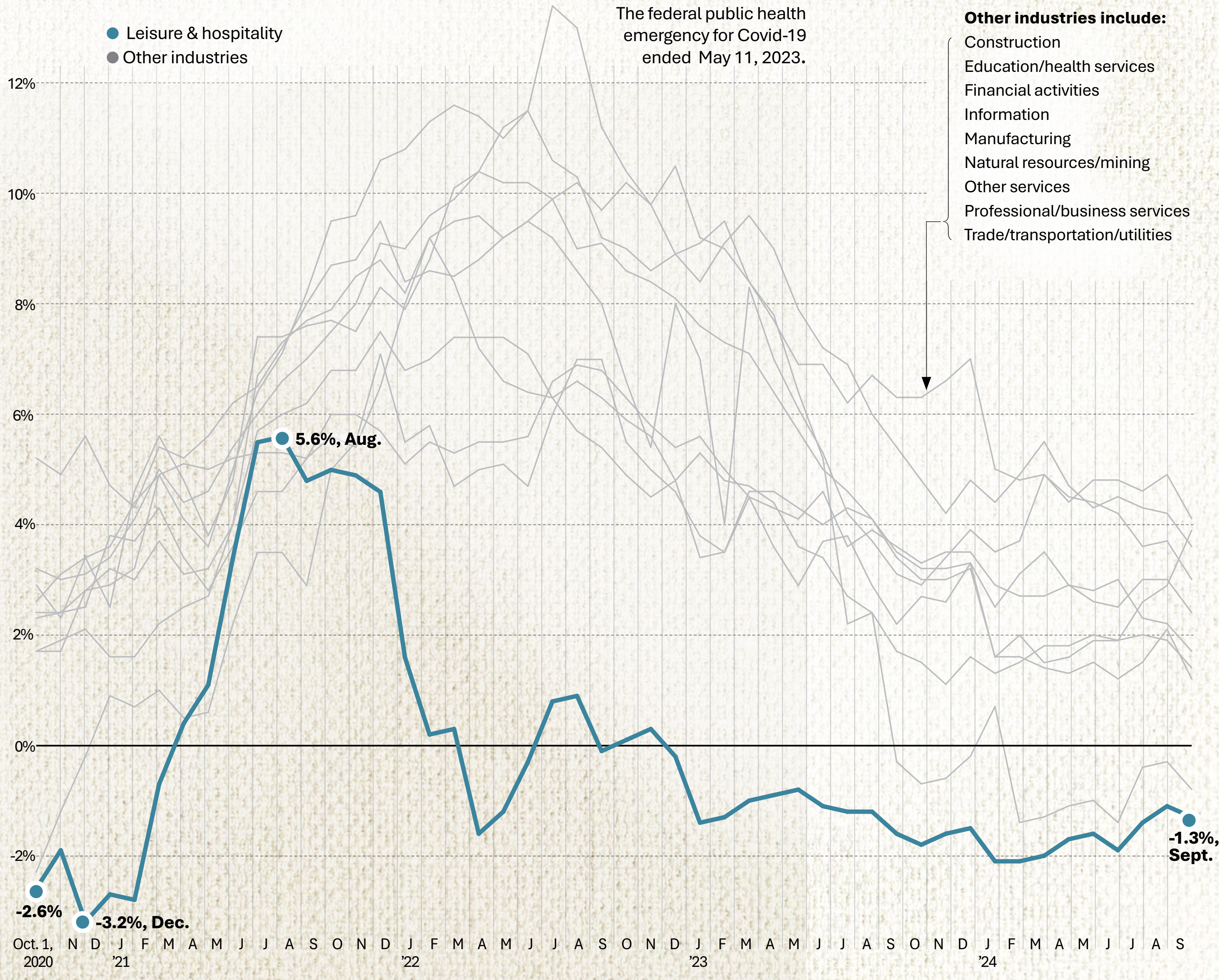
New hires were armed with negotiating power. By April 2021, they were able to command wage premiums over existing employees. These big increases aligned with conventional wisdom—borne out by ADP data—that people who quit their old jobs for something new typically enjoy bigger wage increases than workers who stick with their employers.

