

News

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Internet Address: <http://www.bls.gov/ces/>
Technical information: (202) 691-6555 USDL 05-100
Media contact: 691-5902

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REAL EARNINGS IN DECEMBER 2004

Real average weekly earnings rose by 0.5 percent from November to December after seasonal adjustment, according to preliminary data released today by the Bureau of Labor Statistics of the U.S. Department of Labor. This was due to a 0.1 percent increase in average hourly earnings, a 0.3 percent rise in average weekly hours, and a 0.1 percent decrease in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Data on average weekly earnings are collected from the payroll reports of private nonfarm establishments. Earnings of both full-time and part-time workers holding production or nonsupervisory jobs are included. Real average weekly earnings are calculated by adjusting earnings in current dollars for changes in the CPI-W.

Average weekly earnings rose by 3.3 percent, seasonally adjusted, from December 2003 to December 2004. After deflation by the CPI-W, average weekly earnings decreased by 0.2 percent. Before adjustment for seasonal change and inflation, average weekly earnings were \$537.08 in December 2004, compared with \$520.13 a year earlier.

Real Earnings for January 2005 will be released on Wednesday, February 23, 2005.

Table A. Composition of change in real earnings of production or nonsupervisory workers¹ on private nonfarm payrolls

Year and month	Average hourly earnings	Average weekly hours	Average weekly earnings	The Consumer Price Index ²	Real average weekly earnings
	Percent change from preceding month, seasonally adjusted				
2003: Dec.	-0.1	-0.6	-0.7	0.2	-0.8
2004: Jan.	.3	.6	.9	.6	.3
Feb.	.2	.0	.2	.3	-.1
Mar.	.2	.0	.2	.5	-.3
Apr.	.3	-.3	(³)	.2	-.2
May	.3	.3	.6	.7	-.1
June	.2	-.6	-.4	.3	-.7
July	.3	.6	.9	-.1	1.0
Aug.	.3	-.3	(³)	.1	(³)
Sept.	.1	.3	.4	.2	.3
Oct.	.3	.0	.3	.6	-.4
Nov. ^p	.1	-.3	-.2	.2	-.3
Dec. ^p	.1	.3	.4	-.1	.5

¹ See footnote 2, table 1.

² The deflator for the constant-dollar series presented in this release is the Consumer Price Index for Urban Wage

Earners and Clerical Workers (CPI-W).

³ Less than 0.05 percent.

^p = preliminary.

Table B. Percent change in earnings from the same month a year ago for production or nonsupervisory workers¹ on private nonfarm payrolls, seasonally adjusted

Year and month	Average hourly earnings		Average weekly earnings	
	Current dollars	Constant (1982) dollars ²	Current dollars	Constant (1982) dollars ²
2003: Dec.	1.8	0.1	1.2	-0.5
2004: Jan.	2.0	.2	2.0	.2
Feb.	1.6	.2	1.9	.5
Mar.	1.8	.4	1.8	.4
Apr.	2.2	.2	2.5	.5
May	2.1	-.8	2.4	-.6
June	2.1	-1.1	1.8	-1.3
July	2.0	-1.0	2.6	-.3
Aug.	2.3	-.2	2.6	(³)
Sept.	2.4	.0	3.0	.6
Oct.	2.5	-.7	2.8	-.4
Nov. ^p	2.5	-1.2	2.2	-1.5
Dec. ^p	2.7	-.8	3.3	-.2

¹ See footnote 2, table 1.

² The deflator for the constant-dollar series presented in this release is the Consumer Price Index for Urban Wage

Earners and Clerical Workers (CPI-W).

³ Less than 0.05 percent.

^p = preliminary.

Table 1. Earnings of production or nonsupervisory workers on private nonfarm payrolls in current and constant dollars¹ by industry and selected industry detail, not seasonally adjusted

