

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

USDL: 80-115

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FOR RELEASE: Immediate
Thursday, February 28, 1980

EMPLOYMENT COST INDEX--December 1979

Wage and salary rates measured by the Employment Cost Index (ECI) rose 2.4 percent for the 3 months ended in December 1979, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The increase was above the 1.5 percent advance for the same quarter in 1978. For the 12 months ended in December 1979, the wage and salary rise was 8.7 percent. Because the ECI is a relatively new statistical series, the data are not seasonally adjusted.

The Employment Cost Index currently measures changes in wages and salaries, defined as straight-time average hourly earnings. The changes reflect negotiated settlements, changes instituted by employers, cost-of-living adjustments, and other pay changes during the period measured. With the inclusion of employee benefit costs later this year, the series will also measure total compensation changes.

September-December 1979

The overall 2.4 percent increase during the fourth quarter was largely the result of pay gains for manufacturing workers, averaging 3.1 percent. Within manufacturing, the 3.3 percent pay advance in durables principally reflected contract settlements in the automobile industry that resulted in negotiated increases and cost-of-living adjustments for a large number of workers. Pay gains for nonmanufacturing workers, as a whole, averaged 2.0 percent during the quarter. Within nonmanufacturing, pay advances ranged from 1.0 percent for workers in retail trade to 4.3 percent for those in finance, insurance, and real estate. The 4.3 percent rise largely reflects accelerated increases in commission earnings for stock and bond brokers.

Wages and salaries rose at about the same rate for both white-collar (2.4 percent) and blue-collar (2.5 percent) workers in the September-December 1979 period. Within these categories, however, there was a wide range of increases among occupational groups. Pay gains for white-collar groups ranged from 1.4 percent for managers and administrators to 3.9 percent for sales workers. Sales workers' pay tends to be volatile because it is heavily influenced by commission earnings which fluctuate with the volume of sales. The ECI is computed from wage

and salary rates, where available, or straight-time average hourly earnings for workers paid under incentive or commission pay systems whose average hourly earnings are affected by fluctuations in the volume of output and sales, as well as changes in the rate structure.

Blue-collar pay advances ranged from 1.9 percent for craft and kindred workers to 3.1 percent for operatives (except transport). Service workers averaged an 1.8 percent advance.

Pay advances for union and nonunion workers were 2.6 and 2.3 percent, respectively, during the quarter. Unionized workers in manufacturing showed a 3.4 percent increase in wages, compared with 1.7 percent in nonmanufacturing. Corresponding advances for nonunion workers were 2.7 and 2.1 percent.

Regionally, pay gains ranged from 1.8 percent for workers in the West to 2.6 percent for those in the North Central States.

December 1978-December 1979

The pay advance for the 12 months ending December 1979 was 8.7 percent for private nonfarm workers. Pay in manufacturing was up 8.6 percent, nearly the same as the 8.8 percent rise in nonmanufacturing. Among industry groups, however, pay gains ranged from 7.2 percent in construction to 13.2 percent in finance, insurance, and real estate--a group largely influenced by fluctuations in commission earnings for sales workers.

Pay advances for blue-collar workers averaged 9.0 percent over the year, compared with 8.6 percent for white-collar workers and 7.2 percent for service workers.

Average pay gains for workers covered by collective bargaining agreements amounted to 9.0 percent compared with 8.5 percent for nonunion workers. The differential over the 12-month period was mainly due to wage increases in manufacturing where pay for union workers advanced 9.4 percent contrasted to 7.9 percent for nonunion workers.

During the year, workers in the North Central States recorded the highest regional pay gain (9.4 percent) and workers in the Northeast registered the lowest advance (7.3 percent).

Explanatory Note

As a measure of change in the price of labor, the Employment Cost Index (ECI) estimates movements in the rate of compensation for standardized units of labor services. The ECI is not designed to measure changes in total labor costs or the level of well-being of workers.

The published data cover workers in the private nonfarm economy. The "union" series includes those occupations covered by collective bargaining agreements. The "nonunion" series includes occupations not so covered.

Each quarter, straight-time average hourly earnings are collected for some 9,000 occupations defined by 417 occupational categories that correspond closely to those used in the 1970 Census. The establishments in the private nonfarm economy that supply these occupational data are placed in an industry group based on a two-digit Standard Industrial Classification (SIC). Sample weights are applied to these occupational earnings to calculate a weighted average for each occupation by industry.

By multiplying the SIC/occupation averages by base period employment weights from the decennial census, a total wage bill for each of these cells is produced. After summing the wage bills across cells for the various series, ratios obtained by dividing current quarter by prior quarter wage bills are used to derive quarterly percent changes.

