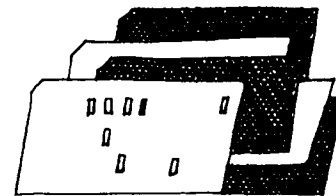


# Research Summaries



## Compensation cost increases: slowdown continues in 1982

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Most Bureau of Labor Statistics measures of compensation cost and its components showed markedly decelerating rates of increase in 1982, as the recession that began in mid-1981 continued. The Employment Cost Index (ECI) recorded a 1982 increase in employer costs for compensation (wages, salaries, and employee benefits) in private industry of 6.4 percent, down sharply from 9.8 percent in 1981. Major collective bargaining settlements in private industry provided the lowest average wage adjustments ever recorded since the series began in 1968.<sup>1</sup> Gross average hourly earnings rose 5.0 percent, compared with 7.3 percent in 1981, and gross weekly earnings rose 4.7 percent, following a 6.1-percent rise a year earlier. However, when adjusted for inflation, measures of real compensation and earnings reversed declines that began in 1978, because price increases in 1982 slowed even more than wage increases. (See table 1.)

The dampened 1982 increases in compensation costs resulted from a combination of economic forces that are difficult to isolate. These forces included the recession, which had a pervasive impact throughout the labor market, and conditions specific to certain industries, such as competition from imports in auto manufacturing and increased competition in trucking resulting from deregulation.

### Pervasive dampening of increases

The ECI for 1982 provides data on compensation cost trends by occupation, industry, and collective bargaining status. The following tabulation shows the percent change in compensation costs in private industry for the year ending in December of 1981 and 1982.

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	1981	1982
White-collar workers . . . . .	10.1	6.5
Blue-collar workers . . . . .	9.6	6.1
Service workers . . . . .	9.3	8.4
Manufacturing industry . . . . .	9.8	6.2
Nonmanufacturing industry . . . . .	9.7	6.6
Union . . . . .	10.7	7.2
Nonunion . . . . .	9.4	6.0

The declines in the rate of increase in private-sector compensation costs were pervasive among all broad occupational and industry groups, as well as among union and nonunion groups.

*Wage and salary trends.* More detailed ECI series by occupation and industry are limited to the wage and salary components of compensation. These series provide additional evidence of the widespread nature of the deceleration in 1982 rates of increase. The data show, for instance, that the deceleration was not limited to labor force groups usually considered most sensitive to business cycle influences (for example, unskilled workers or workers in durable goods manufacturing). Virtually all other series showed slowdowns as well—notably

**Table 1. Changes in employee wages and compensation, 1976-82**

Measure	1976	1977	1978	1979	1980	1981	1982
Employment Cost Index: <sup>1</sup>							
Compensation: <sup>2</sup>							
Current dollars . . . . .	—	—	—	—	9.8	9.8	6.4
Constant dollars . . . . .	—	—	—	—	-2.4	1.0	2.4
Wages and salaries:							
Current dollars . . . . .	7.2	7.0	7.7	8.7	9.0	8.8	6.3
Constant dollars . . . . .	2.3	0.2	-1.2	-4.1	-3.1	0.1	2.3
Gross Average Hourly Earnings: <sup>3</sup>							
Current dollars . . . . .	7.7	7.6	9.2	8.0	8.8	7.3	5.0
Constant dollars . . . . .	2.7	0.8	0.2	-4.7	-3.4	-1.2	1.0
Gross Average Weekly Earnings: <sup>3</sup>							
Current dollars . . . . .	6.8	7.6	8.9	7.4	7.9	6.1	4.7
Constant dollars . . . . .	1.9	0.7	-0.1	-5.3	-4.1	-2.4	0.8

<sup>1</sup> Covers private industry workers, excluding farm and household.

<sup>2</sup> In addition to wages and salaries, includes changes in the cost of employee benefits.

<sup>3</sup> Covers production and nonsupervisory workers in private nonfarm establishments.

NOTE: Changes are for the 12-month period ending in December. Dashes indicate data not available.

**Table 2. Employment Cost Index for wages and salaries, 1981-82**

[In percent]

Series	1981	1982
Private industry workers <sup>1</sup> .....	8.8	6.3
By occupational group:		
White-collar workers .....	9.1	6.4
Professional and technical workers .....	10.7	7.0
Managers and administrators .....	8.6	6.3
Salesworkers .....	7.5	4.2
Clerical workers .....	8.9	7.1
Blue-collar workers .....	8.6	5.6
Craft and kindred workers .....	8.5	6.6
Operatives, except transport .....	9.0	5.0
Transport equipment operatives .....	7.8	4.1
Nonfarm laborers .....	7.9	4.4
Service workers .....	8.3	8.5
By industry division:		
Manufacturing .....	8.7	5.6
Durables .....	9.2	5.6
Nondurables .....	7.7	5.8
Nonmanufacturing .....	9.0	6.5
Construction .....	8.8	5.2
Transportation and public utilities .....	8.4	7.2
Wholesale and retail trade .....	7.6	4.8
Wholesale trade .....	7.8	6.2
Retail trade .....	7.5	4.1
Finance, insurance, and real estate .....	9.9	6.5
Services .....	10.6	8.0
By bargaining status:		
Union .....	9.6	6.5
Manufacturing .....	8.9	5.8
Nonmanufacturing .....	10.2	7.1
Nonunion .....	8.5	6.1
Manufacturing .....	8.3	5.6
Nonmanufacturing .....	8.6	6.2

<sup>1</sup> Excludes farm and household workers.

