

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

USDL: 80-355

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FOR RELEASE: 2:00 p.m. EDT
Thursday, May 29, 1980

EMPLOYMENT COST INDEX --1st Quarter 1980

Employee compensation rates measured by the newly-expanded Employment Cost Index (ECI) increased 2.7 percent for the 3 months ended in March 1980, the U.S. Department of Labor's Bureau of Labor Statistics reported today. The new compensation measure, published for the first time today, includes changes in employer costs for employee benefits as well as wage and salary changes. In addition to the new compensation measure, BLS will continue to publish data on wages and salaries alone.

Wage and salary rates were up 2.4 percent in the first quarter of 1980, somewhat more than the 2.0 percent increase for the same quarter in 1979. In the 12 months ended in March 1980, the ECI wage and salary measure rose 9.1 percent. The ECI, a relatively new statistical series, is not seasonally adjusted.

This release includes ECI compensation change measures for workers in the private nonfarm economy (excluding households), manufacturing and nonmanufacturing industries, and white-collar, blue-collar, and service workers. ECI wage and salary measures are provided for these categories as well as by occupational group, industry division, region, and collective bargaining status. As the ECI continues to develop, more detailed compensation measures will be published (see explanatory note).

Compensation changes, December 1979-March 1980

Employee compensation data cover wages, salaries, and the cost of employee benefits, measured on a cents-per-hour worked basis. The ECI measures pay and benefit cost changes resulting from collective bargaining settlements, those instituted by employers, minimum wage adjustments, legally required benefit changes (e.g., Social Security, Unemployment Insurance), and other compensation changes during the period measured.

Compensation rates rose 2.7 percent for private nonfarm workers as a whole. The change for workers in manufacturing (2.8 percent) was about the same as in nonmanufacturing industries (2.7 percent) during the first quarter of 1980 (table 1). Compensation gains for broad occupational groups, on the other hand, showed greater dispersion. Increases were 4.3 percent for service workers, 2.8 percent for white-collar workers, and 2.4 percent for blue-collar workers.

Compensation increased at about the same rate as wages and salaries for blue-collar workers (2.4 and 2.3 percent, respectively) and in manufacturing industries (both 2.8 percent). In contrast, compensation gains outpaced wage increases for service workers (4.3 and 3.5 percent), white-collar workers (2.8 and 2.4 percent), and in nonmanufacturing industries (2.7 and 2.2 percent). Employer benefit costs appeared to increase at a faster rate than wages during the first quarter of 1980. However, wage increases--along with their secondary effect on wage-related benefits such as paid holidays, paid vacations, and Social Security--accounted for about four-fifths of the compensation increase.

Wage and salary changes, December 1979-March 1980

The overall 2.4 percent wage and salary increase was exceeded by pay gains for manufacturing workers, averaging 2.8 percent (table 2). Within manufacturing, pay increases for workers in nondurable goods industries (3.2 percent) outpaced those for workers in the durables sector (2.5 percent).

Pay gains for nonmanufacturing workers as a whole averaged 2.2 percent. Pay increases among nonmanufacturing industries ranged from 2.9 percent in wholesale trade to 0.4 percent for workers in finance, insurance, and real estate where the gain was dampened by declines in commission earnings.

Wages and salaries rose at about the same rate for white-collar (2.4 percent) and blue-collar (2.3 percent) workers. Within these categories, however, pay changes among occupational groups varied widely. Pay changes for white-collar groups ranged from a 3.3 percent increase for professional and technical workers to a 0.5 percent decrease for sales workers--reflecting declines in commission earnings. Sales workers' pay trends are volatile because they are heavily influenced by commission earnings which fluctuate with volume of sales.

The ECI is computed from wage and salary rates, where available. Straight-time average hourly earnings are used for workers paid under incentive or commission pay systems whose earnings are affected by fluctuations in volume of output or sales.

Blue-collar pay advances ranged from 3.2 percent for operatives (except transport) to 1.2 percent for transport equipment operatives. Service workers posted a 3.5 percent pay advance, topping pay gains for all blue-collar and white-collar occupational groups.

Pay advances averaged 2.3 percent for union and 2.5 percent for nonunion workers. Nonunion workers registered pay gains of 3.0 percent in manufacturing and 2.3 percent in nonmanufacturing. Corresponding gains for union workers were 2.6 and 2.0 percent.

Regionally, pay increases ranged from 2.8 percent in the South to 2.4 percent in the North Central.

Wage and salary changes, March 1979-March 1980

Pay was up 9.1 percent for private nonfarm workers. Pay for workers in manufacturing increased 9.7 percent, compared with 8.8 percent for those in nonmanufacturing. Workers in finance, insurance, and real estate showed the largest gain among industry groups, 10.2 percent. Construction workers registered the smallest advance at 7.1 percent.

Pay for blue-collar workers increased 9.4 percent, about the same as the 9.2 percent average rise for white-collar workers. The 7.6 percent increase for service workers was the lowest among occupational groups.

Workers covered by collective bargaining agreements had pay gains averaging 9.5 percent, compared with 8.9 percent for nonunion workers. The difference was due to wage increases in manufacturing where pay for union workers advanced 10.3 percent, contrasted with 9.3 percent for nonunion workers. Union/nonunion pay gains averaged the same (8.8 percent) in nonmanufacturing.