Industry	Average hourly earnings				Average weekly earnings			
	Dec. 2003	Nov. 2004 ^P	Dec. 2004 ^P	Percent change: Dec. 2003-Dec. 2004	Dec. 2003	Nov. 2004 ^P	Dec. 2004 ^P	Percent change: Dec. 2003-Dec. 2004
Total private: ²								
Current dollars	\$15.48	\$15.86	\$15.89	2.6	\$520.13	\$534.48	\$537.08	3.3
Constant (1982) dollars	8.34	8.23	8.28	-.7	280.09	277.22	279.73	-.1
Goods-producing:								
Current dollars	17.03	17.38	17.43	2.3	682.90	696.94	702.43	2.9
Constant (1982) dollars	9.17	9.01	9.08	-1.0	367.74	361.48	365.85	-5
Natural resources and mining:								
Current dollars	17.97	18.32	18.41	2.4	781.70	831.73	822.93	5.3
Constant (1982) dollars	9.68	9.50	9.59	-.9	420.95	431.40	428.61	1.8
Construction:								
Current dollars	19.10	19.37	19.35	1.3	714.34	739.93	739.17	3.5
Constant (1982) dollars	10.29	10.05	10.08	-2.0	384.67	383.78	384.98	.1
Manufacturing:								
Current dollars	16.05	16.33	16.47	2.6	662.87	666.26	678.56	2.4
Constant (1982) dollars	8.64	8.47	8.58	-.7	356.96	345.57	353.42	-1.0
Private service-providing:								
Current dollars	15.07	15.46	15.48	2.7	485.25	499.36	501.55	3.4
Constant (1982) dollars	8.12	8.02	8.06	-.7	261.31	259.00	261.22	.0
Trade, transportation, and utilities:								
Current dollars	14.31	14.77	14.72	2.9	480.82	491.84	494.59	2.9
Constant (1982) dollars	7.71	7.66	7.67	-.5	258.92	255.10	257.60	-5
Wholesale trade:								
Current dollars	17.46	17.81	17.83	2.1	659.99	669.66	668.63	1.3
Constant (1982) dollars	9.40	9.24	9.29	-1.2	355.41	347.33	348.24	-2.0
Retail trade:								
Current dollars	11.87	12.18	12.14	2.3	367.97	370.27	376.34	2.3
Constant (1982) dollars	6.39	6.32	6.32	-1.1	198.15	192.05	196.01	-1.1
Transportation and warehousing:								
Current dollars	16.33	17.00	17.08	4.6	602.58	637.50	638.79	6.0
Constant (1982) dollars	8.79	8.82	8.90	1.3	324.49	330.65	332.70	2.5
Utilities:								
Current dollars	25.26	25.99	26.05	3.1	1,028.08	1,060.39	1,052.42	2.4
Constant (1982) dollars	13.60	13.48	13.57	-.2	553.62	549.99	548.14	-1.0
Information:								
Current dollars	21.10	21.71	21.86	3.6	761.71	792.42	793.52	4.2
Constant (1982) dollars	11.36	11.26	11.39	.3	410.18	411.01	413.29	.8
Financial activities:								
Current dollars	17.26	17.62	17.65	2.3	607.55	625.51	630.11	3.7
Constant (1982) dollars	9.29	9.14	9.19	-1.1	327.17	324.43	328.18	.3
Professional and business services:								
Current dollars	17.29	17.59	17.70	2.4	582.67	599.82	603.57	3.6
Constant (1982) dollars	9.31	9.12	9.22	-1.0	313.77	311.11	314.36	.2
Education and health services:								
Current dollars	15.86	16.28	16.29	2.7	512.28	529.10	529.43	3.3
Constant (1982) dollars	8.54	8.44	8.48	-.7	275.86	274.43	275.74	.0
Leisure and hospitality:								
Current dollars	8.94	9.06	9.17	2.6	225.29	230.12	233.84	3.8
Constant (1982) dollars	4.81	4.70	4.78	-.6	121.32	119.36	121.79	.4
Other services:								
Current dollars	13.88	14.04	14.11	1.7	430.28	433.84	437.41	1.7
Constant (1982) dollars	7.47	7.28	7.35	-1.6	231.71	225.02	227.82	-1.7

¹ The deflator for the constant-dollar series presented in this release is the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

² Data relate to production workers in natural resources and mining

and manufacturing, construction workers in construction, and nonsupervisory workers in the service-providing industries. These groups account for approximately four-fifths of the total employment on private nonfarm payrolls.

^P = preliminary.

