

News

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EMPLOYMENT COST INDEX--JUNE 1978

Wage and salary rates measured by the Employment Cost Index (ECI) rose 2.1 percent in the 3 months ended in June, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. This increase--up from 1.9 percent in the first quarter--included pay gains for workers in construction and transportation as well as substantial increases in commission earnings for stock and bond brokers and automobile salesworkers. In the 12 months ended in June, the increase was 7.8 percent. (See table.) Since September 1975, when this series began, wages and salaries have climbed 21.6 percent. (See chart.)

March 1978-June 1978

The 2.9 percent increase in construction, up from 1.2 percent in the first quarter, reflected the seasonal pattern of collective bargaining in the industry with settlements and deferred increases concentrated in the spring and summer months. In transportation and public utilities, wage and salary rates rose 2.1 percent; a large number of workers in this industry group were truckdrivers who received deferred increases and cost-of-living adjustments. The rate of pay increase in manufacturing was less than that in nonmanufacturing industries combined (1.6 and 2.4 percent, respectively), a reversal of what occurred in the first quarter (2.0 and 1.9 percent, respectively). Deceleration in the second quarter rate of increase for manufacturing resulted from smaller pay gains for nonunion manufacturing workers (1.6 percent) than in the preceding quarter (2.2 percent), while the rate of increase for workers covered by collective bargaining agreements held steady for the 2 quarters (1.7 percent). The second quarter rate of wage and salary increase for workers in wholesale and retail trade was 2.7 percent--down from the first quarter despite a substantial rise in the commission earnings of salesworkers in retail trade.

Salesworkers led all occupations in the rate of pay increase (5.4 percent), largely due to a jump in commission earnings of stock and bond brokers and salesworkers in automobile dealerships. 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 second quarter (2.1 and 2.2 percent, respectively), both up from 1.8 percent in the prior period. Three of the four white-collar groups experienced smaller rates of wage and salary increase, but this was offset for the group as a whole by the sharp rise in salesworker pay. In the blue-collar category, the rate of wage and salary increase for craft workers and transport equipment operatives was up from the first quarter, while laborers and operatives, except transport, experienced declining rates of increase. The pay of transport equipment operatives climbed 4.5 percent. As mentioned previously, large numbers of these workers in trucking received deferred increases and cost-of-living adjustments. The acceleration in the rate of increase for craft workers was spread throughout most industries. On the other hand, laborers in wholesale and retail trade experienced a slackening in the rate of pay increase which dampened the rate of increase for all laborers. Wage and salary gains for service workers (1.9 percent) were smaller than in the first quarter (3.6 percent).

For the second consecutive quarter, pay for nonunion workers (2.2 percent) advanced at a faster rate than pay for union workers (2.0 percent). Large increases in commission earnings paid to salesworkers helped push the rate of increase for the nonunion series above that for the union. Workers in the North Central region recorded the largest gains, 2.3 percent, while workers in the Northeast had the smallest, 1.6 percent.

June 1977-June 1978

Over the 12 months ended in June 1978, service workers' pay increases outpaced those for both white- and blue-collar workers, and wages and salaries increased by the same rate for workers in both manufacturing and nonmanufacturing industries. Pay rates increased more rapidly for

nonunion than union workers. Without the impact of the change in commission earnings, however, the two series would have increased at about the same rate. Wage and salary gains were highest for workers in the South and smallest for workers in the Northeast.

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 2.1 percent change, shown in the table, for the "all private nonfarm workers" series in the second 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 March 1978 to the comparable pay period in June 1978. The 22.6 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 June 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.

