

BLS Introduces New Employer Costs for Employee Compensation Data for Private Industry Workers in 15 Metropolitan Areas

by Albert E. Schwenk
Bureau of Labor Statistics

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This article introduces a new addition to the National Compensation Survey Employer Costs for Employee Compensation data series. Available until now only for the Nation as a whole and for large geographic areas, the cost per hour worked for compensation, wages and salaries, and employee benefits are now published for 15 selected metropolitan areas as well. The article also provides a description of how the areas were selected and an overview of what the data show.

In March 2009, employer costs for employee compensation¹ in private industry averaged \$27.46 nationwide. Among 15 metropolitan areas, however, the costs ranged from \$25.42 in Miami to \$38.28 in San Jose-San Francisco.

These estimates of compensation costs levels by locality are a new product from the National Compensation Survey (NCS).² The national cost levels series, Employer Costs for Employee Compensation (ECEC), have been published for years; the new locality cost levels series complement the locality Employment Cost Index (ECI) series that were first published in the fall of 2008.³ The ECI and the ECEC series are estimated using the same sample of establishments and the same data collection procedures. However, the ECEC measures something fundamentally different from what is measured by the ECI.⁴ The ECEC measures the *average level of compensation* (in dollars per hour worked) at a point in time; therefore it can be used to show the structure of compensation at points in time. In contrast, the ECI measures average *changes over time in wage, benefit, and compensation rates for a fixed market basket of labor services*.⁵

ECEC data for major industry and occupational categories were first published in 1987.⁶ From 1987 through 2004, establishments surveyed for the ECEC were categorized using the Standard Industrial Classification (SIC) system for industry categories and jobs surveyed for the ECEC were categorized using the Occupational Classification System Manual (OCSM). Beginning in 1988, area data were available for four broad regions: Northeast, South, Midwest, and West; as well as for the Nation. In March 2004 the ECEC switched to the [North American Industry Classification System \(NAICS\)](#) and the [Standard Occupational Classification \(SOC\)](#) system, and began publishing employment cost data for new industry and occupational categories.⁷ At the same time, the ECEC began publishing data for nine census divisions—New England, Middle Atlantic, South Atlantic, East South Central, West South Central, East North Central, West North Central, Mountain, and Pacific.⁸

The nine census divisions provide more information than the four regions, but users of ECEC and ECI data have requested even more geographic detail. In response, the NCS explored the possibility of publishing measures of change in labor costs as well as labor cost levels for specific Metropolitan Statistical Areas (MSAs) or Consolidated Statistical Areas (CSAs).⁹ In the fall of 2008, BLS began publishing locality ECI estimates for 14 areas.¹⁰ This article presents initial (March 2009) data for locality ECEC estimates for 15 areas. Locality ECEC estimates will be published annually, starting with data from the March 2010 reference period.

Selection Of Areas To Publish

As a starting point, using employment data from the 2000 Census of Population, the NCS identified the largest metropolitan areas in the United States. The next step in the selection process was to determine whether data for each of these areas met BLS publication standards, based on a review of sample sizes, standard errors,¹¹ and data on compensation costs, wages and salaries, and benefit costs.

After this review, it was determined that estimates of compensation costs, wages and salaries, and benefit costs would be published for the following 15 areas: Atlanta-Sandy Springs-Gainesville, GA-AL CSA; Boston-Worcester-Manchester, MA-NH CSA; Chicago-Naperville-Michigan City, IL-IN-WI CSA; Dallas-Fort Worth, TX CSA; Detroit-Warren-Flint, MI CSA; Houston-

Baytown-Huntsville, TX CSA; Los Angeles-Long Beach-Riverside, CA CSA; Miami-Fort Lauderdale-Pompano Beach, FL MSA; Minneapolis-St. Paul-St. Cloud, MN-WI CSA; New York-Newark-Bridgeport, NY-NJ-CT-PA CSA; Philadelphia-Camden-Vineland, PA-NJ-DE-MD CSA; Phoenix-Mesa-Scottsdale, AZ MSA; San Jose-San Francisco-Oakland, CA CSA; Seattle-Tacoma-Olympia, WA CSA; and Washington-Baltimore-Northern Virginia, DC-MD-VA-WV CSA.¹² (In this article, shortened titles are used to refer to particular metropolitan areas, but in all cases the full CSA or MSA is intended.)

