

# News

United States  
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of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

USDL: 78-985

J. Raftery (202) 523-1934 or 523-1165  
K. D. Hoyle (202) 523-1913  
Home: 333-1384

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## EMPLOYMENT COST INDEX--SEPTEMBER 1978

Wage and salary rates measured by the Employment Cost Index (ECI) rose 2.0 percent in the 3 months ended in September 1978, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The third quarter increase--about the same as the 2.1 percent second quarter rise--included pay gains for workers in construction and union manufacturing plants, as well as for service workers and salesworkers. The increase was 8.0 percent for the 12 months ended in September 1978. (See table.) Since September 1975, when the series began, wages and salaries have climbed 24.0 percent. (See chart.)

### June 1978-September 1978

A 2.4 percent increase in construction, down from 2.9 percent in the second quarter, continued to reflect seasonal collective bargaining patterns in the industry with settlements and deferred wage adjustments concentrated in the spring and summer months. The pay advance in construction, along with a 2.4 percent rise in services, helped push the third-quarter increases for nonmanufacturing industries (2.1 percent) above manufacturing (1.8 percent). Within manufacturing, rates of pay for union workers rose 2.4 percent, compared with 1.3 percent for nonunion workers. Third quarter increases for these two groups in nonmanufacturing were much closer together--1.9 percent for union and 2.1 percent for nonunion. The wholesale and retail trade industries had the smallest third-quarter increases (1.1 and 1.2 percent, respectively) among the industry divisions published.

The 2.5 percent pay advance for sales workers, although down from 5.4 percent in the second quarter, was the largest for the occupational groups published. The salesworker group, whose pay is heavily influenced by commission earnings which fluctuate with the volume of sales, tends to be the most volatile of the ECI occupational series. 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. The average hourly earnings are affected by fluctuations in the

volume of output and sales, as well as changes in the rate structure. (See attached description.)

Rates of increase for white-and blue-collar workers were about the same in the third quarter (1.9 and 2.0 percent, respectively). Within the white-collar group, the salary increase for professional and technical workers rose 2.1 percent (up from 1.3 percent in the second quarter). Increased earnings for professionals in educational services was the main reason for this rise.

Among blue-collar workers, nontransport operatives had an accelerated rise in wages over the quarter, up 2.0 percent compared with 1.4 percent in the second quarter. The other groups of blue-collar workers had declining rates of increase in the third quarter. Pay gains for service workers rose 2.3 percent, up from 1.9 percent in the second quarter.

Regionally, workers in the South recorded the largest third-quarter gain (2.3 percent), while those in the North Central region had the smallest (1.6 percent). Pay for workers in metropolitan areas rose 2.0 percent compared with 1.7 percent for those in nonmetropolitan areas.

September 1977-September 1978

Over the 12 months ended in September 1978, service workers' pay increases (9.1 percent) outpaced those for white-collar (7.8 percent) and blue-collar workers (8.0 percent); and wages for workers in nonmanufacturing industries increased at a faster rate (8.3 percent) than for workers in manufacturing (7.4 percent). Despite these differences, increases in the pay of non-union workers (8.0 percent) were about the same as for union workers (7.9 percent). By region, pay gains ranged from 8.8 percent for workers in the South to 6.8 percent for workers in the Northeast. Workers in nonmetropolitan areas experienced a higher rate of pay increase than workers in metropolitan areas--8.7 compared with 7.8 percent.

#### Explanatory Note

Statistics presented in the following table and chart are percent changes in straight-time average hourly earnings over the period indicated. The statistics are not annualized, nor are they adjusted for seasonal influences. For example, the 2.0 percent change, shown in the table, for the "all private nonfarm workers" series in the third quarter of 1978 is the actual percent change in straight-time average hourly earnings from the pay period including the 12th day of the survey month of June 1978 to the comparable pay period in September 1978. The 24.8 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 September 1978. The computation of percent changes spanning more than one survey period is accomplished by compounding successive changes for individual quarters. In actual practice, the compounding calculations are made to the fifth decimal place.

The "union" series includes those occupations covered by collective bargaining agreements. The "nonunion" series includes occupations not covered. Beginning this quarter, wage and salary data for Alaska and Hawaii are included in the ECI. Expansion of the measure to cover these States has virtually no impact on the measure at the published level of detail, including statistics for the West region.

