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The Fed's Christopher Waller JIM

Fed Lost Access to Private Employment Data

BY NICK TIMIRAOS

Federal Reserve officials, who are unable to receive U.S. economic statistics due to the continuing government shutdown, recently lost access to a separate measure of employment data from a third-party provider.

Since at least 2018, payrollprocessing company ADP has provided the Fed with access to a data set that includes anonymized information on employment and earnings for millions of workers. The data, which covers 20% of the nation's private workforce, had been available to the Fed with a roughly one-week delay—making it both a timely and comprehensive gauge of jobmarket conditions.

ADP stopped providing its data to the Fed shortly after a speech by Fed governor Christopher Waller in late August drew attention to the Fed's longstanding use of its weekly payroll data, according to a person familiar with the matter. It couldn't be learned what prompted the change. The Fed's use of ADP data wasn't a new revelation.

ADP said the company has historically provided aggregated administrative data, not client data, to the Fed free of charge as a public service.

"We are actively working with the Fed to ensure we can enhance our processes to share this meaningful information in line with our rigorous standards," the company said.

A Fed spokesperson declined to comment.

In a blatant footnote, Waller cited the ADP data to buttress his concern that the labor market was slowing.

The footnote said that preliminary estimates showed continued deterioration in hiring through the summer, including for a period that extended beyond what was available from the most recent government data.

The Fed's ADP-based employment measures aren't the same as those published every month by ADP in its monthly census of private-sector hiring. The ADP's monthly report, released the week after Waller's speech, reflected the slowdown flagged by the policymaker.

The Fed's data-sharing relationship with ADP has been public for years. Minutes of Fed policy meetings as recently as 2023 included generalized descriptions of the central bank's analysis of ADP data similar to Waller's August speech.

Fed Chair Jerome Powell first publicized the central bank's collaboration with ADP in a 2019 speech. Powell explained how the central bank's staff economists had developed a method that used underlying data to predict official government data, including after revisions, on payroll growth reported every month by the Bureau of Labor Statistics.

Powell has attempted to persuade ADP to restore the data sharing, but so far, those efforts haven't succeeded, according to the person familiar with the matter. The loss of the data could take on new significance after the government shutdown prompted statistical agencies to furlough workers on Oct. 1 and suspend most data releases this month.

During a question-and-answer session at an economics conference last week, Powell said the Fed doesn't expect private data sources to fully replace the government statistics it isn't receiving. But Powell noted the availability of "some pretty good substitutes" for employment data, and he cited ADP as one example.

The interruption of access to the ADP data was earlier reported by The American Prospect.

Fed economists have published papers using the ADP data to highlight high-frequency developments in labor markets—including during the onset of the Covid-19 pandemic in 2020, when researchers attempted to measure the immediate scale of job losses.

In the 2019 speech, Powell said that the ADP data—had it been available to the Fed in 2008—could have alerted policymakers to economic deterioration sooner than government figures. In a recession, those figures tend to be revised down retroactively to show weakness that isn't as apparent in real-time.

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