

News

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EMPLOYMENT COST INDEX - THIRD QUARTER 1981

Employee compensation rates measured by an expanded Employment Cost Index (ECI), now covering workers in the civilian nonfarm economy, rose 2.6 percent in the 3 months ended in September 1981, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Wage and salary rates increased 2.5 percent. The expanded measure, published for the first time in this release, covers all workers in the civilian economy except private household and farm workers and Federal government employees. Data for State and local government employees, included in the measure for the first time, also are published separately.

Excluding data for State and local government employees, compensation rates for workers in the private nonfarm economy rose 2.0 percent in the 3 months ended September 1981. The quarterly increase was below the 2.3 percent rise for the same quarter in 1980. (The ECI is not seasonally adjusted.) Compensation rates--covering wages, salaries, and employer costs for employee benefits--increased 10.0 percent for the 12 months ended in September 1981. Wages and salaries also rose 2.0 percent in the third quarter 1981, compared with the 2.2 percent rate of a year earlier. Wage and salary rates were up 9.1 percent over the year.

June 1981-September 1981

Workers in the civilian nonfarm economy, excluding Federal government, registered gains of 2.6 percent in compensation and 2.5 percent in wages and salaries during the third quarter of 1981. (See table 1.) The increases reflected different patterns in the private and State and local government sectors of the economy. Compensation and wage advances were 2.0 percent in the private nonfarm sector, contrasted with about 5 percent in State and local governments. Wage and benefit adjustments in State and local governments, which tend to be heavily concentrated in the third quarter, included increases for teachers at the beginning of the new school year as well as adjustments for other workers such as those in hospitals and public administration.

In the private nonfarm sector, employee compensation increases by major occupational groups (white-collar, blue-collar, and service workers), as well as for manufacturing and nonmanufacturing industries, were closely clustered around the 2.0 percent overall increase. (See table 2.) There was a similar pattern for wage and salary advances among these groups. (See table 3.)

Wage changes within major occupational groups, however, showed substantial variation. For white-collar occupations, changes ranged from a 2.0 percent decrease for sales workers (reflecting lowered commission earnings for stock and bond brokers) to a 3.3 percent increase for professional and technical workers. Within the blue-collar group, wage gains were lowest for transport equipment operatives (1.0 percent) and highest for craft and kindred workers (2.9 percent).

Wage gains for workers in durable and nondurable goods producing industries were virtually the same as the overall advance for manufacturing (2.1 percent). In contrast, wage changes in nonmanufacturing industries varied widely. They ranged from -1.7 percent in finance, insurance, and real estate to 3.0 percent in construction (where collective bargaining negotiations occur in the spring and summer months) and 3.6 percent in the service industries (reflecting pay adjustments in private educational institutions).

Union workers' pay gains in the private nonfarm economy (2.7 percent) outpaced those for nonunion workers (1.6 percent). Within the union sector, workers in manufacturing and nonmanufacturing industries received similar wage increases, 2.6 percent and 2.8 percent, respectively. In the nonunion sector, corresponding increases were 1.7 percent and 1.6 percent.

Wage increases for workers in the West, 3.2 percent, were considerably higher than they were for workers in other regions. Employees in the North Central region registered the lowest pay gains, 1.6 percent. Wage advances for workers in metropolitan areas (2.1 percent) were higher than those for workers in other areas (1.8 percent).

September 1980-September 1981, Private Nonfarm Workers

Compensation rates for white-collar, blue-collar and service workers rose at about the same pace as the 10.0 percent overall increase in the year ended September 1981. Wage gains over the year for these occupational groups were also about the same as the 9.1 percent overall increase.

Compensation increases for workers in manufacturing industries registered 10.2 percent compared with 9.8 percent for workers in nonmanufacturing industries. Wage and salary gains were the same for both industry groups, 9.1 percent.

For union workers, wages and salaries rose 9.9 percent while nonunion workers received 8.8 percent wage increases. Corresponding gains in manufacturing industries were 9.4 percent and 8.9 percent. The gap between union and nonunion employees was considerably wider in the nonmanufacturing sector--10.4 percent and 8.8 percent, respectively.

Regionally, workers in the West showed the largest wage gains, 10.4 percent, while those in the Northeast region received the smallest increases, 7.9 percent. Workers in metropolitan areas registered pay gains of 9.1 percent compared with 9.5 percent for those in other areas.