NOTE: Changes are for the 12-month period ending in December.

white-collar workers and nonmanufacturing industries.<sup>2</sup> (See table 2.)

Among occupational categories, the 1982 slowdown in wage increases was pronounced for transport equipment and other operatives and nonfarm laborers. Their rates fell to 53-56 percent of their 1981 increase. These were also the groups with the highest unemployment rates among private industry workers. The wage slowdown for salesworkers, however, was equally severe—the rate of increase was also about half as large as it had been in 1981 (4.2 compared with 7.5 percent). Salesworkers' earnings are one of the most volatile ECI series because they reflect fluctuations in commissions.

The slowdown in wage increases extended to all industry divisions for which separate data are available. The greatest slowdown was in the retail trade industry, where the 12-month rate of change fell from 7.5 percent in 1981 to 4.1 percent in 1982. Construction and durable manufacturing also showed marked slowdowns.

A look at wage trends by bargaining status reveals that both nonunion and union workers experienced a slowing in the rate of wage increase in about the same degrees. The 12-month rate for nonunion workers fell from 8.5 percent in December 1981 to 6.1 percent in December 1982 (about a 28-percent drop). The union

rate declined from 9.6 percent to 6.5 percent (a 32-percent drop). For both groups, the rates of increase recorded by the ECI in 1982 were the lowest since these data became available in 1976.

*Negotiated wage changes.* The 1982 deceleration in the rate of wage increases in the union sector is also apparent in the BLS series on major collective bargaining settlements in private industry. Wage adjustments negotiated in 1982 covered 3.3 million workers and were the lowest since 1968, averaging 3.8 percent for the first contract year and 3.6 percent over the life of the contract. The adjustment rates for the recent 3-year bargaining cycle are shown below:

	1979	1980	1981	1982
Adjustment in first-year .....	7.4	9.5	9.8	3.8
Adjustment over life-of-contract .....	6.0	7.1	7.9	3.6

Rates of change were dampened by the fact that about one-third of the workers in major 1982 bargaining situations will receive no specified wage increases over the life of their contracts. Even when increases were specified in contracts, they were the lowest (averaging 5.7 percent) since 1973—a year of wage and price controls.<sup>3</sup>

Wage adjustments which actually became effective under all major contracts (stemming from current settlements, cost-of-living adjustments, and deferred increases for prior-year contracts) were also dampened in 1982, as shown in the following tabulation of effective wage adjustments:

	1979	1980	1981	1982
Total adjustment .....	9.1	9.9	9.5	6.8
Adjustments resulting from—				
Current settlement .....	3.0	3.6	2.5	1.7
Prior settlement .....	3.0	3.5	3.8	3.6
Cost-of-living adjustments .....	3.1	2.8	3.2	1.4

The adjustments were held down by the low adjustments from current settlements and by reduced cost-of-living adjustments resulting from the lower rate of consumer price increases. Deferred adjustments in 1982 remained high, however, because they reflected specified wage adjustments negotiated in prior years.

### Constant-dollar trend

Although the rate of wage increases slowed substantially in 1982, the result, when adjusted for inflation, was more favorable to workers than it had been in several years. Wages as measured by the ECI rose 6.3 percent, the lowest over-the-year increase since 1976, but consumer prices rose even less, 3.9 percent. Therefore, real wages recorded their first substantial over-the-year increase since 1976—2.3 percent. In the interim years, real wages as measured by the ECI were stable or declined by as much as 4.1 percent (1979). (See table 1.)

Measures covering the gross average hourly earnings and gross average weekly earnings of production and nonsupervisory workers in the private nonfarm economy also showed improvement when adjusted for inflation. (See table 1.)<sup>4</sup> Because these measures do not isolate employment shifts among occupations and industries with different wage levels, they include the impact of the 1982 recession on the earnings of production or nonsupervisory workers. A recession typically retards the increase in average earnings because of employment reductions in high-paying cyclically-sensitive industries and the reduction of premium-paid hours. Weekly earn-

ings are further reduced by shorter workweeks.

Reflecting these influences, real average hourly earnings declined through mid-1982, but finished the year with a 1.0-percent gain for the 12 months ending in December. For average weekly earnings, the recessionary impact was slightly more pronounced because of the additional effects of a shortened workweek, which is an alternative to layoffs when demand is reduced. Real average weekly earnings finished the year with an increase of 0.8 percent, a sharp contrast to the 2.4-percent decline of 1981, and declines of 4.1 percent and 5.3 percent for 1980 and 1979. □

— FOOTNOTES —

<sup>1</sup> For a description of the Employment Cost Index and collective bargaining data, see the explanatory notes for Wage and Compensation Data in the Current Labor Statistics section of this *Review*.

<sup>2</sup> In this report, the indicator of the degree of slowdown in a rate of increase is the ratio of the 1982 rate to the 1981 rate.

<sup>3</sup> For a complete review of bargaining in 1982, see Mary Anne Andrews and David Schlein, "Bargaining calendar will be heavy in 1982," *Monthly Labor Review*, December 1981, pp. 21-31, and George Ruben, "Collective bargaining in 1982: results dictated by

economy." *Monthly Labor Review*, January 1983, pp. 29-37.

<sup>4</sup> Unlike the ECI, the average hourly and average weekly earnings series do not standardize the unit of labor services for which earnings are measured. Earnings measures are influenced by shifts between high- and low-paying jobs, changes in hours paid at premium rates, and, for weekly earnings, changes in the length of the workweek. Therefore, they reflect not only changes in rates of pay as such, but also the employment effects of business cycle expansions and contractions on the earnings of employed labor.