

⁴The Consumer Expenditure Survey is described in detail in *BLS Handbook of Methods*, Bulletin 2285 (Bureau of Labor Statistics, 1988), ch. 18.

Employment Cost Index series to replace Hourly Earnings Index

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Early in 1989, the Bureau of Labor Statistics will replace the Hourly Earnings Index with an Employment Cost Index (ECI) series that has the same occupational coverage as the Hourly Earnings Index. The new ECI series is part of a broader initiative that will provide occupational indexes by industry sector—such as for blue-collar

workers in the goods-producing and service-producing sectors—from the ECI program. The Bureau is making the change because, over the last decade, the ECI has become a major economic indicator and has several advantages in measuring wage change, and because recent cuts in the Bureau's budget make it impractical to maintain both series.

The Employment Cost Index, a quarterly series first published in 1976, is a fixed employment weighted index. It is designed to measure changes in employer expenditures for employee compensation and the two components of compensation—wages and salaries and benefit costs. The ECI provides indexes for State and local governments, private industry, and occupational and industry groups, as well as by collective bargaining status, region, and area size.

The Hourly Earnings Index was developed in 1971 to approximate wage rate change using average hourly earnings from the Bureau's monthly Current Employment Statistics Program. The earnings index, which covers production and nonsupervisory workers in private industry, approximates wage rate changes for broad

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Table 1. Hourly Earnings Index (HEI) and Employment Cost Index with HEI coverage, wage and salary series, private industry workers, 1975-87

[June 1981 = 100]

Date	Employment Cost Index with HEI coverage (wages and salaries)	Hourly Earnings Index (HEI)	Date	Employment Cost Index with HEI coverage (wages and salaries)	Hourly Earnings Index (HEI)
1975:			1982:		
September	63.3	64.0	March	105.9	105.6
December	64.6	64.9	June	107.0	107.1
1976:			September	109.1	109.1
March	65.9	65.8	December	110.6	110.4
June	66.9	66.8	1983:		
September	68.0	68.7	March	111.7	111.3
December	69.4	69.8	June	112.8	112.2
1977:			September	114.6	113.6
March	70.3	70.8	December	116.0	114.6
June	71.6	72.0	1984:		
September	72.9	73.7	March	117.3	115.2
December	74.3	74.8	June	118.3	115.7
1978:			September	119.0	117.3
March	75.7	76.4	December	120.5	118.3
June	77.4	77.8	1985:		
September	79.1	79.8	March	121.7	118.8
December	80.1	81.3	June	122.8	119.5
1979:			September	124.6	121.0
March	81.7	82.7	December	125.3	122.0
June	83.4	84.0	1986:		
September	85.2	86.4	March	126.3	122.3
December	87.3	88.0	June	127.2	122.5
1980:			September	128.1	123.4
March	89.3	90.0	December	128.7	124.4
June	91.3	91.8	1987:		
September	93.5	94.1	March	130.0	124.9
December	95.5	96.2	June	130.9	125.2
1981:			September	132.1	126.9
March	97.9	98.5	December	132.9	127.8
June	100.0	100.0			
September	102.1	102.8			
December	104.1	104.0			

industry groups by eliminating the impact of employment shifts among industries.

Some advantages of the ECI over the Hourly Earnings Index as a measure of wage change include the following:

Employment coverage. The ECI covers all workers in private nonfarm industry (excluding private households) and State and local governments. The Hourly Earnings Index excludes State and local government workers, nonproduction workers in goods-producing industries (mining, construction, and manufacturing), and executive, administrative, and managerial occupations—one of the fastest growing groups in the labor force—in the service-producing industries.

Compensation coverage. The ECI includes wages and salaries as well as the employers' cost of employee benefits. The Hourly Earnings Index covers only hourly earnings from establishment payrolls, and excludes employee benefits and lump-sum payments, a growing compensation practice.

Wage change. The ECI measures the change in wages and salaries and benefit costs, excluding the effects of employment shifts among industries and occupations with different wage and compensation levels. The ECI program collects wage rates and benefit cost data for narrowly defined jobs within each establishment. Changes in wage rates and benefit costs are aggregated using fixed employment weights so that the index reflects only wage- and compensation-rate changes. The Hourly Earnings Index is based on the average earnings (rather than on wage rates) of all covered workers in an industry, and reflects changes in the occupational mix of employment, as well as changes in wage rates.

Overtime payments. The ECI eliminates fluctuations that occur as the number of overtime hours worked changes. The Hourly Earnings Index is adjusted to eliminate fluctuations arising from overtime in manufacturing industries.

Detailed series. The ECI publishes more than 160 detailed indexes for State and local governments, total private industry, occupational and industry groups, and by collective bargaining status, region, and area size. The number of indexes will increase to nearly 200 with the publication of indexes for occupations by industry sector. The Hourly Earnings Index provides separate data for only eight broad industry groups, in addition to data for durable and nondurable manufacturing and for nonmanufacturing.

Data users who wish to continue to monitor wage and salary change for production and nonsupervisory workers in private industry can do so with the new ECI series.

