

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

Judith Finger (202) 523-1165
Kathryn Hoyle (202) 523-1913

USDL: 81-262

FOR RELEASE: Immediate
Thursday, May 28, 1981

EMPLOYMENT COST INDEX - FIRST QUARTER 1981

Employee compensation rates, as measured by the Employment Cost Index (ECI), increased 3.6 percent for the 3 months ended in March 1981, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Compensation, which includes wages, salaries, and employer costs for employee benefits, advanced 10.7 percent for the 12 months ended in March 1981. The ECI is not seasonally adjusted.

The first-quarter compensation increase (3.6 percent) was substantially larger than the gain recorded a year ago (2.7 percent). The accelerated compensation rise reflected a number of developments that occurred this year. The social security tax on employers and the earnings ceiling to which the tax applies increased January 1. At the same time, the Federal minimum wage increased from \$3.10 per hour to \$3.35 per hour. In addition, benefit costs, particularly insurance, rose during the quarter. On the other hand, relatively few collective bargaining settlements took place in the first 3 months of 1981.

Wage and salary rates, a major component of the compensation measure, rose 2.7 percent in the first quarter of 1981, compared with 2.4 percent a year earlier. For the 12 months ended in March 1981, wages and salaries were up 9.3 percent.

December 1980 - March 1981

Compensation rate increases for all occupational and industry groups were higher in the 3 months ended in March 1981 than in any quarter in 1980. The average increase in compensation for all private nonfarm workers was 3.6 percent. The increase in the social security tax rate for employers (6.13 percent to 6.65 percent) and earnings ceiling (\$25,900 to \$29,700) accounted for about 0.5 percentage point of the 3.6 percent rise. (These increases also raised employee contributions to social security.) Wages and salaries also rose markedly in the first quarter of 1981, increasing 2.7 percent for all private nonfarm workers.

March 1980 - March 1981

Compensation rates rose 10.7 percent on average for all private nonfarm workers in the 12 months ended in March compared with 9.3 percent for wages in the same period. The difference between compensation and wage gains was larger in manufacturing industries (10.5 percent in compensation and 8.8 percent in wages) than in nonmanufacturing (10.9 percent and 9.6 percent).

Among occupational groups, compensation advances were similar for white-collar and blue-collar workers--10.8 percent and 10.7 percent, respectively. Compensation rates for service workers showed slightly lower increases, 10.5 percent. All three occupational groups registered wage gains of 9.3 percent.

Wage increases for union workers outpaced those for nonunion workers--10.2 percent to 8.9 percent. In the manufacturing sector, corresponding pay gains were 10.1 percent and 7.6 percent. Wages in the nonmanufacturing sector were up 10.4 percent for union workers and 9.4 percent for nonunion workers.

Regionally, pay rose most rapidly in the West, 10.9 percent, and slowest in the Northeast, 8.5 percent. Workers in metropolitan areas received wage increases of 9.5 percent compared with 9.1 percent for those in other areas.

Table 1. Rates of compensation change in the Employment Cost Index

Series	Percent changes for						
	3 months ended					12 months ended	
	March 1980	June 1980	September 1980	December 1980	March 1981	December 1980	March 1981
All private nonfarm workers <u>1/</u>	2.7	2.3	2.3	2.1	3.6	9.8	10.7
White-collar workers . .	2.8	2.3	2.0	2.1	3.9	9.5	10.8
Blue-collar workers . . .	2.4	2.5	2.7	2.1	3.0	10.1	10.7
Service workers	4.3	1.1	2.1	1.7	5.4	9.4	10.5
Manufacturing industries	2.8	2.0	2.3	2.2	3.5	9.8	10.5
Nonmanufacturing industries	2.7	2.5	2.3	2.0	3.7	9.8	10.9