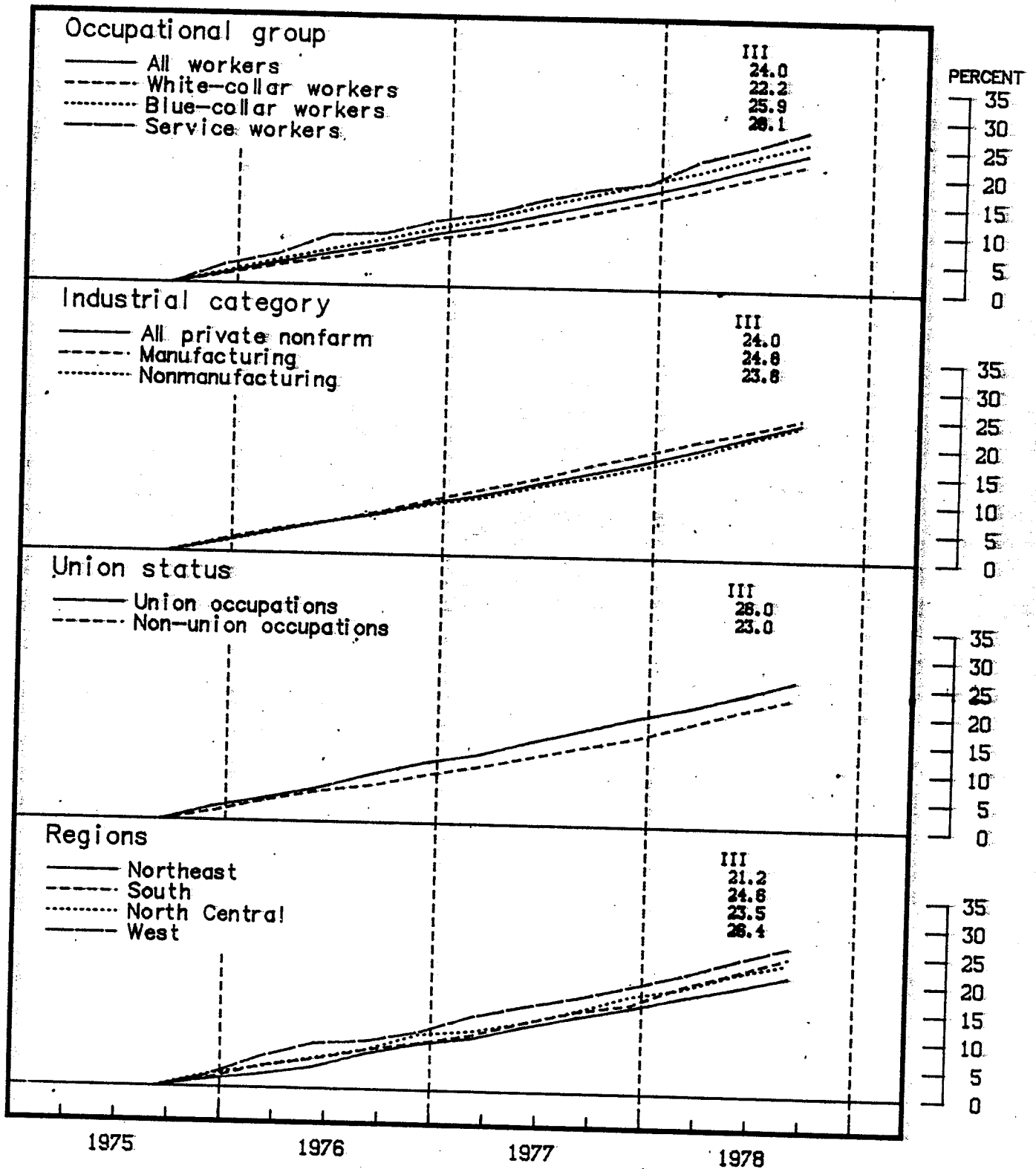
Rate of wage and salary changes in Employment Cost Index