Weighting Data For ECEC Locality Estimates

The locality ECEC estimates are constructed in essentially the same manner as are the national ECEC estimates. Like the national series, the locality series use current employment counts to weight the data to be representative of the areas, industries, and occupations by industry for which estimates are published. Because the relative weight of each industry-occupation cell used to estimate compensation cost levels differs across areas, variation among localities in compensation costs reflects both differences in industry and occupation composition of the work force and differences in compensation costs by occupation within industry.

Review Of The Estimates

Table 1 provides estimates of the cost per hour worked for wages and benefits for the 15 areas, as well as for all private industry as a whole, for four broad regions, and for nine census divisions.¹³ Among the localities with high compensation costs are San Jose-San Francisco (\$38.28), Boston (\$35.60), and New York (\$35.45).¹⁴ At the other extreme, with relatively low compensation costs, are areas such as Miami (\$25.42) and Phoenix (\$26.01). To illustrate the range of cost differences between localities, compensation costs are about 50 percent higher in San Jose-San Francisco than they are in Miami.

Table 2 presents information on the percent that wages make up of compensation costs. The percentages range from 67.5 percent in Detroit to 74.3 percent in Miami. Another way of looking at these data is that the percent that benefits make up of compensation ranges from 25.7 percent in Miami to 32.5 percent in Detroit.

Albert E. Schwenk

Senior Labor Economist, Division of Compensation Data Estimation, Office of Compensation and Working Conditions, Bureau of Labor Statistics.

Telephone: (202) 691-6203; E-mail: Schwenk.Albert@bls.gov.

Notes

¹ In the ECEC, total compensation includes wages and salaries plus the employer cost for 18 individual employee benefits. The following kinds of benefits are covered by the ECI: paid leave, such as vacations, holidays, and sick leave; supplemental pay, such as premium pay for work in addition to the regular work schedule (overtime, weekends, and holidays), shift differentials, and nonproduction bonuses (such as year-end, referral, and attendance bonuses); insurance benefits, such as life, health, short-term disability, and long-term disability insurance; retirement benefits (defined benefit and defined contribution plans); and legally required benefits (Social Security, Medicare, Federal and State unemployment insurance, and workers compensation).

² The NCS also publishes occupational average wages for approximately 160 areas. Average hourly wage estimates from the locality wage program will differ for the wage and salary averages from the ECEC because of differences in the reference period and in the sample of establishments and occupations used to produce the estimates. Also, unlike the ECEC, the wage program uses weekly hours when computing the average hourly wage.

³ See "BLS Introduces New Employment Cost Indexes for 14 Metropolitan Areas," *Compensation and Working Conditions Online*, September 24, 2008, on the Internet at <http://www.bls.gov/opub/cwc/cm20080922ar01p1.htm>. Locality ECI estimates have been published for only 14 areas rather than the 15 for which locality ECEC estimates are being published. Beginning with the September 2009 ECI release, locality ECI estimates of 12-month changes in compensation costs and wages and salaries for Seattle will be included for the period September 2009 forward.

⁴ For a more complete description of how the estimates for the ECEC and other NCS products are computed, see "National Compensation Measures," *BLS Handbook of Methods*, ch. 8, on the Internet at http://www.bls.gov/opub/hom/homch8_a.htm.

⁵ See Albert E. Schwenk, "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," *Compensation and Working Conditions*, Summer 1997, pp. 3-14, on the Internet at <http://www.bls.gov/opub/cwc/archive/Summer1997art1.pdf>.

⁶ See Felicia Nathan, "Analyzing Employers Costs for Wages, Salaries, and Benefits," *Monthly Labor Review*, October 1987, pp. 3-11, on the Internet at <http://www.bls.gov/opub/mlr/1987/10/art1full.pdf>.

7 The ECEC began publishing on the basis of NAICS and SOC two years before the ECI did. For a discussion of changes to the ECI in March 2006, see Richard E. Caroll, "Changes Affecting the Employment Cost Index: An Overview," *Monthly Labor Review*, April 2006, pp. 28-32, on the Internet at <http://www.bls.gov/opub/mlr/2006/04/art1full.pdf>.