Since December 2022, however, leisure and hospitality job-stayers have flipped the normal script, recording larger year-over-year pay gains than industry new hires. In September 2024, year-over-year pay for job-stayers was up 4.6 percent, compared to 3.3 percent for job-changers.

Why? One big reason is that restaurants, hotels, and other employers were forced to work harder not only to acquire talent but retain it. As they raised wages for new hires, they also boosted pay for experienced employees. Leisure and hospitality was the only sector to claim double-digit annual pay gains for job-stayers between November 2021 and February 2023.

38%
The amount wages have increased for leisure and hospitality new hires since November 2018

THE UNUSUAL WAGE GROWTH PREMIUM
JOB-CHANGERS VS. JOB-STAYERS
Percentage point difference in median annual wage growth



SOURCE: ADP PAYROLL DATA

READ MORE ON LEISURE & HOSPITALITY ON PAGES 10-11
The shrinking value of tips / The case of California fast food / The takeaway

The *shrinking value of* tips

Consumers complain about tip fatigue, but as base pay rises, gratuities are a smaller piece of the wage pie at sit-down restaurants.

Tips have long made up the bulk of restaurant servers' pay. Now, however, that share of the compensation pie is shrinking thanks to the residual effects of the pandemic, rising minimum wages, and changes to state tipping laws.

ADP Research analyzed almost 100,000 hourly employees at full-service restaurants in 50 states, people who work for both wages and tips. We tracked people who held the same job for at least 12 months and measured any change in their pay.

As of September 2024, median base wage and tips for workers in sit-down restaurants was almost $24 an hour, up from $18.60 an hour before the pandemic, a 28 percent increase.

JEFF NEZAJ
Senior principal data scientist
ADP Research

THE PANDEMIC AND TIP CREDITS

Workers have the pandemic to thank for this jump, at least in part. Pay for restaurant employees fell dramatically during the height of pandemic lockdowns due largely to the loss of tipped wages, which historically account for more than 60 percent of a restaurant worker's total compensation.

But while tips dried up, base hourly wages rose to partially compensate for the loss. That's because most states require employers to make up for the loss of tipped wages, at least partially.

These states allow restaurant owners to apply the value of a worker's tips toward the employer's minimum wage obligation. These tip credit laws give employers the freedom to pay certain workers far less than minimum wage, as low as $2.13 an hour, as long as the employee's tips are sufficient to make up the difference.

The system typically works in the employer's favor. But when tips fall dramatically, or vanish altogether, restaurants must raise base pay for servers and other tipped staff.

This is exactly what happened in 2021 and 2022. After the government announced pandemic lockdowns in early 2020, base wages for workers at sit-down restaurants shot higher than tipped wages. This anomaly left an enduring mark. For the past four years, base wages have been growing faster than tipped wages.

