

News

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EMPLOYMENT COST INDEX - SECOND QUARTER 1981

Employee compensation rates, as measured by the Employment Cost Index (ECI), increased 1.9 percent for the 3 months ended in June 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, rose 10.3 percent in the 12 months ended in June 1981. The ECI is not seasonally adjusted.

Wage and salary rates--a major component of the compensation measure--advanced 2.0 percent in the second quarter of 1981, about the same as the 2.1 percent increase recorded a year earlier. In the 12 months ended in June 1981, wages and salaries rose 9.3 percent.

March 1981-June 1981

All industry and occupation groups shown in table 1 registered compensation gains in the second quarter that were slightly lower than wage gains. Comparatively small changes in employer costs for employee benefits during the quarter dampened compensation increases. Slightly less than one-fourth of the compensation rise this quarter resulted from increases in benefit costs, whereas they accounted for fully one-third of the compensation rise in the same quarter a year ago.

In manufacturing, compensation rates increased 2.0 percent, compared with wage gains of 2.2 percent. Workers in both durable and nondurable manufacturing had average wage advances similar to the overall manufacturing rise--2.1 percent and 2.2 percent, respectively.

Compensation rates in nonmanufacturing industries increased 1.8 percent, while wages advanced 2.0 percent. Workers in finance, insurance, and real estate registered the largest wage increases (4.5 percent), reflecting a rise in commission earnings for stock and bond brokers. Wage gains in the construction industry, where collective bargaining settlements are concentrated in the spring and summer, were 2.4 percent. In service industries, workers posted the lowest pay gains, 0.4 percent.

Among occupational groups, compensation rates for blue-collar workers showed the largest increase, 2.3 percent, compared with 1.8 percent for white-collar workers and 0.7 percent for service workers. Corresponding wage increases were 2.4 percent, 1.9 percent, and 0.8 percent.

Transport equipment operatives received the largest wage gains among blue-collar workers (3.3 percent)--reflecting deferred increases and cost-of-living adjustments for workers in the trucking industry. Other blue-collar occupations showed wage increases similar to the 2.4 percent overall advance for the group.

Wage gains for white-collar workers ranged from 1.4 percent for managers and administrators and clerical workers to 3.9 percent for sales workers. The increase for sales workers was affected by the rise in commission earnings for stock and bond brokers.

Wage and salary advances among union workers averaged 2.6 percent compared with 1.8 percent for nonunion employees. In manufacturing, union and nonunion workers received similar wage increases, 2.3 percent and 2.1 percent, respectively. In nonmanufacturing industries, on the other hand, pay gains for union workers (3.0 percent) substantially outpaced those for nonunion workers (1.7 percent).

Regionally, wage increases ranged from 1.7 percent in the Northeast to 2.1 percent in the West. Pay gains for workers in metropolitan areas averaged 2.1 percent compared with 1.7 percent for workers in other areas.

June 1980-June 1981

Compensation rate increases for all private nonfarm workers averaged 10.3 percent in the 12 months ended in June 1981, while wages were up 9.3 percent. In manufacturing industries, compensation rates rose 10.5 percent, higher than the 10.2 percent gain in nonmanufacturing industries. Conversely, wage increases were larger in nonmanufacturing (9.5 percent) than in manufacturing (9.0 percent).

The rate of compensation change for blue-collar workers, 10.5 percent, was the highest among occupational groups. White-collar workers posted 10.2 percent compensation rate increases and service workers, 10.1 percent. Wage gains averaged 9.2 percent, 9.4 percent, and 8.9 percent, respectively, for the three occupational groups.

Union workers' wages rose 10.1 percent compared with 9.0 percent for nonunion workers. Among workers covered by collective bargaining agreements, those in nonmanufacturing industries had higher wage gains (10.6 percent) than workers in manufacturing industries (9.6 percent). For nonunion workers, pay increases were also larger in the nonmanufacturing sector than in the manufacturing sector--9.2 percent compared with 8.4 percent.

Among regions, wage increases varied from 8.1 percent in the Northeast to 10.7 percent in the West. Workers in metropolitan areas registered wage gains of 9.4 percent compared with 9.2 percent for workers in other areas.