8 The New England and Middle Atlantic divisions are in the Northeast region; the South Atlantic, East South Central, and West South Central divisions are in the South region; the East North Central and West North Central divisions are in the Midwest region; and the Mountain and Pacific divisions are in the West. The census divisions comprise the States and the District of Columbia as follows: the New England division consists of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont; the Middle Atlantic division consists of New Jersey, New York, and Pennsylvania; the South Atlantic division consists of Delaware, the District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia; the East South Central division consists of Alabama, Kentucky, Mississippi, and Tennessee; the West South Central division consists of Arkansas, Louisiana, Oklahoma, and Texas; the East North Central division consists of Illinois, Indiana, Michigan, Ohio, and Wisconsin; the West North Central division consists of Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota; the Mountain division consists of Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming; and the Pacific division consists of Alaska, California, Hawaii, Oregon, and Washington. Metropolitan areas are sometimes located in more than one State, and some of those States are located in different census divisions, in which case parts of a metropolitan area are assigned to their respective census divisions.

9 Experimental data for these new series were published in Michael K. Lettau and Christopher J. Guciaro, "Experimental Estimates of Compensation Levels and Trends for Workers in the 15 Largest Metropolitan Areas, 2004-05," *Compensation and Working Conditions Online*, September 17, 2007, on the Internet at <http://www.bls.gov/opub/cwc/cm20070912ar01p1.htm>.

10 See Albert Schwenk, "BLS Introduces New Employment Cost Indexes for 14 Metropolitan Areas," *Compensation and Working Conditions Online*, September 24, 2008, on the Internet at <http://www.bls.gov/opub/cwc/cm20080922ar01p1.htm>.

11 For a discussion of relative standard errors for the ECEC, see Nathan, pp. 9-10. <http://www.bls.gov/opub/mlr/1987/10/art1full.pdf>.

12 Note that some of these areas are Consolidated Statistical Areas (CSAs) and others are Metropolitan Statistical Areas (MSAs). The NCS is in its third year of a 6-year transition from a sample of areas based on the December 1993 Office of Management and Budget (OMB) area definitions to a new sample of areas based on the December 2003 area definitions. The NCS is phasing in new metropolitan and micropolitan areas as defined by OMB and county clusters defined specifically for the NCS; at the same time, some areas under the December 1993 OMB definitions are being phased out of the sample. For more information on metropolitan area definitions, visit the U.S. Census Bureau's [Metropolitan and Micropolitan Statistical Areas page](http://www.census.gov/population/www/metroareas/metrodef.html) on the Internet at <http://www.census.gov/population/www/metroareas/metrodef.html>.

13 As noted previously, the regions and census divisions are defined by State, while metropolitan areas often span more than one State. For the tables in the text, the metropolitan areas were listed under the region or census division in which most of their employment was found.

14 Note that because the compensation cost level estimates are based on a sample, nominal differences between areas in those cost levels may not be statistically significant.

Table 1. Employer Costs for Employee Compensation and associated relative standard error in private industry in the United States and by geographic region, census division, and locality, March 2009.

Area	Total Compensation		Wages and Salaries		Total Benefit Cost	
	Cost	Relative standard error	Cost	Relative standard error	Cost	Relative standard error
United States	\$27.46	0.9	\$19.45	0.9	\$8.02	1.1
Northeast	31.73	1.6	22.08	1.4	9.65	2.0
New England	32.02	2.0	22.54	1.8	9.48	2.5
Boston-Worcester-Manchester, MA-NH	35.60	3.2	25.08	3.0	10.52	4.7
Middle Atlantic	31.62	2.4	21.91	2.2	9.72	3.1
New York-Newark-Bridgeport, NY-NJ-CT-PA	35.45	4.0	24.43	3.7	11.02	4.9
Philadelphia-Camden-Vineland, PA-NJ-DE-MD	30.36	4.9	20.66	2.4	9.70	11.3
South	24.45	2.0	17.59	1.9	6.86	2.3
South Atlantic	25.47	1.9	18.31	1.7	7.16	2.4
Washington-Baltimore-Northern Virginia, DC-MD-VA-WV	34.03	6.5	24.52	5.8	9.51	8.5