10.2	9.8
9.9	8.8
9.4	8.9
10.4	8.8
7.9	
9.1	9.5
10.4	
7.9	
9.1	9.5
10.2	9.8
9.9	8.8
9.4	8.9
10.4	8.8
7.9	
9.1	9.5

Manufacturing Industries
Nonmanufacturing Industries
Union Workers
Nonunion Workers
Manufacturing Industries
Nonmanufacturing Industries
Union Workers
Nonunion Workers

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

Series	Percent changes for 3 months ended	
	September 1981	
	Compensation	Wages and salaries
Civilian nonfarm economy <u>1/</u>	2.6	2.5
Workers, by occupational group		
White-collar workers	2.7	2.6
Blue-collar workers	2.3	2.4
Service workers	2.8	2.5
Workers, by industry division		
Manufacturing	2.1	2.1
Nonmanufacturing	2.8	2.7
Services	4.4	4.4
Public administration <u>2/</u> . . .	4.3	3.8
Private nonfarm economy <u>1/</u>	2.0	2.0
Workers, by occupational group		
White-collar workers	1.8	1.8
Blue-collar workers	2.2	2.3
Service workers	1.9	1.8
Workers, by industry division		
Manufacturing	2.1	2.1
Nonmanufacturing	2.0	2.0
State and local governments	5.3	5.0
Workers, by occupational group		
White-collar workers	5.7	5.4
Blue-collar workers	4.2	3.9
Workers, by industry division		
Services	5.8	5.5
Schools	6.0	5.7
Elementary and secondary . .	6.3	6.0
Hospitals and other services <u>3/</u>	5.0	4.6
Public administration <u>2/</u>	4.3	3.8

1/ Excludes private household and Federal government workers.

2/ Consists of legislative, judicial, administrative, and regulatory activities.

3/ Includes, for example, library, social and health services.

Table 2. Rates of compensation change in the Employment Cost Index--Private nonfarm workers ^{1/}

Series	Percent changes for											
	3 months ended						12 months ended					
	September 1980	December 1980	March 1981	June 1981	September 1981	December 1980	March 1981	June 1981	September 1981			
Private nonfarm workers ^{1/}	2.3	2.1	3.6	1.9	2.0	9.8	10.7	10.3	10.0			
<u>Workers, by occupational group</u>												
White-collar workers . .	2.0	2.1	3.9	1.8	1.8	9.5	10.8	10.2	10.0			
Blue-collar workers . .	2.7	2.1	3.0	2.3	2.2	10.1	10.7	10.5	10.0			
Service workers	2.1	1.7	5.4	.7	1.9	9.4	10.5	10.1	9.9			
<u>Workers, by industry division</u>												
Manufacturing	2.3	2.2	3.5	2.0	2.1	9.8	10.5	10.5	10.2			
Nonmanufacturing	2.3	2.0	3.7	1.8	2.0	9.8	10.9	10.2	9.8			

^{1/} Excludes private household workers.

Table 3. Rates of wage and salary change in the Employment Cost Index—Private nonfarm workers ^{1/}