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

| Series | Percent changes for | | | | | | | |
|--|---------------------|-------------------|------------------|---------------|--------------|------------------|---------------|--------------|
| | 3 months ended | | | | | 12 months ended | | |
| | June 1980 | September 1980 | December 1980 | March 1981 | June 1981 | December 1980 | March 1981 | June 1981 |
| All private nonfarm workers <u>1/</u> | 2.3 | 2.3 | 2.1 | 3.6 | 1.9 | 9.8 | 10.7 | 10.3 |
| White-collar workers . . | 2.3 | 2.0 | 2.1 | 3.9 | 1.8 | 9.5 | 10.8 | 10.2 |
| Blue-collar workers . . | 2.5 | 2.7 | 2.1 | 3.0 | 2.3 | 10.1 | 10.7 | 10.5 |
| Service workers | 1.1 | 2.1 | 1.7 | 5.4 | .7 | 9.4 | 10.5 | 10.1 |
| Manufacturing industries | 2.0 | 2.3 | 2.2 | 3.5 | 2.0 | 9.8 | 10.5 | 10.5 |
| Nonmanufacturing industries | 2.5 | 2.3 | 2.0 | 3.7 | 1.8 | 9.8 | 10.9 | 10.2 |

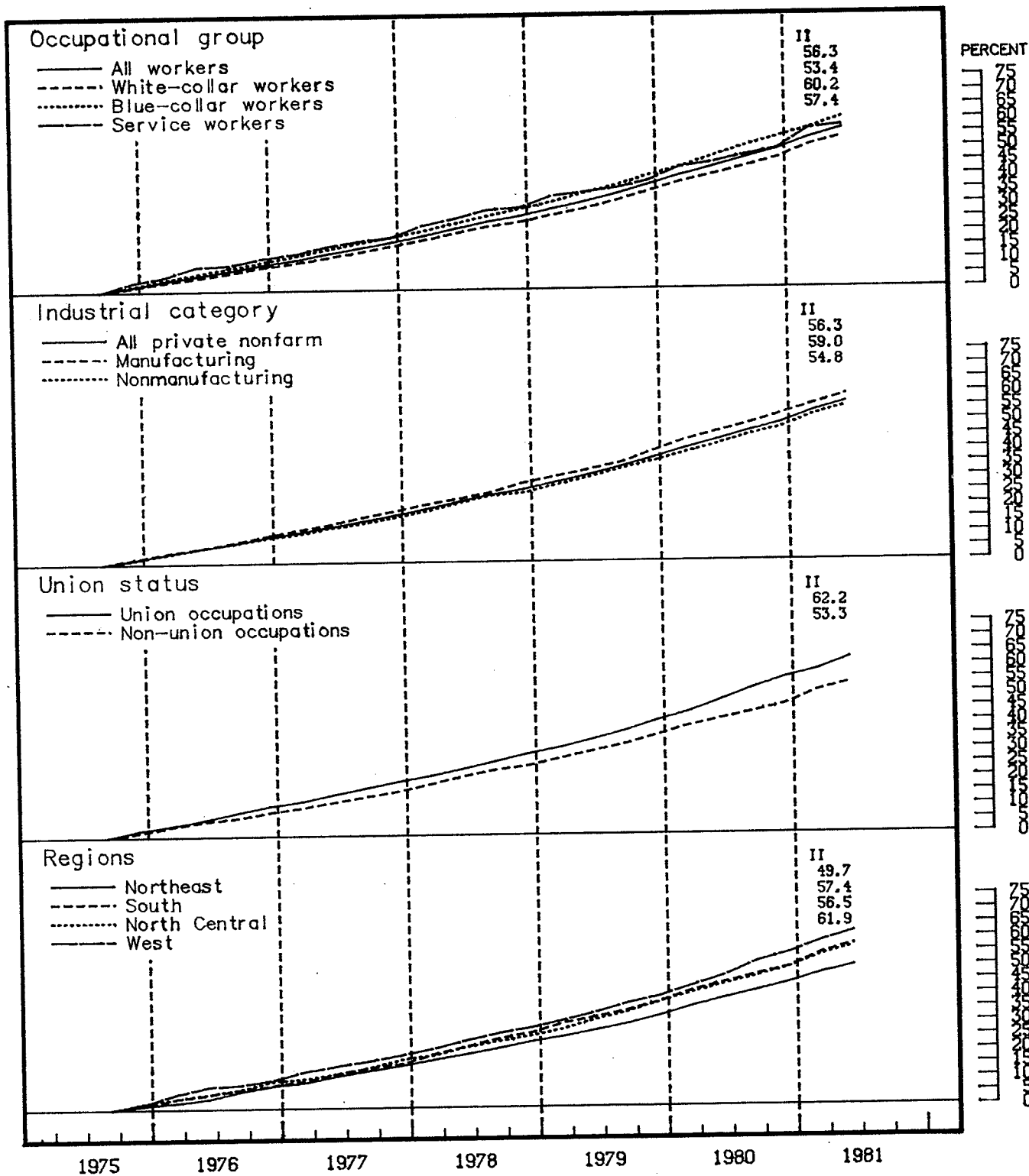
1/ Excludes private household workers.

