

News

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EMPLOYMENT COST INDEX - MARCH 1984

The Employment Cost Index (ECI) increased 1.7 percent in the 3 months ended in March 1984, the U.S. Department of Labor's Bureau of Labor Statistics reported today. For the year ended in March 1984, the increase was 5.8 percent--down from 6.5 percent for the year ended in March 1983.

The March 1984 index level stood at 119.8 for compensation costs (including wages, salaries, and employer costs for employee benefits), based on June 1981=100 (table 1). The ECI covers private industry and State and local government workers. It is not seasonally adjusted.

The 1.7 percent increase in compensation costs was about the same as the 1.6 percent rise in the December-March quarter a year ago. The similarity of increases in the first quarters of 1984 and 1983 was also recorded for private industry workers (1.7 percent in both years), but not for State and local government workers (1.6 percent, up from 1.2 percent).

Wage and salary gains (1.2 percent) in the first quarter of 1984 were below the 1.7 percent compensation cost rise. This pattern occurred because increases in costs for employee benefits outpaced pay gains. Benefit cost rises were mainly due to increases in the social security tax rate (from 6.7 to 7.0 percent) and in the maximum annual salary to which the tax applies (from \$35,700 to \$37,800); higher costs for private health insurance and State unemployment insurance; and larger nonproduction bonuses.

Blue-collar and white-collar workers in private industry had the same average pay increase (1.1 percent) in the December 1983-March 1984 quarter, but changes for occupational groups within the two categories differed substantially. Wage increases for blue-collar workers ranged from 0.7 percent for nonfarm laborers to 1.4 percent for transport equipment operatives. Salary changes for white-collar workers ranged from a 0.9 percent decrease for sales workers (reflecting a drop in commission earnings in finance, insurance, and real estate) to a 2.0 percent increase for managers and administrators. Pay increases for blue-collar groups were generally higher in the first quarter of 1984 than during the same quarter a year ago. This pattern was reversed for white-collar workers.

Wage and salary increases for service workers (2.8 percent) in private industry were higher than the gains for either white-collar or blue-collar workers. The service-worker increase reflects a variety of influences, including



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higher commission earnings for workers providing personal services, as well as pay adjustment patterns for service workers that usually occur in the first quarter of the year.

In contrast to private industry workers, both compensation cost and wage and salary increases for State and local government workers in the December 1983-March 1984 quarter were higher than in the same period last year. This pattern held for school employees, but not for workers in hospitals and other services or in public administration. For school employees, one of the largest worker groups in State and local governments, compensation costs rose 1.5 percent in the first quarter of 1984, compared with 0.7 percent in the first quarter of 1983. The corresponding wage and salary gains were 1.3 and 0.6 percent.

For the year ended March 1984, compensation cost increases (5.8 percent) were substantially below gains for the year earlier (6.5 percent). The slowdown was about the same for State and local government workers (6.4 percent compared with 7.1 percent a year ago) as for private industry workers (5.7 and 6.4 percent).

Over-the-year wage and salary gains also were lower than a year ago for civilian workers (5.1 percent contrasted to 5.6 percent), private industry workers (5.0 and 5.4 percent), and State and local government workers (5.6 and 6.4 percent). The slowdown in wage increases resulted in several worker groups in private industry registering their lowest 12-month wage increases since these ECI series began in 1976 or 1977, including: Clerical workers (5.6 percent), nonfarm laborers (3.6 percent), workers in nondurable manufacturing (4.4 percent), construction workers (2.6 percent), and workers in the West region (4.1 percent).