Table 2. Employment Cost Index with Hourly Earnings Index (HEI) coverage, compensation series, private industry workers, 1981-87

[June 1981 = 100]

Date	Employment Cost Index with HEI coverage (compensation)	Date	Employment Cost Index with HEI coverage (compensation)
1981:		1985:	
June	100.0	March	124.1
September	102.1	June	125.0
December	104.2	September	126.7
1982:		December	127.4
March	105.7	1986:	
June	107.2	March	128.6
September	109.5	June	129.4
December	111.0	September	130.4
1983:		December	131.0
March	112.8	1987:	
June	114.0	March	132.2
September	115.9	June	133.2
December	117.3	September	134.4
1984:		December	135.4
March	119.3		
June	120.3		
September	121.2		
December	122.8		

Incorporating the index for production and nonsupervisory workers into the ECI system allows analysts to compare wage rate changes with compensation cost changes for that group of workers, and also to determine how the wage-rate changes for that group compare with those for other groups, such as all workers in private industry or all private and State and local government workers. In addition, users will be able to examine wage changes by industry sector. For example, wage changes for production workers in the goods-producing sector can be compared with those for nonsupervisory workers in the service-producing sector.

Average hourly earnings in dollar terms will continue to be published monthly with full industry detail. This series may be used for monthly analysis of earnings trends.

The new ECI wage and salary series and the Hourly Earnings Index are presented in table 1 and charts 1 and 2. The data show that the two measures were almost always within 1 index point of each other from September 1975 to June 1983, but from September 1983 on, the Hourly Earnings Index began moving up at a slower pace than the ECI—reaching a 5.1-point differential by December 1987.

(Although not directly comparable with the Hourly Earnings Index, the ECI compensation series was recalculated with Hourly Earnings Index coverage, and is shown in table 2.)

Most of the difference between the new ECI wage and salary series and the Hourly Earnings Index is probably the result of changes in the occupational mix of the employed labor force. The ECI measures the change in wage rates only, while the Hourly Earnings Index is also influenced by changes in the occupational mix. The

Chart 1. Hourly Earnings Index (HEI) and Employment Cost Index with HEI coverage, wage and salary series, private industry, September 1975-March 1988

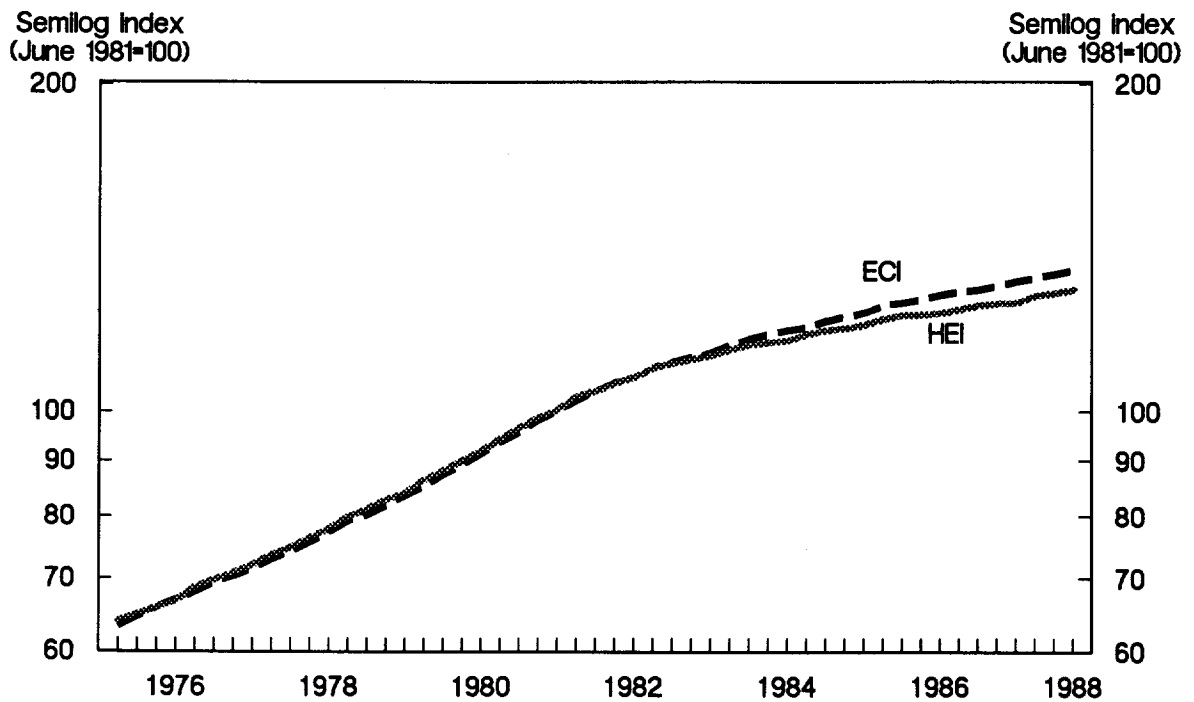
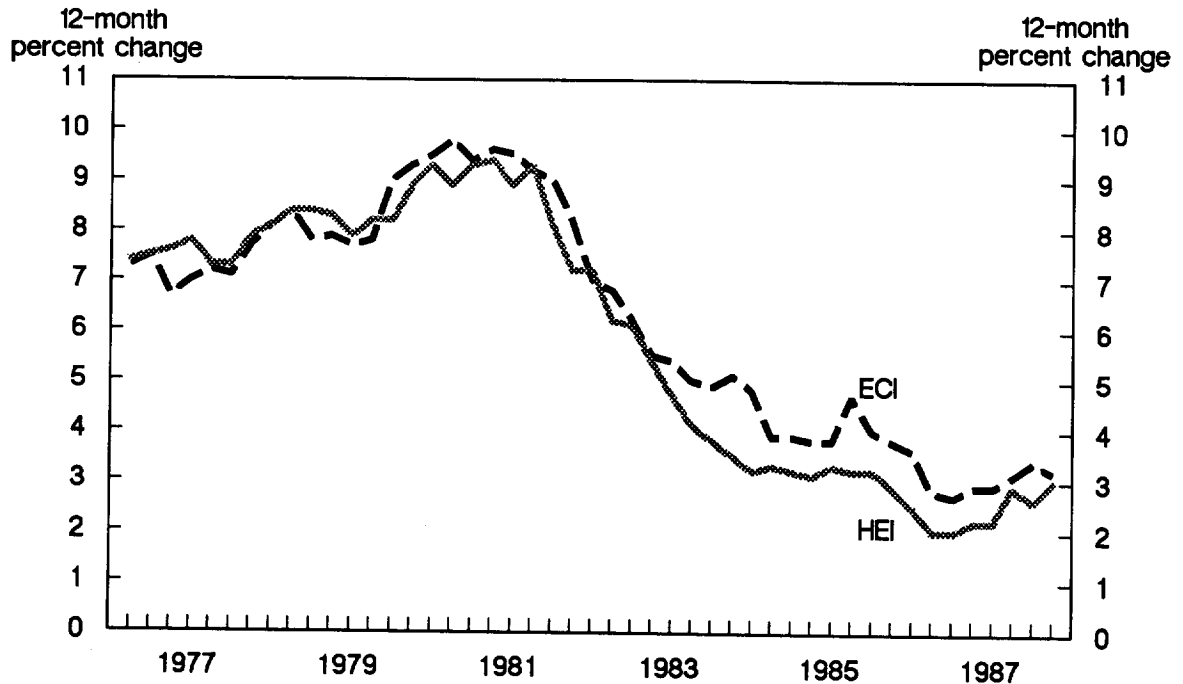