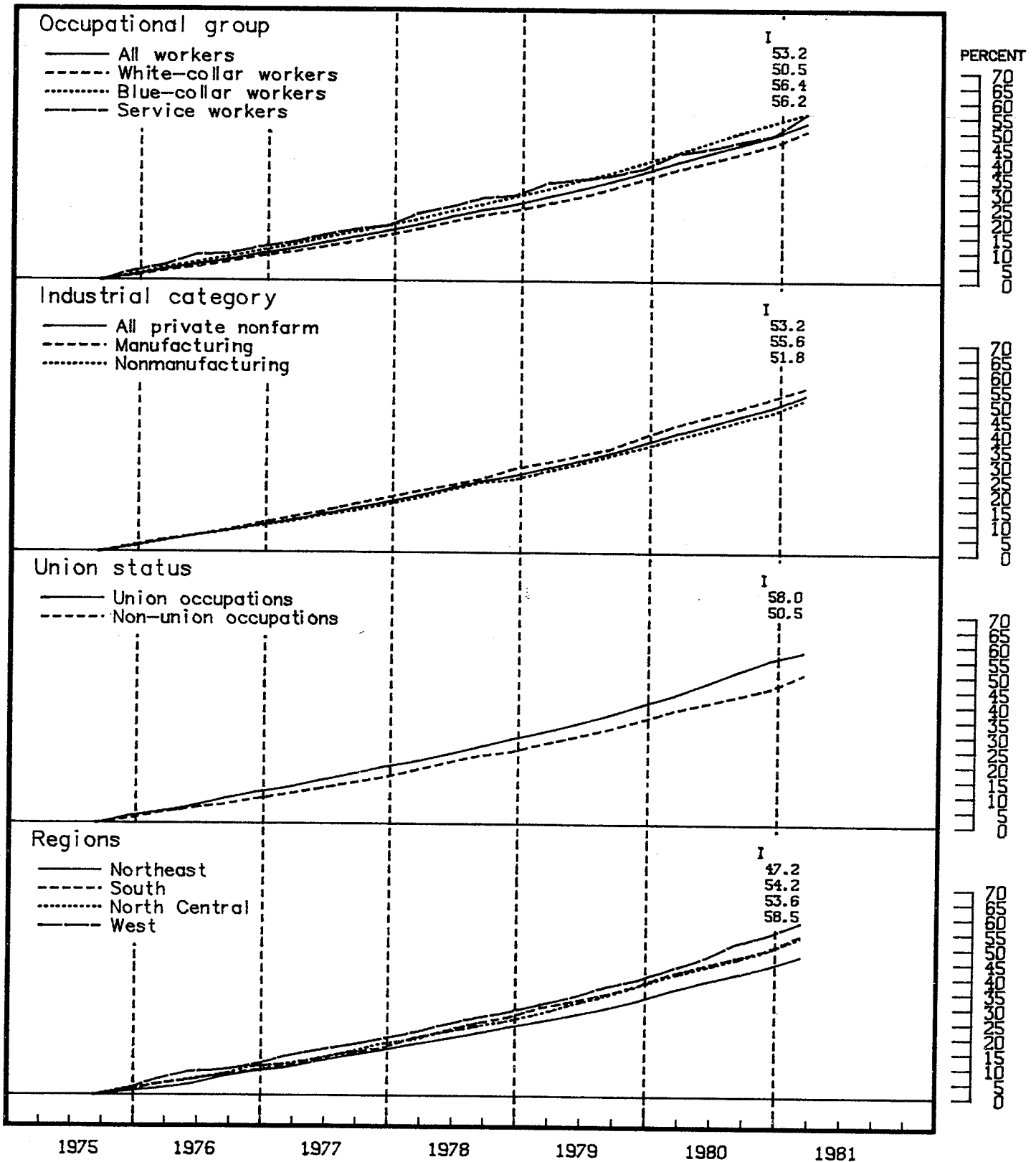
1/ Excludes private household workers.