COMPENSATION

Table 1. Employment Cost Index by occupation and industry group 1/

(Not seasonally adjusted)

| Series | Indexes (June 1981=100) | | | Percent changes for | | | | | |
|------------------------------------|-------------------------|-----------|------------|---------------------|-----------|------------|-----------------|-----------|------------|
| | March 1983 | Dec. 1983 | March 1984 | 3 months ended | | | 12 months ended | | |
| | | | | March 1983 | Dec. 1983 | March 1984 | March 1983 | Dec. 1983 | March 1984 |
| Civilian workers 2/ | 113.2 | 117.8 | 119.8 | 1.6 | 1.1 | 1.7 | 6.5 | 5.7 | 5.8 |
| Workers, by occupational group | | | | | | | | | |
| White-collar workers | 113.7 | 118.9 | 120.9 | 1.6 | 1.1 | 1.7 | 6.8 | 6.3 | 6.3 |
| Blue-collar workers | 112.3 | 115.8 | 117.7 | 1.6 | .9 | 1.6 | 6.2 | 4.8 | 4.8 |
| Service workers | 114.3 | 119.1 | 122.0 | 1.7 | 2.1 | 2.4 | 6.6 | 6.0 | 6.7 |
| Workers, by industry division | | | | | | | | | |
| Manufacturing | 112.5 | 116.0 | 117.9 | 1.9 | .9 | 1.6 | 6.1 | 5.1 | 4.8 |
| Nonmanufacturing | 113.5 | 118.6 | 120.7 | 1.5 | 1.2 | 1.8 | 6.7 | 6.1 | 6.3 |
| Services | 116.6 | 122.6 | 125.0 | 1.4 | 1.2 | 2.0 | 7.8 | 6.6 | 7.2 |
| Public administration 3/ | 116.2 | 121.4 | 122.9 | 2.3 | 1.3 | 1.2 | 7.5 | 6.9 | 5.8 |
| Private Industry workers 4/ | 112.6 | 117.0 | 119.0 | 1.7 | 1.2 | 1.7 | 6.4 | 5.7 | 5.7 |
| Workers, by occupational group | | | | | | | | | |
| White-collar workers | 112.8 | 117.9 | 119.9 | 1.8 | 1.2 | 1.7 | 6.6 | 6.4 | 6.3 |
| Blue-collar workers | 112.1 | 115.7 | 117.5 | 1.6 | 1.0 | 1.6 | 6.2 | 4.9 | 4.8 |
| Service workers | 113.8 | 117.9 | 121.5 | 1.8 | 2.4 | 3.1 | 6.7 | 5.5 | 6.8 |
| Workers, by industry division | | | | | | | | | |
| Manufacturing | 112.5 | 116.0 | 117.9 | 1.9 | .9 | 1.6 | 6.1 | 5.1 | 4.8 |
| Nonmanufacturing | 112.6 | 117.5 | 119.6 | 1.6 | 1.3 | 1.8 | 6.5 | 6.0 | 6.2 |
| State and local government workers | 116.5 | 122.0 | 123.9 | 1.2 | 1.0 | 1.6 | 7.1 | 6.0 | 6.4 |
| Workers, by occupational group | | | | | | | | | |
| White-collar workers | 117.0 | 122.6 | 124.5 | 1.0 | .9 | 1.5 | 7.2 | 5.9 | 6.4 |
| Blue-collar workers | 114.9 | 119.2 | 121.9 | 1.7 | 1.0 | 2.3 | 6.2 | 5.5 | 6.1 |
| Workers, by industry division | | | | | | | | | |
| Services | 116.8 | 122.6 | 124.5 | .8 | .7 | 1.5 | 7.2 | 5.8 | 6.6 |
| Schools | 116.6 | 122.6 | 124.5 | .7 | .6 | 1.5 | 7.1 | 5.9 | 6.8 |
| Elementary and secondary | 117.2 | 123.9 | 125.4 | .5 | .5 | 1.2 | 7.2 | 6.3 | 7.0 |
| Hospitals and other services 5/ | 117.5 | 122.6 | 124.4 | 1.3 | 1.2 | 1.5 | 7.3 | 5.7 | 5.9 |
| Public administration 3/ | 116.2 | 121.4 | 122.9 | 2.3 | 1.3 | 1.2 | 7.5 | 6.9 | 5.8 |

1/ The index measures changes in total compensation costs (wages, salaries, and employer costs for employee benefits).