THE RISING MINIMUM WAGE

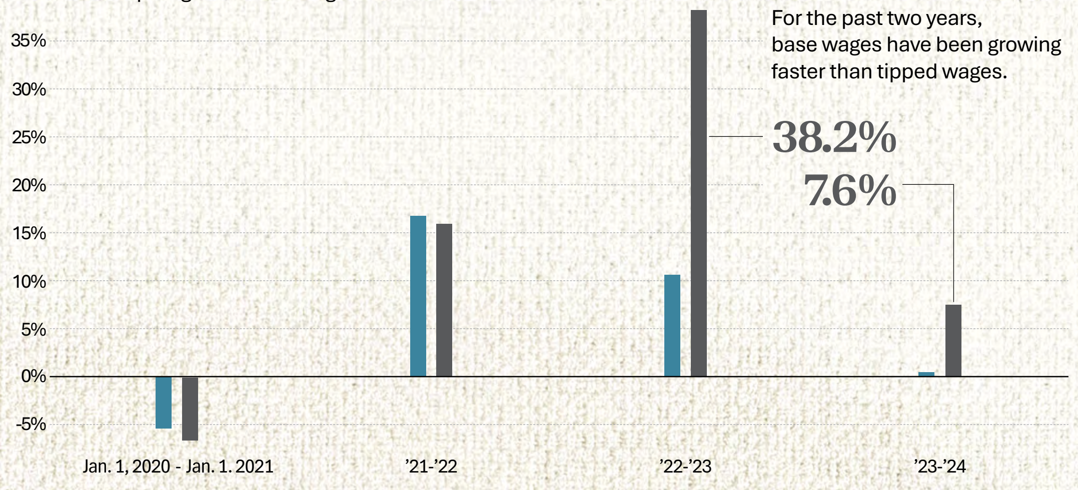
As the U.S. economy emerged from the pandemic, some of those base pay increases stuck. At the same time, a national push for higher minimum wages gained momentum. Wages for full-service restaurant workers returned to pre-pandemic levels by early 2021 and exceeded them by May 2021.

Wage growth for these tipped workers remained elevated through most of 2022, as restaurants coped with a labor shortage. Demand for labor cooled in 2023, but by then the gains workers had made were baked in.

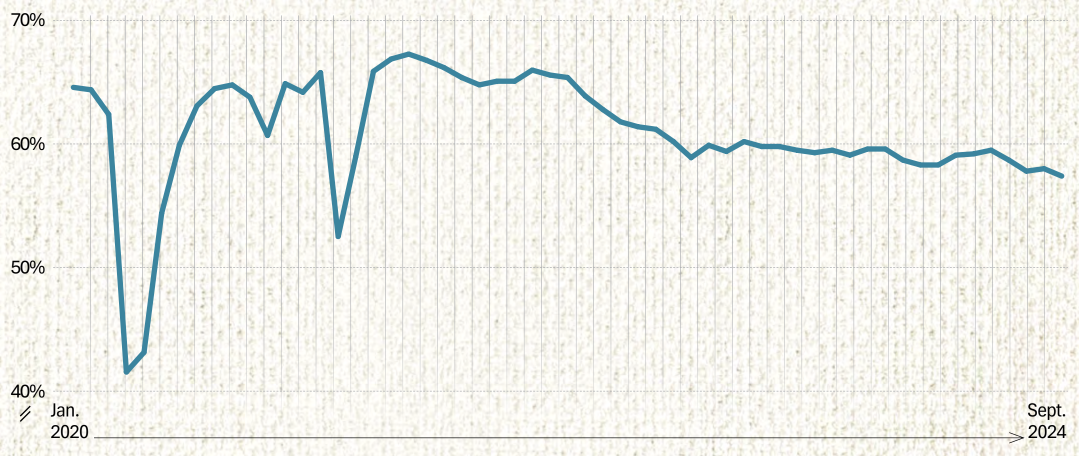
As of September 2024, base wages made up 43 percent of restaurant worker pay, up from 35 percent. Tips as a share of wages were 57 percent, down from their 67 percent peak in September 2021.

TIPS VS. BASE WAGES, YoY percent change, 2020-'24

When tips fell during the pandemic, base pay at sit-down restaurants rose to meet state minimum wage guidelines.



TIPS AS A SHARE OF TOTAL WAGES



SOURCE: ADP PAYROLL DATA

THE TAKEAWAY

Higher base wages benefit tipped workers by providing a predictable, continuous source of income, even during uncertain times.

ADP data shows that pay for sit-down restaurant workers in Chicago rose 49 percent between January 2020 and September 2024, driven by an increase in median base pay of more than 100 percent, from $5.21 to $11.02 an hour, the largest growth of any city. Median tipped wages increased 37 percent during that same window. In Boston, wages were up 37 percent, to $26.96.