Table 2. Rates of wage and salary change in Employment Cost Index

Series	Percent changes for									
	3 months ended					12 months ended				
	March 1980	June 1980	September 1980	December 1980	March 1981	March 1980	June 1980	September 1980	December 1980	March 1981
All private nonfarm workers ^{1/}	2.4	2.1	2.2	2.0	2.7	9.1	9.3	9.4	9.0	9.3
<u>Workers, by occupational group</u>										
White-collar workers	2.4	1.9	2.1	2.0	3.1	9.2	9.3	9.1	8.7	9.3
Professional and technical workers	3.3	1.8	2.7	2.2	3.1	10.3	11.1	11.1	10.5	10.2
Managers and administrators	2.6	1.6	1.6	1.3	4.1	7.7	7.8	7.3	7.2	8.8
Sales workers	-5	2.5	1.7	2.8	1.5	8.6	6.8	7.8	6.7	8.7
Clerical workers	3.0	1.8	2.0	2.1	3.0	9.6	10.1	9.2	9.1	9.2
Blue-collar workers	2.3	2.5	2.4	2.1	2.0	9.4	9.6	10.0	9.6	9.3
Craft and kindred workers	1.7	2.4	2.8	2.2	1.8	8.2	8.5	9.1	9.4	9.6
Operatives, except transport	3.2	2.4	2.3	2.0	2.4	10.5	10.7	11.3	10.2	9.4
Transport equipment operatives	1.2	3.5	1.4	1.9	1.5	9.8	9.9	8.8	8.2	8.6
Nonfarm laborers	2.5	2.4	2.3	2.0	1.9	10.1	9.9	10.5	9.5	8.8
Service workers	3.5	1.1	1.7	1.5	4.7	7.6	7.8	8.4	8.1	9.3
<u>Workers, by industry division</u>										
Manufacturing	2.8	2.0	2.0	2.3	2.2	9.7	10.0	10.2	9.4	8.8
Durables	2.5	2.1	2.5	2.3	2.3	9.7	10.4	10.8	9.8	9.6
Nondurables	3.2	1.9	1.2	2.1	2.2	9.7	9.2	9.2	8.6	7.5
Nonmanufacturing	2.2	2.1	2.3	1.9	3.0	8.8	8.9	8.9	8.8	9.6
Construction	1.2	2.9	2.9	1.5	1.8	7.1	7.5	8.4	8.8	9.4
Transportation and public utilities	2.5	2.3	3.2	2.7	2.3	9.3	10.1	10.4	11.1	10.8
Wholesale and retail trade	2.6	1.9	1.5	1.7	3.2	8.4	7.8	7.4	7.8	8.5
Wholesale trade	2.9	2.7	.9	3.2	2.7	9.4	9.2	8.9	10.0	9.8
Retail trade	2.4	1.5	1.8	1.1	3.4	8.0	7.3	6.9	7.0	8.0
Finance, insurance, and real estate4	2.7	2.0	2.1	2.7	10.2	9.6	9.7	7.4	9.8
Services	2.7	1.6	2.5	1.6	4.0	9.2	9.8	9.6	8.7	10.1
<u>Workers, by region</u>										
Northeast	2.5	2.1	1.9	1.9	2.4	8.3	8.7	8.9	8.6	8.5
South	2.8	1.9	1.9	1.9	3.3	8.8	9.0	9.3	8.8	9.3
North Central	2.4	2.0	1.9	2.2	3.0	9.9	9.3	9.2	8.8	9.4
West	2.6	2.4	3.4	2.0	2.7	9.2	9.6	10.6	10.8	10.9
<u>Workers, by bargaining status</u>										
Union	2.3	2.8	2.9	2.5	1.7	9.5	10.2	10.9	10.9	10.2
Manufacturing	2.6	2.8	2.8	2.4	1.7	10.3	11.1	12.0	11.0	10.1
Nonmanufacturing	2.0	2.8	3.0	2.6	1.7	8.8	9.5	9.9	10.8	10.4
Nonunion	2.5	1.7	1.8	1.8	3.3	8.9	8.7	8.6	8.0	8.9
Manufacturing	3.0	1.4	1.2	2.1	2.7	9.3	9.0	8.6	7.9	7.6
Nonmanufacturing	2.3	1.9	2.0	1.7	3.5	8.8	8.6	8.6	8.1	9.4
<u>Workers, by area</u>										
Metropolitan areas	2.1	2.2	2.3	2.0	2.6	9.1	9.3	9.5	9.0	9.5
Other areas	3.6	1.6	1.5	2.4	3.3	9.5	8.9	8.9	9.4	9.1

^{1/} Excludes private household workers.

