

# News

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## EMPLOYMENT COST INDEX - 3rd QUARTER 1980

Employee compensation rates measured by the Employment Cost Index (ECI) increased 2.3 percent for the 3 months ended in September 1980, the U.S. Department of Labor's Bureau of Labor Statistics reported today. Compensation includes wages, salaries, and employer costs for employee benefits. Wage and salary rates alone were up 2.2 percent in the third quarter of 1980, compared with 2.1 percent in the same period a year ago. In the 12 months ended in September 1980, wages and salaries advanced 9.4 percent. The ECI, a relatively new statistical series, is not seasonally adjusted. Compensation data were introduced in the first quarter of 1980, therefore comparisons with the same quarter a year ago are not possible.

### Compensation changes, June 1980 - September 1980

Both the manufacturing and nonmanufacturing industries posted compensation gains identical to the 2.3 percent overall change. Among major occupational groups, however, blue-collar workers outpaced all others with a 2.7 percent increase in compensation. Service workers' gains were 2.1 percent, while white-collar workers averaged 2.0 percent.

Compensation for all private nonfarm workers was up slightly more than wages, 2.3 percent compared with 2.2 percent. Nonmanufacturing showed the same gain for compensation and wages (2.3 percent) but for manufacturing, compensation (2.3 percent) rose more rapidly than wages (2.0 percent).

Blue-collar workers had larger increases in compensation (2.7 percent) than in wages (2.4 percent) as did service workers (2.1 percent and 1.7 percent). For white-collar workers, on the other hand, wages increased slightly more than compensation--2.1 percent compared with 2.0 percent.

Wage gains--along with their impact on wage-related benefits such as paid holidays, paid vacations, and employer contributions to Social Security--accounted for about four-fifths of the compensation increase.

Wage and salary changes, June 1980-September 1980

The 2.2 percent average wage and salary gain for private nonfarm workers was paced by a 2.3 percent rise in the nonmanufacturing sector. Within nonmanufacturing, transportation and public utilities posted the largest rise (3.2 percent). This advance reflected a deferred increase and cost-of-living adjustment under collective bargaining covering a large number of workers in the railroad industry. Wage gains were also high in construction (2.9 percent) where collective bargaining patterns concentrate settlements in the spring and summer. Increases were lowest in wholesale trade, averaging 0.9 percent.

Workers in manufacturing received pay advances averaging 2.0 percent, varying widely between durables (2.5 percent) and nondurables (1.2 percent).

Pay advances for blue-collar workers (2.4 percent) were above those for white-collar workers (2.1 percent). Service workers lagged behind both groups with a 1.7 percent rise. Blue-collar gains ranged from 2.8 percent for craft and kindred workers to 1.4 percent for transport equipment operatives. Professional and technical workers (2.7 percent) led all other white-collar occupations, while managers and administrators had the lowest increase (1.6 percent).

Union workers' pay gains (2.9 percent) outpaced those of nonunion workers (1.8 percent) in the quarter. Workers covered by collective bargaining agreements had similar increases in the manufacturing (2.8 percent) and nonmanufacturing (3.0 percent) sectors. For nonunion workers, the pay advance was larger in nonmanufacturing (2.0 percent) than in manufacturing (1.2 percent).

Workers in the West received higher average pay increases, 3.4 percent, than those in other regions of the Nation. The Northeast, South, and North Central regions each registered a 1.9 percent pay gain. Wage increases in metropolitan areas (2.3 percent) were larger than in other areas (1.5 percent).

Wage and salary changes, September 1979-September 1980

The 9.4 percent change over the 12 months ended in September 1980 for all private nonfarm workers continued the relatively high increases of recent quarters. Within industries, advances in manufacturing (10.2 percent) outpaced those in nonmanufacturing (8.9 percent) over the year. The increase for durable goods was 10.8 percent, compared to 9.2 percent for nondurables. Nonmanufacturing gains were highest in transportation and public utilities (10.4 percent) and lowest in retail trade (6.9 percent).