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

| Series | Percent changes for | | | | | | | | | |
|---|---------------------|-------------------|------------------|---------------|--------------|-----------------|-------------------|------------------|---------------|--------------|
| | 3 months ended | | | | | 12 months ended | | | | |
| | June 1980 | September 1980 | December 1980 | March 1981 | June 1981 | June 1980 | September 1980 | December 1980 | March 1981 | June 1981 |
| All private nonfarm workers 1/ | 2.1 | 2.2 | 2.0 | 2.7 | 2.0 | 9.3 | 9.4 | 9.0 | 9.3 | 9.3 |
| Workers, by occupational group | | | | | | | | | | |
| White-collar workers | 1.9 | 2.1 | 2.0 | 3.1 | 1.9 | 9.3 | 9.1 | 8.7 | 9.3 | 9.4 |
| Professional and technical workers | 1.8 | 2.7 | 2.2 | 3.1 | 1.8 | 11.1 | 11.1 | 10.5 | 10.2 | 10.1 |
| Managers and administrators | 1.6 | 1.6 | 1.3 | 4.1 | 1.4 | 7.8 | 7.3 | 7.2 | 8.8 | 8.7 |
| Sales workers | 2.5 | 1.7 | 2.8 | 1.5 | 3.9 | 6.8 | 7.8 | 6.7 | 8.7 | 10.2 |
| Clerical workers | 1.8 | 2.0 | 2.1 | 3.0 | 1.4 | 10.1 | 9.2 | 9.1 | 9.2 | 8.8 |
| Blue-collar workers | 2.5 | 2.4 | 2.1 | 2.0 | 2.4 | 9.6 | 10.0 | 9.6 | 9.3 | 9.2 |
| Craft and kindred workers | 2.4 | 2.8 | 2.2 | 1.8 | 2.2 | 8.5 | 9.1 | 9.4 | 9.6 | 9.4 |
| Operatives, except transport | 2.4 | 2.3 | 2.0 | 2.4 | 2.3 | 10.7 | 11.3 | 10.2 | 9.4 | 9.3 |
| Transport equipment operatives | 3.5 | 1.4 | 1.9 | 1.5 | 3.3 | 9.9 | 8.8 | 8.2 | 8.6 | 8.4 |
| Nonfarm laborers | 2.4 | 2.3 | 2.0 | 1.9 | 2.5 | 9.9 | 10.5 | 9.5 | 8.8 | 9.0 |
| Service workers | 1.1 | 1.7 | 1.5 | 4.7 | .8 | 7.8 | 8.4 | 8.1 | 9.3 | 8.9 |
| Workers, by industry division | | | | | | | | | | |
| Manufacturing | 2.0 | 2.0 | 2.3 | 2.2 | 2.2 | 10.0 | 10.2 | 9.4 | 8.8 | 9.0 |
| Durables | 2.1 | 2.5 | 2.3 | 2.3 | 2.1 | 10.4 | 10.8 | 9.8 | 9.6 | 9.6 |
| Nondurables | 1.9 | 1.2 | 2.1 | 2.2 | 2.2 | 9.2 | 9.2 | 8.6 | 7.5 | 7.9 |
| Nonmanufacturing | 2.1 | 2.3 | 1.9 | 3.0 | 2.0 | 8.9 | 8.9 | 8.8 | 9.6 | 9.5 |
| Construction | 2.9 | 2.9 | 1.5 | 1.8 | 2.4 | 7.5 | 8.4 | 8.8 | 9.4 | 8.9 |