ECI cumulative quarterly percent changes,
wages and salaries,
September 1975–March 1981



EXPLANATORY NOTE

The Employment Cost Index (ECI) is a quarterly measure of the change in the rate of employee compensation, free from the influence of employment shifts among occupations and industries with different wage and compensation levels. Compensation is made up of two major components: Wage and salary rates and employer costs for employee benefits.

Since 1975, the ECI has provided quarterly measures on changes in wage and salary rates, defined as straight-time average hourly earnings. Straight-time earnings are total earnings before payroll deductions, excluding premium pay for overtime, work on weekends and holidays, and shift differentials. Production bonuses, incentive earnings, commission payments, and cost-of-living adjustments are included in straight-time earnings, whereas nonproduction bonuses (such as Christmas or year-end bonuses) are excluded. Also excluded are such items as payments-in-kind, free room and board, and tips.

With the addition of employee benefit costs, the ECI measures quarterly changes in compensation along with changes in wage and salary rates. Benefits covered by the ECI include:

Hours related benefits - Premium pay for overtime and work on weekends and holidays, paid holidays, paid vacations, paid sick leave, and other paid leave;

Supplemental pay - Shift differentials, nonproduction bonuses, severance pay, and supplemental unemployment plans;

Insurance benefits - Life, health, and sickness and accident insurance;

Retirement and savings benefits - Pension and other retirement plans and savings and thrift plans;

Legally required benefits - social security, railroad retirement and supplemental retirement, railroad unemployment insurance, Federal and State unemployment insurance, workers' compensation, and other legally required benefits such as State temporary disability insurance; and

Other benefits - Merchandise discounts in department stores.

Each quarter, straight-time average hourly earnings and benefit cost data (cents-per-hour-worked) are collected from a probability sample of about 10,000 occupations within 2,000 sample establishments. Occupations were defined to correspond to 417 occupational categories used in the 1970 Census.

The sample establishments were classified in 62 industry groups based on a two-digit Standard Industrial Classification (SIC), as defined by the U.S. Office of Management and Budget. Base-period sample weights are applied to the occupational data in the sample establishments to calculate weighted averages on earnings, benefit costs, and compensation for each occupation by industry.

Multiplying these averages by occupational employment weights from the 1970 Census produces total wage and compensation bills for the occupations by two-digit SIC. The bills are summed over industry/occupation components to produce levels of aggregation used in the ECI series (e.g., occupational groups, industry divisions).

Dividing current quarter wage and compensation bills by those in the previous quarter provides the quarter-to-quarter percent changes published for the ECI.

Data are collected for the pay period encompassing the 12th day of the survey months of March, June, September, and December. ECI statistics are neither annualized nor adjusted for seasonal influences. For example, the 2.7 percent change in wage and salary rates for "all private nonfarm workers" in the first quarter of 1981 (table 2) is the actual percent change in straight-time average hourly earnings from the pay period including the 12th day of December 1980 to the comparable pay period in March 1981.

ECI wage and salary data are also published by region and metropolitan areas (based on the location of the sample establishment) and for "union" and "nonunion" series (based on whether the sample occupations are covered by collective bargaining agreements).

Publication of quarterly changes in compensation is limited to six major ECI series. (See table 1.) These series are part of the ECI's basic occupation and industry estimating structure and, with one exception, represent at least 3,000 occupations surveyed at an establishment level. Service workers' data represent about 900 establishment/occupations. Compensation data for other ECI series will be published after assessment of sample sizes and the quarter-to-quarter changes in benefit costs.

More detailed information on the ECI is available in several articles and publications. These include a chapter in the BLS Handbook of Methods (Bulletin 1910), "The Employment Cost Index." Two articles also appeared in the Monthly Labor Review: "Employment Cost Index: a measure of change in the 'price of labor'," July 1975; and "How benefits will be incorporated into the Employment Cost Index," January 1978. Reprints of these articles plus several other descriptive pieces are available upon request.