Series	3 months ended					12 months ended			
	September 1977	December 1977	March 1978	June 1978	September 1978	December 1977	March 1978	June 1978	September 1978
	(Percent changes)								
All private nonfarm workers .....	1.8	1.7	1.9	2.1	2.0	7.0	7.5	7.8	8.0
<u>Workers, by occupational group</u>									
White-collar workers .....	1.7	1.8	1.8	2.1	1.9	6.5	7.1	7.6	7.8
Professional and technical workers .....	1.8	1.7	1.6	1.3	2.1	6.7	6.8	6.6	6.9
Managers and administrators .....	1.3	0.7	2.4	1.8	1.4	6.2	6.5	6.3	6.4
Sales workers .....	1.7	4.0	0.3	5.4	2.5	*	7.9	11.8	12.7
Clerical workers .....	2.0	1.7	2.4	1.4	1.8	6.9	7.5	7.7	7.4
Blue-collar workers .....	1.8	1.8	1.8	2.2	2.0	7.7	7.8	7.9	8.0
Craft and kindred workers .....	2.2	1.7	1.3	2.3	2.2	8.2	7.4	7.9	7.8
Operatives, except transport .....	1.6	2.2	2.5	1.4	2.0	7.3	8.2	7.8	8.3
Transport equipment operatives .....	1.6	1.0	1.3	4.5	1.4	7.3	8.4	8.6	8.3
Nonfarm laborers .....	1.3	1.5	2.4	2.1	1.7	7.6	8.3	7.4	7.8
Service workers .....	1.7	1.0	3.6	1.9	2.3	6.4	8.7	8.4	9.1
<u>Workers, by industry division</u>									
Manufacturing .....	2.2	1.8	2.0	1.6	1.8	7.8	8.0	7.8	7.4
Durables .....	2.2	2.0	1.8	1.7	1.9	7.8	7.8	7.9	7.6
Nondurables .....	2.0	1.5	2.3	1.5	1.6	7.9	8.3	7.6	7.1
Nonmanufacturing .....	1.5	1.7	1.9	2.4	2.1	6.5	7.2	7.8	8.3
Construction .....	1.8	1.4	1.2	2.9	2.4	6.6	6.9	7.5	8.1
Transportation and public utilities .....	2.0	2.1	1.4	2.1	2.0	9.2	8.7	7.9	7.9
Wholesale and retail trade .....	0.9	1.5	3.1	2.7	1.2	6.6	7.4	8.5	8.7
Wholesale trade .....	-0.2	2.6	2.5	1.8	1.1	*	*	6.8	8.2
Retail trade .....	1.4	1.1	3.3	3.1	1.2	5.8	7.8	9.1	8.9
Services .....	1.8	0.7	1.7	1.7	2.4	5.3	6.1	6.0	6.7
<u>Workers, by region</u>									
Northeast .....	1.7	1.5	1.8	1.6	1.8	6.5	7.2	6.8	6.8
South .....	1.9	1.2	3.0	2.2	2.3	6.9	8.5	8.4	8.8
North Central .....	2.0	2.4	1.3	2.3	1.6	6.8	7.4	8.2	7.8
West .....	1.5	1.8	1.9	2.2	2.0	7.8	7.1	7.6	8.1
<u>Workers, by bargaining status</u>									
Union .....	1.9	2.0	1.6	2.0	2.1	7.6	7.8	7.6	7.9
Manufacturing .....	2.3	2.2	1.7	1.7	2.4	8.3	8.4	8.1	8.2
Nonmanufacturing .....	1.5	1.8	1.5	2.3	1.9	7.0	7.2	7.2	7.6
Nonunion .....	1.7	1.6	2.2	2.2	1.9	6.6	7.3	7.9	8.0
Manufacturing .....	2.0	1.5	2.2	1.6	1.3	7.4	7.6	7.5	6.8
Nonmanufacturing .....	1.6	1.6	2.1	2.5	2.1	6.2	7.2	8.0	8.6
<u>Workers, by area</u>									
Metropolitan areas .....	1.7	1.9	1.7	2.1	2.0	6.9	7.2	7.6	7.8
Other areas .....	1.8	1.1	3.4	2.3	1.7	6.7	8.6	8.8	8.7

\* Not available

NOTE: September 1978 figures include Alaska and Hawaii for the first time. See preceding page.

# ECI cumulative quarterly percent changes, September 1975– September 1978



### Description of Employment Cost Index

The Employment Cost Index is designed to measure changes in the rate of compensation of a standardized mix of labor services, much like the Consumer Price Index measures changes of a fixed weight market basket. The Employment Cost Index (ECI) measures change in the price of labor. It does not measure change in the level of well-being of workers.

The ECI now measures changes in wages and salaries. It will be expanded to cover changes in employee benefits. Benefit data are now being collected, edited, and stored pending completion of the computer processing system which is scheduled to be operational in 1980. The result of this increase in scope will be an index of change in total compensation—wages, salaries, and employee benefits. A historical series based upon these data will then be provided in addition to current statistics.

Further expansions of the index will be for broader industrial coverage. At different stages this industrial expansion will include Federal, State and local government workers; private household workers; agricultural workers. Total compensation statistics for an additional major industry division—Public Administration—will be made available when expansion to governments is complete.

Long term program objectives include increasing the amount of detail for industries, occupations, and areas as well as increasing the frequency of publication. Seasonally adjusted statistics will become available as soon as sufficient experience is accumulated to compute adjustment factors.

ECI statistics are now computed from over 9,600 occupational wage and salary observations collected quarterly from approximately 2,100 respondents. With certain exclusions, these observations represent the occupational employment of the private nonfarm economy. Each observation may cover from one worker to several thousand. The 9,600 observations collected each quarter cover nearly one-half million employees. Respondents in this quarterly survey provide data on establishments or groups of establishments comprising a reporting unit. Establishments of all sizes are within the scope of the survey. The major exclusions are the self-employed, unpaid family workers, agricultural employees, and private household employees. The agricultural and private household employees are temporary exclusions. Self-employed and unpaid family workers are not within the scope of the survey.