Blue-collar workers posted larger increases (10.0 percent) than white-collar (9.1 percent) from September 1979 to September 1980. Service workers (8.4 percent) trailed both of these groups. Within white-collar occupations, professional and technical workers received the highest increase (11.1 percent) and managers and administrators showed the smallest gains (7.3 percent). Within the blue-collar group, the largest increases were received by operatives except transport (11.3 percent), and the smallest by transport equipment operatives (8.8 percent).

Union workers registered a 10.9 percent wage increase during the year. The increase for these workers was 12.0 percent in manufacturing and 9.9 percent in nonmanufacturing. In comparison, nonunion advances were 8.6 percent for the year with both manufacturing and nonmanufacturing showing identical changes.

Wage gains among regions were the largest in the West, averaging 10.6 percent. Workers in the Northeast experienced the smallest rise, 8.9 percent. Metropolitan area increases were higher (9.5 percent) than other areas' (8.9 percent).

Table 1. Rate of compensation and wage and salary changes in the Employment Cost Index

Series	Percent changes for 3 months ended in -					
	March 1980	June 1980	September 1980	March 1980	June 1980	September 1980
	Compensation			Wages and Salaries		
All private nonfarm workers <u>1/</u> -----	2.7	2.3	2.3	2.4	2.1	2.2
White-collar workers -----	2.8	2.3	2.0	2.4	1.9	2.1
Blue-collar workers -----	2.4	2.5	2.7	2.3	2.5	2.4
Service workers -----	4.3	1.1	2.1	3.5	1.1	1.7
Manufacturing industries -----	2.8	2.0	2.3	2.8	2.0	2.0
Nonmanufacturing industries -----	2.7	2.5	2.3	2.2	2.1	2.3

1/ Excludes private household workers.

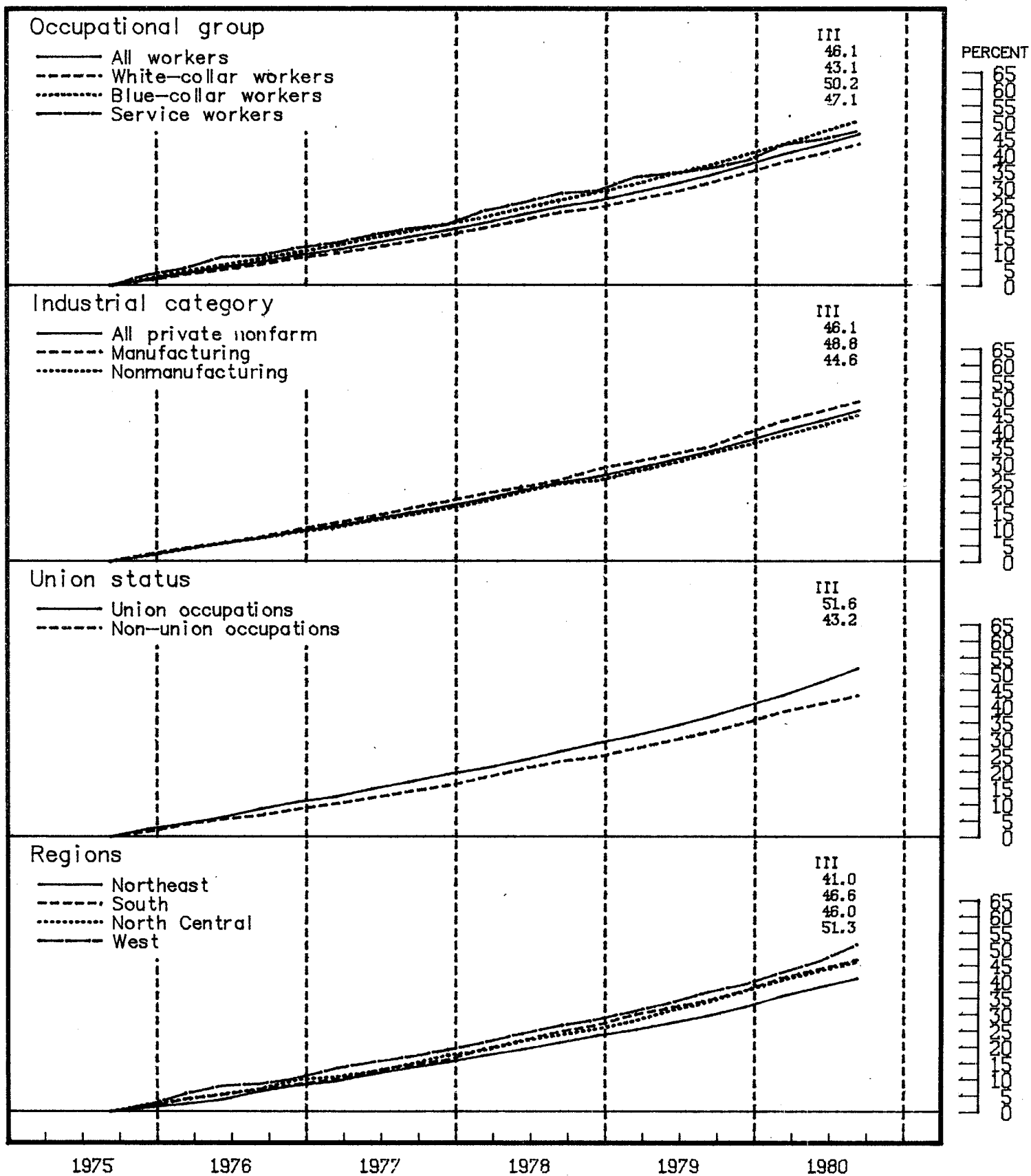
Table 2. Rate of wage and salary changes in Employment Cost Index