The rise in pay by region varied from 9.9 percent in the North Central States to 8.3 percent in the Northeast.

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 saving 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;

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 2.4 percent change in wage and salary rates for "all private nonfarm workers" in the first quarter of 1980 (table 1) is the actual percent change in straight-time average hourly earnings from the pay period including the 12th day of December 1979 to the comparable pay period in March 1980.

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.

Table 1. Rate of compensation and wage and salary changes in the Employment Cost Index

Series	Percent change for 3 months ended -	
	March 1980	
	Compensation	Wages and salaries
All private nonfarm workers -----	2.7	2.4
White-collar workers -----	2.8	2.4
Blue-collar workers -----	2.4	2.3
Service workers -----	4.3	3.5
Manufacturing industries -----	2.8	2.8
Nonmanufacturing industries ----	2.7	2.2

Table 2. Rate of wage and salary changes in Employment Cost Index

Series	Percent changes for								
	3 months ended				12 months ended				
	March 1979	June 1979	September 1979	December 1979	March 1980	June 1979	September 1979	December 1979	March 1980
All private nonfarm workers -----	2.0	1.9	2.1	2.4	2.4	7.6	7.7	8.7	9.1
<u>Workers, by occupational group</u>									
White-collar workers -----	1.9	1.7	2.3	2.4	2.4	7.0	7.4	8.6	9.2
Professional and technical workers -	1.9	1.1	2.7	2.8	3.3	6.9	7.5	8.8	10.3
Managers and administrators -----	2.4	1.5	2.0	1.4	2.6	6.9	7.6	7.4	7.7
Sales workers -----	-0.2	4.2	0.7	3.9	-0.5	6.7	4.8	8.8	8.6
Clerical workers -----	2.7	1.4	2.9	2.1	3.0	7.4	8.5	9.4	9.6
Blue-collar workers -----	1.9	2.3	2.0	2.5	2.3	8.4	8.4	9.0	9.4
Craft and kindred workers -----	2.1	2.1	2.2	1.9	1.7	8.2	8.3	8.6	8.2
Operatives, except transport -----	1.9	2.2	1.7	3.1	3.2	8.6	8.3	9.2	10.5
Transport equipment operatives -----	1.5	3.5	2.4	2.4	1.2	8.3	9.5	10.2	9.8
Nonfarm laborers -----	1.5	2.7	1.7	2.9	2.5	8.6	8.5	9.1	10.1
Service workers -----	3.2	0.9	1.1	1.8	3.5	7.2	5.9	7.2	7.6
<u>Workers, by industry division</u>									
Manufacturing -----	1.7	1.8	1.8	3.1	2.8	8.2	8.1	8.6	9.7
Durables -----	1.8	1.5	2.1	3.3	2.5	8.2	8.4	9.0	9.7
Nondurables -----	1.5	2.3	1.2	2.7	3.2	8.2	7.6	7.8	9.7
Nonmanufacturing -----	2.2	2.0	2.3	2.0	2.2	7.2	7.5	8.8	8.8
Construction -----	1.3	2.6	2.0	1.1	1.2	7.6	7.2	7.2	7.1
Transportation and public utilities -----	2.6	1.6	2.9	2.0	2.5	8.4	9.2	9.4	9.3
Wholesale and retail trade -----	2.1	2.4	1.9	1.3	2.6	7.0	7.7	7.9	8.4
Wholesale trade -----	1.6	2.9	1.2	2.1	2.9	7.7	7.8	7.9	9.4
Retail trade -----	2.3	2.3	2.1	1.0	2.4	6.7	7.7	7.9	8.0
Finance, insurance, and real estate -----	3.1	3.2	1.9	4.3	0.4	*	*	13.2	10.2
Services -----	2.1	1.1	2.6	2.5	2.7	6.4	6.6	8.5	9.2
<u>Workers, by region</u>									
Northeast -----	1.5	1.7	1.7	2.1	2.5	6.9	6.9	7.3	8.3
South -----	2.6	1.7	1.7	2.4	2.8	8.3	7.7	8.5	8.8
North Central -----	1.9	2.5	2.0	2.6	2.4	7.8	8.2	9.4	9.9
West -----	2.0	2.0	2.5	1.8	2.6	7.7	8.2	8.5	9.2
<u>Workers, by bargaining status</u>									
Union -----	1.8	2.1	2.2	2.6	2.3	8.3	8.4	9.0	9.5
Manufacturing -----	1.7	2.0	1.9	3.4	2.6	9.1	8.6	9.4	10.3
Nonmanufacturing -----	1.9	2.2	2.5	1.7	2.0	7.6	8.2	8.5	8.8
Nonunion -----	2.1	1.9	1.9	2.3	2.5	7.2	7.3	8.5	8.9
Manufacturing -----	1.7	1.7	1.6	2.7	3.0	7.4	7.7	7.9	9.3
Nonmanufacturing -----	2.3	2.0	2.1	2.1	2.3	7.1	7.1	8.8	8.8
<u>Workers, by area</u>									
Metropolitan areas -----	2.0	2.0	2.2	2.5	2.1	7.7	7.9	8.9	9.1
Other areas -----	2.1	2.1	1.6	1.9	3.6	7.4	7.3	7.9	9.5

* Not available

ECI cumulative quarterly percent changes, Wages and Salaries, September 1975–March 1980