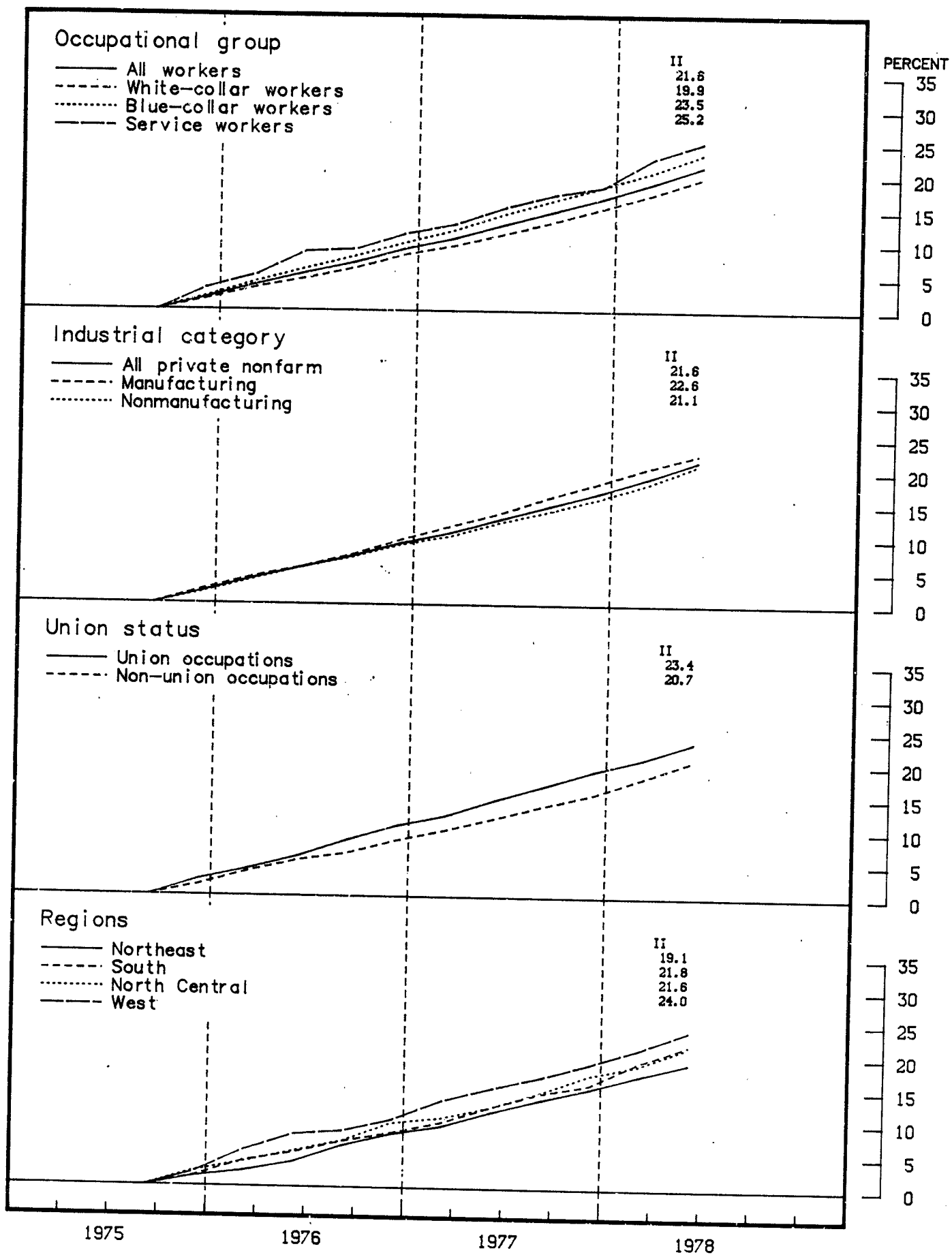
The "union" series includes those occupations covered by collective bargaining agreements. The "nonunion" series includes occupations not covered.