Series	Percent changes for									
	3 months ended					12 months ended				
	September 1979	December 1979	March 1980	June 1980	September 1980	September 1979	December 1979	March 1980	June 1980	September 1980
All private nonfarm workers <sup>1/</sup> -----	2.1	2.4	2.4	2.1	2.2	7.7	8.7	9.1	9.3	9.4
<u>Workers, by occupational group</u>										
White-collar workers -----	2.3	2.4	2.4	1.9	2.1	7.4	8.6	9.2	9.3	9.1
Professional and technical workers ----	2.7	2.8	3.3	1.8	2.7	7.5	8.8	10.3	11.1	11.1
Managers and administrators -----	2.0	1.4	2.6	1.6	1.6	7.6	7.4	7.7	7.8	7.3
Sales workers -----	0.7	3.9	-0.5	2.5	1.7	4.8	8.8	8.6	6.8	7.8
Clerical workers -----	2.9	2.1	3.0	1.8	2.0	8.5	9.4	9.6	10.1	9.2
Blue-collar workers -----	2.0	2.5	2.3	2.5	2.4	8.4	9.0	9.4	9.6	10.0
Craft and kindred workers -----	2.2	1.9	1.7	2.4	2.8	8.3	8.6	8.2	8.5	9.1
Operatives, except transport -----	1.7	3.1	3.2	2.4	2.3	8.3	9.2	10.5	10.7	11.3
Transport equipment operatives -----	2.4	2.4	1.2	3.5	1.4	9.5	10.2	9.8	9.9	8.8
Nonfarm laborers -----	1.7	2.9	2.5	2.4	2.3	8.5	9.1	10.1	9.9	10.5
Service workers -----	1.1	1.8	3.5	1.1	1.7	5.9	7.2	7.6	7.8	8.4
<u>Workers, by industry division</u>										
Manufacturing -----	1.8	3.1	2.8	2.0	2.0	8.1	8.6	9.7	10.0	10.2
Durables -----	2.1	3.3	2.5	2.1	2.5	8.4	9.0	9.7	10.4	10.8
Nondurables -----	1.2	2.7	3.2	1.9	1.2	7.6	7.8	9.7	9.2	9.2
Nonmanufacturing -----	2.3	2.0	2.2	2.1	2.3	7.5	8.8	8.8	8.9	8.9
Construction -----	2.0	1.1	1.2	2.9	2.9	7.2	7.2	7.1	7.5	8.4
Transportation and public utilities -----	2.9	2.0	2.5	2.3	3.2	9.2	9.4	9.3	10.1	10.4
Wholesale and retail trade -----	1.9	1.3	2.6	1.9	1.5	7.7	7.9	8.4	7.8	7.4
Wholesale trade -----	1.2	2.1	2.9	2.7	0.9	7.8	7.9	9.4	9.2	8.9
Retail trade -----	2.1	1.0	2.4	1.5	1.8	7.7	7.9	8.0	7.3	6.9
Finance, insurance, and real estate -----	1.9	4.3	0.4	2.7	2.0	*	13.2	10.2	9.6	9.7
Services -----	2.6	2.5	2.7	1.6	2.5	6.6	8.5	9.2	9.8	9.6
<u>Workers, by region</u>										
Northeast -----	1.7	2.1	2.5	2.1	1.9	6.9	7.3	8.3	8.7	8.9
South -----	1.7	2.4	2.8	1.9	1.9	7.7	8.5	8.8	9.0	9.3
North Central -----	2.0	2.6	2.4	2.0	1.9	8.2	9.4	9.9	9.3	9.2
West -----	2.5	1.8	2.6	2.4	3.4	8.2	8.5	9.2	9.6	10.6
<u>Workers, by bargaining status</u>										
Union -----	2.2	2.6	2.3	2.8	2.9	8.4	9.0	9.5	10.2	10.9
Manufacturing -----	1.9	3.4	2.6	2.8	2.8	8.6	9.4	10.3	11.1	12.0
Nonmanufacturing -----	2.5	1.7	2.0	2.8	3.0	8.2	8.5	8.8	9.5	9.9
Nonunion -----	1.9	2.3	2.5	1.7	1.8	7.3	8.5	8.9	8.7	8.6
Manufacturing -----	1.6	2.7	3.0	1.4	1.2	7.7	7.9	9.3	9.0	8.6
Nonmanufacturing -----	2.1	2.1	2.3	1.9	2.0	7.1	8.8	8.8	8.6	8.6
<u>Workers, by area</u>										
Metropolitan areas -----	2.2	2.5	2.1	2.2	2.3	7.9	8.9	9.1	9.3	9.5
Other areas -----	1.6	1.9	3.6	1.6	1.5	7.3	7.9	9.5	8.9	8.9