Series	Percent changes for									
	3 months ended					12 months ended				
	September 1980	December 1980	March 1981	June 1981	September 1981	September 1980	December 1980	March 1981	June 1981	September 1981
Private nonfarm workers ^{1/}	2.2	2.0	2.7	2.0	2.0	9.4	9.0	9.3	9.3	9.1
Workers, by occupational group										
White-collar workers	2.1	2.0	3.1	1.9	1.8	9.1	8.7	9.3	9.4	9.2
Professional and technical workers	2.7	2.2	3.1	1.8	3.3	11.1	10.5	10.2	10.1	10.8
Managers and administrators	1.6	1.3	4.1	1.4	1.6	7.3	7.2	8.8	8.7	8.7
Sales workers	1.7	2.8	1.5	3.9	-2.0	7.8	6.7	8.7	10.2	6.2
Clerical workers	2.0	2.1	3.0	1.4	2.7	9.2	9.1	9.2	8.8	9.5
Blue-collar workers	2.4	2.1	2.0	2.4	2.3	10.0	9.6	9.3	9.2	9.1
Craft and kindred workers	2.8	2.2	1.8	2.2	2.9	9.1	9.4	9.6	9.4	9.5
Operatives, except transport	2.3	2.0	2.4	2.3	2.1	11.3	10.2	9.4	9.3	9.1
Transport equipment operatives	1.4	1.9	1.5	3.3	1.0	8.8	8.2	8.6	8.4	8.0
Nonfarm laborers	2.3	2.0	1.9	2.5	1.5	10.5	9.5	8.8	9.0	8.1
Service workers	1.7	1.5	4.7	.8	1.8	8.4	8.1	9.3	8.9	9.0
Workers, by industry division										
Manufacturing	2.0	2.3	2.2	2.2	2.1	10.2	9.4	8.8	9.0	9.1
Durables	2.5	2.3	2.3	2.1	2.1	10.8	9.8	9.6	9.6	9.2
Nondurables	1.2	2.1	2.2	2.2	2.0	9.2	8.6	7.5	7.9	8.8
Nonmanufacturing	2.3	1.9	3.0	2.0	2.0	8.9	8.8	9.6	9.5	9.1
Construction	2.9	1.5	1.8	2.4	3.0	8.4	8.8	9.4	8.9	9.0
Transportation and public utilities	3.2	2.7	2.3	2.3	2.0	10.4	11.1	10.8	10.9	9.6
Wholesale and retail trade	1.5	1.7	3.2	1.9	1.3	7.4	7.8	8.5	8.5	8.2
Wholesale trade9	3.2	2.7	1.5	2.0	8.9	10.0	9.8	8.5	9.7
Retail trade	1.8	1.1	3.4	2.0	1.0	6.9	7.0	8.0	8.5	7.7
Finance, insurance, and real estate	2.0	2.1	2.7	4.5	-1.7	9.7	7.4	9.8	11.8	7.8
Services	2.5	1.6	4.0	.4	3.6	9.6	8.7	10.1	8.8	10.0
Workers, by region										
Northeast	1.9	1.9	2.4	1.7	1.7	8.9	8.6	8.5	8.1	7.9
South	1.9	1.9	3.3	2.0	1.9	9.3	8.8	9.3	9.4	9.4
North Central	1.9	2.2	3.0	1.9	1.6	9.2	8.8	9.4	9.2	9.0
West	3.4	2.0	2.7	2.1	3.2	10.6	10.8	10.9	10.7	10.4
Workers, by bargaining status										
Union	2.9	2.5	1.7	2.6	2.7	10.9	10.9	10.2	10.1	9.9
Manufacturing	2.8	2.4	1.7	2.3	2.6	12.0	11.0	10.1	9.6	9.4
Nonmanufacturing	3.0	2.6	1.7	3.0	2.8	9.9	10.8	10.4	10.6	10.4
Nonunion	1.8	1.8	3.3	1.8	1.6	8.6	8.0	8.9	9.0	8.8
Manufacturing	1.2	2.1	2.7	2.1	1.7	8.6	7.9	7.6	8.4	8.9
Nonmanufacturing	2.0	1.7	3.5	1.7	1.6	8.6	8.1	9.4	9.2	8.8
Workers, by area										
Metropolitan areas	2.3	2.0	2.6	2.1	2.1	9.5	9.0	9.5	9.4	9.1
Other areas	1.5	2.4	3.3	1.7	1.8	8.9	9.4	9.1	9.2	9.5

^{1/} Excludes private household workers.

EXPLANATORY NOTE

The Employment Cost Index (ECI) is a quarterly measure of the change in the price of labor, free from the influence of employment shifts among occupations and industries. The ECI wage and salary series is limited to 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.

The compensation series includes employer costs for employee benefits as well as wages and salaries. 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.

The ECI collects data for both the private and public sectors, which are published separately and also combined as the total civilian nonfarm economy. The private sector includes the total private nonfarm economy, excluding private households. The public sector covers State and local governments, but excludes the Federal government.

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 in the private sector and about 3,700 occupations within 750 sample establishments in State and local governments.

Occupations were classified according to definitions used in the 1970 Census. Within an establishment, specific job categories are selected to represent broader occupational definitions. The sample establishments were classified in industry categories based on a 1972 Standard Industrial Classification (SIC), as defined by the U.S. Office of Management and Budget. Within the private sector sample, establishments are designated by a 2-digit SIC, while in State and local governments, industrial categories vary from a more specific 3-digit SIC such as elementary and secondary schools to a broader major industry division such as public administration. Each establishment is also classified by ownership--State, local, or private.

Data are collected for the pay period including 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 "private nonfarm workers" in the third quarter of 1981 (table 3) is the actual percent change in straight-time average hourly earnings from the pay period including the 12th day of June 1981 to the comparable pay period in September 1981.

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.