2/ Includes private industry and State and local government workers and excludes farm, household, and Federal government workers.

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

4/ Excludes farm and household workers.

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

WAGES AND SALARIES

Table 2. Employment Cost Index for wages and salaries only, by occupation and industry group
(Not seasonally adjusted)

| Series | Indexes (June 1981=100) | | | | Percent changes for | | | | | | |
|--|-------------------------|-----------|------------|-----------|---------------------|-----------|------------|-----------|------------|-----------|------------|
| | March 1983 | | Dec. 1983 | | March 1984 | | March 1983 | | Dec. 1983 | | March 1984 |
| | March 1983 | Dec. 1983 | March 1984 | Dec. 1983 | March 1983 | Dec. 1983 | March 1983 | Dec. 1983 | March 1983 | Dec. 1983 | March 1984 |
| Civilian workers <u>1/</u> | 112.2 | 116.5 | 117.9 | 1.0 | 1.2 | 1.0 | 1.2 | 5.6 | 5.0 | 5.6 | 5.1 |
| Workers, by occupational group | | | | | | | | | | | |
| White-collar workers | 113.0 | 117.9 | 119.3 | 1.0 | 1.4 | 1.0 | 1.2 | 5.9 | 5.8 | 5.9 | 5.6 |
| Blue-collar workers | 110.8 | 114.0 | 115.3 | .8 | .9 | .8 | 1.1 | 5.0 | 3.8 | 5.0 | 4.1 |
| Service workers | 113.2 | 117.4 | 120.0 | 2.0 | 1.3 | 2.0 | 2.2 | 6.0 | 5.0 | 6.0 | 6.0 |
| Workers, by industry division | | | | | | | | | | | |
| Manufacturing | 111.0 | 114.5 | 115.7 | 1.1 | 1.1 | 1.1 | 1.0 | 4.8 | 4.3 | 4.8 | 4.2 |
| Nonmanufacturing | 112.7 | 117.4 | 118.9 | 1.1 | 1.3 | 1.1 | 1.3 | 5.8 | 5.5 | 5.8 | 5.5 |
| Services | 115.8 | 121.3 | 123.3 | 1.0 | 1.2 | 1.0 | 1.6 | 6.6 | 6.0 | 6.6 | 6.5 |
| Public administration <u>2/</u> | 114.6 | 119.4 | 120.4 | 1.0 | 1.8 | 1.0 | .8 | 6.6 | 6.0 | 6.6 | 5.1 |
| Private industry workers <u>3/</u> | 111.6 | 115.8 | 117.2 | 1.1 | 1.2 | 1.1 | 1.2 | 5.4 | 5.0 | 5.4 | 5.0 |
| Workers, by occupational group | | | | | | | | | | | |
| White-collar workers | 112.2 | 117.2 | 118.5 | 1.1 | 1.4 | 1.1 | 1.1 | 5.6 | 6.0 | 5.6 | 5.6 |
| Blue-collar workers | 110.7 | 113.9 | 115.1 | .9 | .9 | .9 | 1.1 | 5.0 | 3.8 | 5.0 | 4.0 |
| Service workers | 112.9 | 116.5 | 119.8 | 2.5 | 1.3 | 2.5 | 2.8 | 5.8 | 4.6 | 5.8 | 6.1 |
| Workers, by industry division | | | | | | | | | | | |
| Manufacturing | 111.0 | 114.5 | 115.7 | 1.1 | 1.1 | 1.1 | 1.0 | 4.8 | 4.3 | 4.8 | 4.2 |
| Nonmanufacturing | 112.0 | 116.5 | 118.0 | 1.1 | 1.4 | 1.1 | 1.3 | 5.8 | 5.4 | 5.8 | 5.4 |
| State and local government workers | 115.1 | 120.0 | 121.6 | .7 | 1.0 | .7 | 1.3 | 6.4 | 5.3 | 6.4 | 5.6 |
| Workers, by occupational group | | | | | | | | | | | |
| White-collar workers | 115.6 | 120.6 | 122.2 | .7 | .9 | .7 | 1.3 | 6.5 | 5.2 | 6.5 | 5.7 |
| Blue-collar workers | 113.3 | 116.9 | 119.1 | .4 | 1.2 | .4 | 1.9 | 5.4 | 4.4 | 5.4 | 5.1 |
| Workers, by industry division | | | | | | | | | | | |
| Services | 115.5 | 120.6 | 122.2 | .7 | .8 | .7 | 1.3 | 6.5 | 5.2 | 6.5 | 5.8 |
| Schools | 115.2 | 120.6 | 122.2 | .6 | .6 | .6 | 1.3 | 6.4 | 5.3 | 6.4 | 6.1 |
| Elementary and secondary | 115.6 | 121.7 | 122.9 | .5 | .4 | .5 | 1.0 | 6.3 | 5.7 | 6.3 | 6.3 |
| Hospitals and other services <u>4/</u> | 116.5 | 120.6 | 121.9 | .8 | 1.4 | .8 | 1.1 | 7.1 | 5.0 | 7.1 | 4.6 |
| Public administration <u>2/</u> | 114.6 | 119.4 | 120.4 | 1.0 | 1.8 | 1.0 | .8 | 6.6 | 6.0 | 6.6 | 5.1 |