The statistics are not annualized, nor are they adjusted for seasonal influences. For example, the 2.4 percent change, shown in the table, for the "all private nonfarm workers" series in the fourth quarter of 1979 is the actual percent change in straight-time average hourly earnings from the pay period including the 12th day of the survey month of September 1979 to the comparable pay period in December 1979. The computation of percent changes spanning more than one survey period is accomplished by compounding successive changes for individual quarters. The 39.1 percent change, shown in the chart, for the "manufacturing" series is the cumulative quarterly percent change in straight-time average hourly earnings from the pay period including the 12th day of the survey month of September 1975 to the comparable pay period in December 1979.

The chapter on the Employment Cost Index in the BLS Handbook of Methods (BLS Bulletin 1910) describes the survey design. A general description of the Employment Cost Index is available upon request.

Rate of wage and salary changes in Employment Cost Index

Series	3 months ended					12 months ended			
	December 1978	March 1979	June 1979	September 1979	December 1979	March 1979	June 1979	September 1979	December 1979
	(Percent changes)								
All private nonfarm workers -----	1.5	2.0	1.9	2.1	2.4	7.8	7.6	7.7	8.7
<u>Workers, by occupational group</u>									
White-collar workers -----	1.2	1.9	1.7	2.3	2.4	7.3	7.0	7.4	8.6
Professional and technical workers -	1.5	1.9	1.1	2.7	2.8	7.1	6.8	7.5	8.8
Managers and administrators -----	1.5	2.4	1.5	2.0	1.4	7.2	6.9	7.6	7.4
Sales workers -----	0.1	-0.2	4.2	0.7	3.9	7.9	6.7	4.8	8.8
Clerical workers -----	1.3	2.7	1.4	2.9	2.1	7.4	7.4	8.5	9.4
Blue-collar workers -----	1.9	1.9	2.3	2.0	2.5	8.3	8.4	8.4	9.0
Craft and kindred workers -----	1.6	2.1	2.1	2.2	1.9	8.5	8.2	8.3	8.6
Operatives, except transport -----	2.3	1.9	2.2	1.7	3.1	7.8	8.6	8.3	9.2
Transport equipment operatives -----	1.7	1.5	3.5	2.4	2.4	9.3	8.3	9.5	10.2
Nonfarm laborers -----	2.4	1.5	2.7	1.7	2.9	7.9	8.6	8.5	9.1
Service workers -----	0.6	3.2	0.9	1.1	1.8	8.3	7.2	5.9	7.2
<u>Workers, by industry division</u>									
Manufacturing -----	2.7	1.7	1.8	1.8	3.1	8.0	8.2	8.1	8.6
Durables -----	2.7	1.8	1.5	2.1	3.3	8.4	8.2	8.4	9.0
Nondurables -----	2.5	1.5	2.3	1.2	2.7	7.4	8.2	7.6	7.8
Nonmanufacturing -----	0.8	2.2	2.0	2.3	2.0	7.6	7.2	7.5	8.8
Construction -----	1.1	1.3	2.6	2.0	1.1	7.9	7.6	7.2	7.2
Transportation and public									
utilities -----	1.9	2.6	1.6	2.9	2.0	8.9	8.4	9.2	9.4
Wholesale and retail trade -----	1.1	2.1	2.4	1.9	1.3	7.3	7.0	7.7	7.9
Wholesale trade -----	2.0	1.6	2.9	1.2	2.1	6.6	7.7	7.8	7.9
Retail trade -----	0.8	2.3	2.3	2.1	1.0	7.6	6.7	7.7	7.9
Finance, insurance, and									
real estate -----	*	3.1	3.2	1.9	4.3	*	*	*	13.2
Services -----	0.7	2.1	1.1	2.6	2.5	7.0	6.4	6.6	8.5
<u>Workers, by region</u>									
Northeast -----	1.8	1.5	1.7	1.7	2.1	6.8	6.9	6.9	7.3
South -----	1.6	2.6	1.7	1.7	2.4	8.8	8.3	7.7	8.5
North Central -----	1.5	1.9	2.5	2.0	2.6	7.5	7.8	8.2	9.4
West -----	1.5	2.0	2.0	2.5	1.8	7.9	7.7	8.2	8.5
<u>Workers, by bargaining status</u>									
Union -----	2.0	1.8	2.1	2.2	2.6	8.2	8.3	8.4	9.0
Manufacturing -----	2.7	1.7	2.0	1.9	3.4	8.7	9.1	8.6	9.4
Nonmanufacturing -----	1.4	1.9	2.2	2.5	1.7	7.7	7.6	8.2	8.5
Nonunion -----	1.1	2.1	1.9	1.9	2.3	7.5	7.2	7.3	8.5
Manufacturing -----	2.6	1.7	1.7	1.6	2.7	7.3	7.4	7.7	7.9
Nonmanufacturing -----	0.5	2.3	2.0	2.1	2.1	7.6	7.1	7.1	8.8
<u>Workers, by area</u>									
Metropolitan areas -----	1.6	2.0	2.0	2.2	2.5	7.8	7.7	7.9	8.9
Other areas -----	1.3	2.1	2.1	1.6	1.9	7.6	7.4	7.3	7.9

* Not available

ECI cumulative quarterly percent changes, September 1975–December 1979