Table 2. Earnings of production or nonsupervisory workers¹ on private nonfarm payrolls, seasonally adjusted

Year and month	Average hourly earnings		Average weekly earnings	
	Current dollars	Constant (1982) dollars ²	Current dollars	Constant (1982) dollars ²
2003: Dec.	\$15.45	\$8.30	\$519.12	\$278.80
2004: Jan.	15.49	8.27	523.56	279.68
Feb.	15.52	8.27	524.58	279.48
Mar.	15.55	8.24	525.59	278.53
Apr.	15.59	8.25	525.38	277.98
May	15.63	8.21	528.29	277.61
June	15.66	8.20	526.18	275.63
July	15.71	8.23	531.00	278.30
Aug.	15.76	8.26	531.11	278.21
Sept.	15.78	8.25	533.36	278.95
Oct.	15.82	8.22	534.72	277.78
Nov. ^P	15.84	8.22	533.81	276.87
Dec. ^P	15.86	8.23	536.07	278.33

¹ See footnote 2, table 1.

² The deflator for the constant-dollar series presented in this release is the Consumer

Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

^P = preliminary.

Explanatory Note

The earnings series presented in this release are derived from the Bureau of Labor Statistics' Current Employment Statistics (CES) survey, a monthly establishment survey of employment, payroll, and hours. The deflator used for constant-dollar earnings series presented in this release is derived from the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

For the purpose of the Real Earnings series, the CPI-W is converted from the base of 1982-84 that is used in the official, published series to a base of 1982. Thus, the constant dollar average hourly and weekly earnings series are in 1982 dollars. To avoid confusion for users, the CPI data presented in Table A are the official, published CPI-W series. These data may differ slightly from those used in the real earnings calculations.

Seasonally adjusted data are used for estimates of percent change from the same month a year ago for current and constant average hourly and weekly earnings that are presented in Table B of this release. Special techniques are applied to the CES hours and earnings data in the seasonal adjustment process to mitigate the effect of certain calendar-related fluctuations. Thus, over-the-year changes of these hours and earnings are best measured using seasonally adjusted series. A discussion of the calendar-related fluctuations in the hours and earnings data and the special techniques to remove them is available in the June 1998 issue of *Employment and Earnings* or on the Internet (<http://www.bls.gov/ces/>).

Earnings series from the monthly establishment series are estimated arithmetic averages (means) of the hourly and weekly earnings of all production or nonsupervisory jobs in the private nonfarm sector of the economy. Average hourly earnings estimates are derived by dividing the estimated industry payroll--for all production or nonsupervisory jobs--by the corresponding paid hours. Average weekly hours estimates are similarly derived by dividing estimated aggregate hours by the corresponding number of production or nonsupervisory jobs. Average weekly earnings estimates are derived by multiplying the average hourly earnings and the average weekly hours estimates. This is equivalent to dividing the estimated payroll by the number of production or nonsupervisory jobs. The weekly and hourly earnings estimates for aggregate industries, such as the major industry division and the total private

sector averages printed in this release, are derived by summing the corresponding payroll, hours, and employment estimates of the component industries. As a result, each industry receives a "weight" in the published averages that corresponds to its current level of activity (employment or total hours). This further implies that fluctuations and varying trends in employment in high-wage versus low-wage industries as well as wage rate changes influence the earnings averages.

There are several characteristics of the series presented in this release that limit their suitability for some types of economic analyses. (1) The denominator for the weekly earnings series is the number of private nonfarm production or nonsupervisory worker jobs. This number includes full-time and part-time jobs as well as the jobs held by multiple jobholders in the private nonfarm sector. These factors tend to result in weekly earnings averages significantly lower than the corresponding numbers for full-time jobs. (2) Annual earnings averages can differ significantly from the result obtained by multiplying average weekly earnings times 52 weeks. The difference may be due to factors such as turnovers and layoffs. (3) The series are the average earnings of all production or nonsupervisory jobs, not the earnings average of "typical" jobs or jobs held by "typical" workers. Specifically, there are no adjustments for occupational, age, or schooling variations or for household type or location. Many studies have established the significance of these factors and that their impact varies over time.

Seasonally adjusted data (table 2) are preferred by some users for analyzing general earnings trends in the economy since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude each year and, therefore, reveal the underlying trends and cyclical movements. Changes in average earnings may be due to seasonal changes in the proportion of workers in high-wage and low-wage industries or occupations or to seasonal changes in the amount of overtime work, and so on.

For more information, see Thomas Gavett, "Measures of Change in Real Wages and Earnings," *Monthly Labor Review*, February 1972.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: 202-691-5200; TDD Message Referral Phone Number: 1-800-877-8339.