Straight-time hourly earnings are used in the ECI as a proxy for a measure of wage and salary rates. Straight-time earnings are defined as total earnings before deductions, excluding premium payments for overtime, weekend, and late-shift work. Production bonuses and cost-of-living allowances are included in straight-time earnings. All occupational wage and salary data are collected as, or converted into, straight-time hourly earnings for the survey occupations. As a result, fluctuations in commission earnings--commission rates remaining unchanged--influence the Index. Data pertain to the pay period including the 12th of the survey months of March, June, September, and December.

The Index occupations conform to the Bureau of Census occupational classification system which consists of 441 occupations grouped into 12 broad occupational categories. Nine of these groups are now in the scope of the survey. These major occupational groups are:

Professional and technical workers

These occupations are concerned with the theoretical or practical aspects of such fields as art, science, engineering, education, medicine, law, and business relations.

Included are such highly trained personnel as teachers, dentists, accountants, attorneys, chemists, engineers, physicians, and the clergy. Computer specialists, political scientists, writers, artists, and entertainers are also in this category.

Managers and administrators

This group includes those positions charged with the direction of and responsibility for a given activity. Top and middle management are included as well as all other supervisory personnel above first-line supervisory level.

Sales workers

These workers include sales clerks, manufacturing sales representatives, insurance and real estate agents, stock and bond sales agents.

Clerical workers

Within this category are workers who type, operate computer and office machines, keep records, take dictation, and deliver mail.

Craft and kindred workers

Work activities in this group primarily involve fabricating, processing, inspecting or repairing material, products or structural units. Included are a variety of occupations such as carpenters, tool and die makers, jewelers, electricians and type-setters. An apprenticeship is usually a prerequisite for entry into these occupations.

Operatives, except transport

Workers in this grouping are engaged in such activities as operating or tending machinery, assembling goods in factories and photographic processing. Occupations such as solderers, welders, meat cutters and gas station attendants are also included.

Transport equipment operatives

Truck, bus and taxi drivers fall within this major occupational group.

Nonfarm laborers

Laborers move, lift and carry materials and tools in work-places. This group includes longshore workers, construction laborers, freight and material handlers.

Service workers

This group includes those who serve individuals in institutional, commercial and other establishments. Those responsible for maintaining law and order are also included. These occupations include police and fire fighters, janitors, bartenders, waiters, dental assistants, practical nurses, flight attendants and barbers.

Private household workers are excluded.



A complete listing of ECI occupations may be found in the "Employment Cost Index--Occupation Classification System Manual", Bureau of Labor Statistics, January 1975.

The published industry and occupational statistics do not pertain to mutually exclusive groups of employees. Workers from all industry divisions may be represented in a major occupational group; conversely, workers from all occupational groups may be represented in a major industry division. For example, statistics for the industry "Services" are based on occupational pay data for professionals, managers, clerical workers, service workers, etc. Similarly, statistics for the occupational group "Service workers" cover such workers as janitors, waiters, practical nurses, flight attendants, and guards; these may be found in real estate, retail trade, transportation, and other industries as well as services.

The Employment Cost Index statistics, although computed from levels of occupational pay, are measures of change. The pay level data collected from sample reporting units are weighted into occupational averages, by industry, using weights essentially derived from a 1974 occupational employment survey. These industry pay averages are aggregated for index computation using fixed weights obtained from the 1970 decennial census. Average pay levels for the overall measure and its components are not explicitly calculated as part of the computational process. Although pay levels can be obtained by dividing the wage and salary aggregates by the fixed index weights, these data do not correspond to actual average pay levels at any point in time. However, because of interest expressed in the statistical design of this series, average pay levels have been computed for the overall and component published series for September 1975. These levels are available upon request. The series in index number form is also available upon request.

In addition to the industry divisions shown in the table, published statistics cover mining and finance, insurance, and real estate, but insufficient data preclude separate publication of these results. Series for which statistics are published comprise over 90 percent of the total sample. The relative importance of the industrial and other component submeasures, as of December 1977, and estimates of relative sampling error are also available on request.

The regional coverage is as follows: Northeast--Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont; South--Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland,

Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia; North Central--Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin; West--Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

A description of the survey design is provided in the chapter on the Employment Cost Index in the BLS Handbook of Methods, BLS Bulletin 1910.

Releases are scheduled for February, May, August, and November--2 months after each quarter. Statistics in these releases pertain to the preceding quarter and the 12-month period ended in that quarter. The Employment Cost Index statistical series, from September 1975, is available in Current Wage Developments, a BLS monthly periodical.