Chart 2. Hourly Earnings Index (HEI) and Employment Cost Index with HEI coverage, wage and salary series, private industry, 12-month change, September 1976-March 1988



period since 1983 has been one of dynamic employment growth. This growth, fueled by both an expanding labor force (as participation rates increased) and a declining unemployment rate, has led to profound and complex changes in the structure of employment. Some of the changes would cause the Hourly Earnings Index to increase more than the ECI wage and salary series, and other changes would lead it to increase less. The net impact of the change in the mix of employment has been to cause the Hourly Earnings Index to increase at a slower rate than the ECI wage and salary series and to underestimate the change in wages for workers in its limited coverage.

It is possible to identify any number of shifts, and explain how, if considered in isolation, each would affect the relationship between the change in the Hourly Earnings Index and that in the ECI. In fact, all of the shifts are interrelated and are the result of powerful, complex, and dynamic demographic and economic forces; empirically it is not possible to determine which of the many possibilities are, in fact, responsible for the differences. All that can be known at this point is that the two indexes give different measures of change because of their fundamentally different characteristics: the ECI estimates the change in wages; the Hourly Earnings Index gives an approximation to wage change that does not eliminate changes in the occupational mix of employment. □

An uneasy partnership

The relationship between working-class laundry workers and the middle-class women who espoused their welfare was not, however, without ambiguity and tension. Informed by a feminist consciousness, groups such as the National Federation of Women Workers and the Women's Industrial Council brought together women of diverse backgrounds to advance the economic and industrial rights of women. This forging of a common cause achieved, as we have seen, considerable success in enacting better legislation, advancing unionization, and educating laboring women as to their rights in the workplace. At the same time, the bourgeois women who were the leading members of these organizations, though radical in their feminism, accepted other aspects of the dominant culture at face value. These values could sometimes be at odds with the goal of bringing about economic independence for working women. Predictably, many such women were advocates of ventures such as penny banks, Working Girls' Clubs, Temperance Unions, and other uplifting endeavors consistent with social and economic self-help. In fact, moral influence was deemed to be of such importance that the job of laundry superintendent was recommended to educated women by one author as social work—the opportunity to extend “a guiding kindly hand”—as much as a means of earning a living. Though perhaps alien to some working-class cultural norms, these ventures did not undermine broader social and economic objectives and benefited some working women.

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English Laundresses: A Social History, 1850–1930
(Urbana, University of Illinois Press, 1986), pp. 122–23.