| Transportation and public utilities | 2.3 | 3.2 | 2.7 | 2.3 | 2.3 | 10.1 | 10.4 | 11.1 | 10.8 | 10.9 |
| Wholesale and retail trade | 1.9 | 1.5 | 1.7 | 3.2 | 1.9 | 7.8 | 7.4 | 7.8 | 8.5 | 8.5 |
| Wholesale trade | 2.7 | .9 | 3.2 | 2.7 | 1.5 | 9.2 | 8.9 | 10.0 | 9.8 | 8.5 |
| Retail trade | 1.5 | 1.8 | 1.1 | 3.4 | 2.0 | 7.3 | 6.9 | 7.0 | 8.0 | 8.5 |
| Finance, insurance, and real estate | 2.7 | 2.0 | 2.1 | 2.7 | 4.5 | 9.6 | 9.7 | 7.4 | 9.8 | 11.8 |
| Services | 1.6 | 2.5 | 1.6 | 4.0 | .4 | 9.8 | 9.6 | 8.7 | 10.1 | 8.8 |
| Workers, by region | | | | | | | | | | |
| Northeast | 2.1 | 1.9 | 1.9 | 2.4 | 1.7 | 8.7 | 8.9 | 8.6 | 8.5 | 8.1 |
| South | 1.9 | 1.9 | 1.9 | 3.3 | 2.0 | 9.0 | 9.3 | 8.8 | 9.3 | 9.4 |
| North Central | 2.0 | 1.9 | 2.2 | 3.0 | 1.9 | 9.3 | 9.2 | 8.8 | 9.4 | 9.2 |
| West | 2.4 | 3.4 | 2.0 | 2.7 | 2.1 | 9.6 | 10.6 | 10.8 | 10.9 | 10.7 |
| Workers, by bargaining status | | | | | | | | | | |
| Union | 2.8 | 2.9 | 2.5 | 1.7 | 2.6 | 10.2 | 10.9 | 10.9 | 10.2 | 10.1 |
| Manufacturing | 2.8 | 2.8 | 2.4 | 1.7 | 2.3 | 11.1 | 12.0 | 11.0 | 10.1 | 9.6 |
| Nonmanufacturing | 2.8 | 3.0 | 2.6 | 1.7 | 3.0 | 9.5 | 9.9 | 10.8 | 10.4 | 10.6 |
| Nonunion | 1.7 | 1.8 | 1.8 | 3.3 | 1.8 | 8.7 | 8.6 | 8.0 | 8.9 | 9.0 |
| Manufacturing | 1.4 | 1.2 | 2.1 | 2.7 | 2.1 | 9.0 | 8.6 | 7.9 | 7.6 | 8.4 |
| Nonmanufacturing | 1.9 | 2.0 | 1.7 | 3.5 | 1.7 | 8.6 | 8.6 | 8.1 | 9.4 | 9.2 |
| Workers, by area | | | | | | | | | | |
| Metropolitan areas | 2.2 | 2.3 | 2.0 | 2.6 | 2.1 | 9.3 | 9.5 | 9.0 | 9.5 | 9.4 |
| Other areas | 1.6 | 1.5 | 2.4 | 3.3 | 1.7 | 8.9 | 8.9 | 9.4 | 9.1 | 9.2 |

1/ Excludes private household workers.

ECI cumulative quarterly percent changes,
wages and salaries,
September 1975-June 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 2.0 percent change in wage and salary rates for "all private non-farm workers" in the second 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 March 1981 to the comparable pay period in June 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 size 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.