1/ Includes private industry and State and local government workers and excludes farm, household, and Federal government workers.
2/ Consists of legislative, judicial, administrative, and regulatory activities.
3/ Excludes farm and household workers.
4/ Includes, for example, library, social, and health services.

WAGES AND SALARIES

Table 3. Employment Cost Index for wages and salaries only, private industry workers, 1/ by occupation and industry group

| Series | Indexes (June 1981=100) | | | | Percent changes for | | | | | |
|---|-------------------------|-----------|------------|-----------|---------------------|-----------|------------|------------|-----------------|------------|
| | March 1983 | | March 1984 | | 3 months ended | | March 1984 | | 12 months ended | |
| | March 1983 | Dec. 1983 | March 1984 | Dec. 1983 | March 1983 | Dec. 1983 | March 1984 | March 1983 | Dec. 1983 | March 1984 |
| Private industry workers <u>1/</u> | 111.6 | 115.8 | 117.2 | 117.2 | 1.2 | 1.1 | 1.2 | 5.4 | 5.0 | 5.0 |
| <u>Workers, by occupational group</u> | | | | | | | | | | |
| White-collar workers | 112.2 | 117.2 | 118.5 | 118.5 | 1.4 | 1.1 | 1.1 | 5.6 | 6.0 | 5.6 |
| Professional and technical workers | 114.8 | 120.4 | 122.2 | 122.2 | 1.7 | .4 | 1.5 | 6.3 | 6.6 | 6.4 |
| Managers and administrators | 112.0 | 115.7 | 118.0 | 118.0 | 2.5 | .8 | 2.0 | 5.9 | 5.9 | 5.4 |
| Sales workers | 105.7 | 111.2 | 110.2 | 110.2 | -5 | 2.6 | -9 | 3.4 | 4.7 | 4.3 |
| Clerical workers | 113.4 | 118.3 | 119.8 | 119.8 | 1.6 | 1.4 | 1.3 | 6.0 | 6.0 | 5.6 |
| Blue-collar workers | 110.7 | 113.9 | 115.1 | 115.1 | .9 | .9 | 1.1 | 5.0 | 3.8 | 4.0 |
| Craft and kindred workers | 112.2 | 115.4 | 116.5 | 116.5 | .9 | 1.0 | 1.0 | 5.6 | 3.8 | 3.8 |
| Operatives, except transport. | 110.0 | 113.6 | 114.9 | 114.9 | .6 | 1.2 | 1.1 | 4.4 | 3.9 | 4.5 |
| Transport equipment operatives. | 108.0 | 110.2 | 111.7 | 111.7 | 1.0 | -5 | 1.4 | 4.7 | 3.1 | 3.4 |
| Nonfarm laborers | 109.0 | 112.1 | 112.9 | 112.9 | 1.1 | 1.2 | .7 | 4.7 | 4.0 | 3.6 |
| Service workers | 112.9 | 116.5 | 119.8 | 119.8 | 1.3 | 2.5 | 2.8 | 5.8 | 4.6 | 6.1 |
| <u>Workers, by industry division</u> | | | | | | | | | | |
| Manufacturing | 111.0 | 114.5 | 115.7 | 115.7 | 1.1 | 1.1 | 1.0 | 4.8 | 4.3 | 4.2 |
| Durables | 111.1 | 114.4 | 115.7 | 115.7 | .7 | 1.3 | 1.1 | 4.5 | 3.7 | 4.1 |
| Nondurables | 110.9 | 114.6 | 115.8 | 115.8 | 1.6 | .6 | 1.0 | 5.3 | 5.0 | 4.4 |
| Nonmanufacturing | 112.0 | 116.5 | 118.0 | 118.0 | 1.4 | 1.1 | 1.3 | 5.8 | 5.4 | 5.4 |
| Construction | 110.4 | 112.9 | 113.3 | 113.3 | .6 | .6 | .4 | 4.2 | 2.9 | 2.6 |
| Transportation and public utilities | 112.9 | 116.8 | 118.5 | 118.5 | 1.6 | 1.0 | 1.5 | 6.8 | 5.1 | 5.0 |
| Wholesale and retail trade | 108.5 | 112.3 | 114.3 | 114.3 | 1.2 | .7 | 1.8 | 4.4 | 4.8 | 5.3 |
| Wholesale trade | 111.8 | 116.5 | 118.2 | 118.2 | 1.8 | .7 | 1.5 | 5.2 | 6.1 | 5.7 |
| Retail trade | 107.2 | 110.6 | 112.8 | 112.8 | 1.0 | .6 | 2.0 | 4.1 | 4.2 | 5.2 |
| Finance, insurance, and real estate | 110.6 | 116.9 | 116.1 | 116.1 | 1.5 | 3.0 | -7 | 6.7 | 7.2 | 5.0 |
| Services | 116.0 | 121.9 | 124.2 | 124.2 | 1.5 | 1.2 | 1.9 | 6.6 | 6.6 | 7.1 |