Area	Total Compensation		Wages and Salaries		Total Benefit Cost	
	Cost	Relative standard error	Cost	Relative standard error	Cost	Relative standard error
Atlanta-Sandy Springs-Gainesville, GA-AL	29.69	4.9	21.23	4.9	8.47	5.5
Miami-Fort Lauderdale-Pompano Beach, FL	25.42	4.9	18.89	5.2	6.54	4.5
East South Central	20.87	7.1	14.89	6.8	5.98	8.5
West South Central	24.67	3.5	17.82	3.2	6.84	4.3
Dallas-Fort Worth, TX	29.39	5.8	21.04	5.6	8.35	7.1
Houston-Baytown-Huntsville, TX	31.10	5.7	22.59	6.1	8.51	6.1
Midwest	26.44	1.7	18.57	1.7	7.86	1.8
East North Central	26.92	1.4	18.83	1.2	8.09	2.1
Chicago-Naperville-Michigan City, IL, IN, WI	31.93	3.9	22.37	3.5	9.57	5.4
Detroit-Warren-Flint, MI	33.17	4.4	22.40	4.3	10.78	4.9
West North Central	25.39	4.7	18.02	5.1	7.37	4.1
Minneapolis-St. Paul-St. Cloud, MN-WI	29.47	7.5	20.72	7.0	8.76	9.6
West	29.53	1.8	21.00	1.6	8.53	2.4
Mountain	26.21	3.8	19.01	3.6	7.20	5.2
Phoenix-Mesa-Scottsdale, AZ	26.01	8.8	19.11	8.8	6.90	9.0
Pacific	30.94	1.4	21.85	1.4	9.09	1.6
Los Angeles-Long Beach-Riverside, CA	29.24	2.8	20.85	2.4	8.39	4.8
San Jose-San Francisco-Oakland, CA	38.28	2.7	27.00	2.5	11.28	3.3
Seattle-Tacoma-Olympia, WA	32.77	7.0	22.99	6.8	9.77	7.8

Table 2. Wages as a percent of total compensation, and associated relative standard error, Employer Costs for Employee Compensation in private industry in the United States and by geographic region, census division, and locality, March 2009.

Area	Wages as a percent of compensation costs	Relative standard error of wages as a percent of compensation costs
United States	70.8	0.2
Northeast	69.6	0.3
New England	70.4	0.4
Boston-Worcester-Manchester, MA-NH	70.5	1.1
Middle Atlantic	69.3	0.4
New York-Newark-Bridgeport, NY-NJ-CT-PA	68.9	0.5
Philadelphia-Camden-Vineland, PA-NJ-DE-MD	68.1	3.2
South	71.9	0.2
South Atlantic	71.9	0.3

Area	Wages as a percent of compensation costs	Relative standard error of wages as a percent of compensation costs
Washington-Baltimore-Northern Virginia, DC-MD-VA-WV	72.0	0.9
Atlanta-Sandy Springs-Gainesville, GA-AL	71.5	0.7
Miami-Fort Lauderdale-Pompano Beach, FL	74.3	0.8
East South Central	71.4	1.0
West South Central	72.3	0.4
Dallas-Fort Worth, TX	71.6	1.0
Houston-Baytown-Huntsville, TX	72.6	1.4
Midwest	70.3	0.3
East North Central	70.0	0.4
Chicago-Naperville-Michigan City, IL, IN, WI	70.0	0.9
Detroit-Warren-Flint, MI	67.5	0.7
West North Central	71.0	0.6
Minneapolis-St. Paul-St. Cloud, MN-WI	70.3	1.4
West	71.1	0.4
Mountain	72.5	1.0
Phoenix-Mesa-Scottsdale, AZ	73.5	0.8
Pacific	70.6	0.4
Los Angeles-Long Beach-Riverside, CA	71.3	1.1
San Jose-San Francisco-Oakland, CA	70.5	0.5
Seattle-Tacoma-Olympia, WA	70.2	0.9