But that higher pay typically translates to higher costs for employers and consumers and reduced demand for eateries, hotels, and entertainment venues.

At restaurants, higher base pay could translate to higher menu prices, which could eat away at customer demand. And high prices have the potential, perversely, to erode tips as customers look for ways to lower the cost of eating out—a precarious balance.

For now, though, restaurant retail sales are up, rising 3.7 percent in September from a year ago, an indication that consumers aren't yet ready to give up their nights out.

For more, see our reports in Data Lab:
The hourly payoff
The shrinking value of tips

THE CASE OF CALIFORNIA FAST FOOD

On April 1, 2024, the hourly minimum wage for workers at nearly all California fast-food restaurants rose to $20 from $16. Overnight, the median wage for these employees jumped above that for all other leisure and hospitality workers in the state (where tip credits are not permitted).

Employment at these limited-service restaurants already had begun to decline in September 2023, when state lawmakers announced that the new minimum wage was coming. Between September 2023 and September 2024, fast-food employment in California fell 5.5 percent while employment at other leisure and hospitality providers in the state rose 0.5 percent.

It's too soon to draw broad conclusions about whether or how California's minimum wage has changed employment, but leisure and hospitality workers, who are more likely to earn minimum wage or close to it, are most likely to be affected.

BY THE CALIFORNIA NUMBERS

Median hourly wage, in dollars, September 1 of each year.

	September 1, 2022	'23	'24
Limited-service restaurants	$15.50	$16.00	$20.00
Other leisure & hospitality employees	$16.99	$17.35	$18.50

DR. ISSI ROMEM
Research fellow
ADP Research

HIGH-PAYING JOBS?

They're a dime a dozen

More than a million people in the United States earn $500K or more, and they might be closer to home than you think.

High salaries consistently capture public attention, putting multi-million-dollar compensation in the spotlight. But while these exceptionally high earners might be rare, high-paying jobs aren't. An analysis of anonymous ADP data reveals that about 1 in 127 jobs in the United States pays more than $500,000 a year. And these high wages are closer to home than you might think.

It can be difficult to get a clear picture of just how prevalent massive paychecks are. Government data sets typically obscure the highest incomes by capping the level of wages reported. The Census Bureau's 2022 American Community Survey, for example, set income caps at $1 million. In half of U.S. states, the caps that year were even lower—some less than $500,000. This practice protects high earners from being identified publicly, but it also limits our understanding of exceptionally high wages.

Anonymized payroll data from ADP allows us to get a better view of exceptionally high wages. Because it's based on administrative records, ADP data reflects a much larger share of the population than Census surveys.

WHAT WE FOUND

What's striking is how many people in the United States earn exceptionally high salaries. While just 0.79 percent of jobs in the country paid more than $500,000 per year, that's well more than 1 million positions. This isn't just a handful of high-level managers, it's a substantial number of professionals in every major metro.

Certain regions stand out for the sheer volume of workers pulling in substantial incomes. A ranking of large U.S. metros by the share of residents working at jobs that paid $500,000 or more has Austin and New York near the top. But when it comes to high-paying jobs, one region is in a league of its own.

SILICON VALLEY EXCEPTIONALISM

The San Francisco Bay Area, home to Silicon Valley's tech giants, vastly outranked every other metro in terms of high-paying jobs, including those paying more than $1 million or $2 million annually. About 1 in 48 Bay Area jobs pay more than $500,000 a year, nearly double the share in the second-highest region, Austin.

What drives this exceptional concentration of high earners? Unlike other highly paid professions—such as doctors or lawyers, whose income is limited by the number of patients or clients they can serve—productivity in the tech industry faces fewer constraints. A single star engineer or executive has the power to dramatically shift a company's trajectory, and tech giants often reward these select individuals with **extraordinary compensation.**

In that sense, it's no coincidence that tech-heavy Austin is second to Silicon Valley, followed by New York, the world's foremost financial center.