1/ Excludes farm and 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 the hourly straight-time wage rate or, for workers not paid on an hourly basis, earnings divided by the corresponding hours. Straight-time wage and salary rates 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 wage and salary rates, 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:

Paid leave - Paid vacations, paid holidays, paid sick leave, and other paid leave;

Supplemental pay - Premium pay for overtime and work on weekends and holidays, shift differentials, and non-production bonuses;

Insurance benefits - Life, health, and sickness and accident insurance;

Retirement and savings benefits - Pension and other retirement plans and savings and thrift plans;

Other benefits - Severance pay, supplemental unemployment plans, and merchandise discounts in department stores; and

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.

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

Each quarter, straight-time average hourly wage and salary rates 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 the 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 government, local government, or private.

Fixed employment weights from the 1970 Census are used each quarter to calculate the most aggregate indexes--civilian, private, and State and local governments. These fixed weights are also used to derive all of the industry and occupation series indexes. For the series based on bargaining status, region, or area size, however, employment data are not available from the Census. The 1970 employment weights are reallocated within these series each quarter based on the current sample. The indexes for these series, consequently, are not strictly comparable to those for the aggregate, industry, and occupation series. A fuller explanation of the calculation of index numbers appears in an article, "Estimation procedures for the Employment Cost Index," in the May 1982 issue of the Monthly Labor Review.

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 1.2 percent change in wage and salary rates for "private industry workers" in the 3 months ended March 1984 (table 3) is the actual percent change in straight-time average hourly wage and salary rates from the pay period including the 12th day of December 1983 to the comparable pay period in March 1984.

More detailed information on the ECI is available in several articles and publications. These include a chapter in the BLS Handbook of Methods (Bulletin 2134-1), "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 and a historical listing of ECI data are available upon request.