Rate of wage and salary changes in Employment Cost Index

Series	3 months ended					12 months ended			
	June 1977	September 1977	December 1977	March 1978	June 1978	September 1977	December 1977	March 1978	June 1978
	All private nonfarm workers	1.9	1.8	1.7	1.9	2.1	7.2	7.0	7.5
<u>Workers, by occupational group</u>									
White-collar workers	1.6	1.7	1.8	1.8	2.1	6.6	6.5	7.1	7.6
Professional and technical workers	1.5	1.8	1.7	1.6	1.3	6.8	6.7	6.8	6.6
Managers and administrators	2.0	1.3	0.7	2.4	1.8	6.5	6.2	6.5	6.3
Sales workers	1.7	1.7	4.0	0.3	5.4	*	*	7.9	11.8
Clerical workers	1.2	2.0	1.7	2.4	1.4	6.5	6.9	7.5	7.7
Blue-collar workers	2.2	1.8	1.8	1.8	2.2	7.8	7.7	7.8	7.9
Craft and kindred workers	1.9	2.2	1.7	1.3	2.3	7.8	8.2	7.4	7.9
Operatives, except transport	1.7	1.6	2.2	2.5	1.4	7.9	7.3	8.2	7.8
Transport equipment operatives	4.2	1.6	1.0	1.3	4.5	7.2	7.3	8.4	8.6
Nonfarm laborers	2.9	1.3	1.5	2.4	2.1	8.5	7.6	8.3	7.4
Service workers	2.2	1.7	1.0	3.6	1.9	7.5	6.4	8.7	8.4
<u>Workers, by industry division</u>									
Manufacturing	1.8	2.2	1.8	2.0	1.6	8.2	7.8	8.0	7.8
Durables	1.5	2.2	2.0	1.8	1.7	8.4	7.8	7.3	7.9
Nondurables	2.2	2.0	1.5	2.3	1.5	7.8	7.9	8.3	7.6
Nonmanufacturing	1.9	1.5	1.7	1.9	2.4	6.6	6.5	7.2	7.8
Construction	2.3	1.8	1.4	1.2	2.9	6.2	6.6	6.9	7.5
Transportation and public utilities	2.9	2.0	2.1	1.4	2.1	9.5	9.2	8.7	7.9
Wholesale and retail trade	1.7	0.9	1.5	3.1	2.7	7.0	6.6	7.4	8.5
Wholesale trade	*	-0.2	2.6	2.5	1.8	*	*	*	6.8
Retail trade	1.9	1.4	1.1	3.3	3.1	6.2	5.8	7.8	9.1
Services	1.8	1.8	0.7	1.7	1.7	5.2	5.3	6.1	6.0
<u>Workers, by region</u>									
Northeast	2.0	1.7	1.5	1.8	1.6	6.7	6.5	7.2	6.8
South	2.2	1.9	1.2	3.0	2.2	7.0	6.9	8.5	8.4
North Central	1.5	2.0	2.4	1.3	2.3	7.0	6.8	7.4	8.2
West	1.7	1.5	1.8	1.9	2.2	7.7	7.8	7.1	7.6
<u>Workers, by bargaining status</u>									
Union	2.2	1.9	2.0	1.6	2.0	7.7	7.6	7.8	7.6
Manufacturing	2.0	2.3	2.2	1.7	1.7	8.8	8.3	8.4	8.1
Nonmanufacturing	2.4	1.5	1.8	1.5	2.3	6.6	7.0	7.2	7.2
Nonunion	1.7	1.7	1.6	2.2	2.2	6.9	6.6	7.3	7.9
Manufacturing	1.6	2.0	1.5	2.2	1.6	7.6	7.4	7.6	7.5
Nonmanufacturing	1.7	1.6	1.6	2.1	2.5	6.4	6.2	7.2	8.0
<u>Workers, by area</u>									
Metropolitan areas	1.8	1.7	1.9	1.7	2.1	7.0	6.9	7.2	7.6
Other areas	2.1	1.8	1.1	3.4	2.3	7.4	6.7	8.6	8.8

* Not available

ECI cumulative quarterly percent changes,
September 1975-June 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 fixed weight market basket of the Consumer Price Index. The Employment Cost Index is a measure of change in the price of labor, not of the level of well-being of workers.

The scope of the measure will be expanded to total compensation, covering employee benefits as well as wages and salaries, and to broader industrial coverage, resulting in an index of changes in all compensation. Benefit data are currently being collected, edited, and stored pending completion of the computer processing system which is scheduled to be operational in 1980. A historical series based upon these data will then be provided in addition to current statistics. A long-term program objective is to increase the amount of detail for industries, occupations, and areas and the frequency of publication. Seasonally adjusted statistics will become available as soon as sufficient experience is accumulated to compute adjustment factors.

The Employment Cost Index statistics are now computed from over 9,600 occupational wage and salary observations collected quarterly from approximately 2,100 respondents representing, with certain exclusions, the occupational employment composition of the private nonfarm economy. Each observation may cover from 1 to several thousand workers. Data are collected covering nearly a half million employees. Respondents in the quarterly survey are 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, private household employees, and workers in Alaska and Hawaii. Except for the self-employed and unpaid family workers, these exclusions are temporary. It is intended that agricultural employees will also eventually be within the scope of the survey.

Straight-time hourly earnings are used in the Employment Cost Index as a proxy for a measure of wage and salary rates. 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. Straight-time earnings are total earnings before deductions, excluding premium payments for overtime and for work on weekends and holidays and shift differentials. Production bonuses and

cost-of-living allowances are included in straight-time earnings. 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, and all other supervisory personnel above first-line supervisory level, are included.

Sales workers

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

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, instrument makers, jewelers, electricians, and type-setters. An apprenticeship is usually a prerequisite for entry into these occupations.

Operatives, except transport

Operatives in this grouping are engaged in such activities as assembling goods in factories, operating or tending machinery, 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 group.

Nonfarm laborers

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

Service workers

This group includes those who maintain law and order and serve individuals in institutional, commercial, and other establishments. Some of the occupations are janitors, bartenders, waiters, dental assistants, practical nurses, flight attendants, barbers, and police and fire fighters. 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.

In addition to the industries 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--Arizona, California, Colorado, 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.