Local housing costs, too, play a critical role. In the Bay Area, decades of skyrocketing housing prices have **squeezed out** low- and middle-income residents and discouraged potential newcomers. As a result, high earners account for a greater share of the population.

The rise of **remote work** has given people greater freedom to live in one place while working for an employer elsewhere, which is **hollowing out** the middle of the Bay Area's wage distribution and drawing high earners to other desirable locations. The relative abundance of people making $1 million or more in Honolulu, Las Vegas, parts of Florida, and affluent rural areas likely reflects a mix of natural amenities, lifestyle appeal, or favorable tax policies.

Despite tech's dominance, high-pay positions are found in substantial numbers across every major U.S. metro. Whether driven by finance in New York or health care in Boston, or energy in Houston, high earners aren't confined to one industry or region. Very high earners are more prevalent than one might realize—perhaps just down the street.

Whether driven by finance in New York, health care in Boston, or energy in Houston, high earners aren't confined to one industry or region.

THE 25 U.S. METROS WITH THE BIGGEST SHARE OF $500K SALARIES

High earners aren't confined to the Bay Area or New York. They might be just up the street.

For more, see *our report in Data Lab.*

SOURCE: ADP PAYROLL DATA

(IN) ACTION

In the workplace, nothing is on the rise.

When business leaders and economists talk about the labor market and human resources, it's natural to focus on things that are happening—promotions, layoffs, and hiring, for example. But what about the rest of the time, when there's no major activity and it's just business as usual? As it turns out, those business-as-usual windows are becoming more frequent. With this rise in nothing, administrative stasis also is on the rise.

TIM DECKER
Senior principal data scientist
ADP Research

DEFINING NOTHING

We tracked the month-to-month inactivity of the workforce, looking at the gaps between major events that keep HR professionals busy, be they promotions, furloughs, or new hires.

We took "nothing" to be any month in which an employee didn't get married or divorced or go on parental leave, didn't quit, wasn't hired or fired, didn't go part time, and didn't get a promotion, demotion, new title, raise, or pay cut.

This measurement, of course, is imperfect. It doesn't account for everything HR does, because a lot of HR challenges—think workplace conflicts, employee health concerns, and career development—can't be measured in payroll data.

But by tracking individual experiences, a high level of nothing corresponds to a large fraction of employees experiencing no big change. In a given month, 84 percent of U.S. workers experience nothing. Pay, job titles, and all other metrics are unchanged.

The metrics that encounter the most nothing are work and marital status, which don't change for 95 percent of workers in any given month. The metrics that encounter the least nothing are annual base pay (89 percent of workers don't see a pay change in any given month), and employment status (93 percent).

NOTHING IS ON THE RISE

The incidence of nothing has been growing since the pandemic. In 2021, the national rate of administrative inactivity was 85 percent. In 2022 it had increased to almost 86 percent, and by 2023, more than 87 percent of workers saw no major change to their employment activity in any given month.

While a whole lot of nothing is happening during parts of the year, administrative work tied to employment activity picks up in December. That's when the least nothing—the most something—happens. Employers are looking to the coming year, adjusting pay, promoting people, and planning hiring or layoffs.

November is the month for the most nothing, for the simple reason that it precedes December. HR professionals are likely to defer some November activity to December.

THE INCIDENCE OF NOTHING
has been growing since the pandemic.

The national rate of HR stasis in...

2021
85%

2022
almost 86%

2023
more than 87%

For more, see *our report in Data Lab.*

THE TAKEAWAY

Just like labor markets and hiring have seasonal patterns, so does administrative activity. The increase in nothing we found is due partly to less stuff happening—fewer raises, less turnover. But most of it can be traced to nothing becoming more clustered in certain months of the year. One should be careful reading too much into spikes or dips in the rate of nothing. But over time, administrative inaction could be a useful indicator of labor market change.

SOURCE: ADP PAYROLL DATA

Today at Work

adpresearch.com/today-at-work

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