\* Not available

<sup>1/</sup> Excludes private household workers.

ECI cumulative quarterly percent changes,  
Wages and salaries,  
September 1975–September 1980



Explanatory Note

The Employment Cost Index (ECI) is a quarterly measure of the change in the rate of employee compensation, free from the influence of employment shifts among occupations and industries with different wage and compensation levels. Compensation is made up of two major components: Wage and salary rates and employer costs for employee benefits.

Since 1975, the ECI has provided quarterly measures on 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.

With the addition of employee benefit costs, the ECI measures quarterly changes in compensation along with changes in wage and salary rates. 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.

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. Occupations were defined to correspond to 417 occupational categories used in the 1970 Census.

The sample establishments were classified in 62 industry groups based on a

two-digit Standard Industrial Classification (SIC), as defined by the U.S. Office of Management and Budget. Base-period sample weights are applied to the occupational data in the sample establishments to calculate weighted averages on earnings, benefit costs, and compensation for each occupation by industry.

Multiplying these averages by occupational employment weights from the 1970 Census produces total wage and compensation bills for the occupations by two-digit SIC. The bills are summed over industry/occupation components to produce levels of aggregation used in the ECI series (e.g., occupational groups, industry divisions).

Dividing current quarter wage and compensation bills by those in the previous quarter provides the quarter-to-quarter percent changes published for the ECI.

Data are collected for the pay period encompassing 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 2.2 percent change in wage and salary rates for "all private nonfarm workers" in the third quarter of 1980 (table 1) is the actual percent change in straight-time average hourly earnings from the pay period including the 12th day of June 1980 to the comparable pay period in September 1980.

ECI wage and salary data are also published by region and metropolitan areas (based on the location of the sample establishment) and for "union" and "nonunion" series (based on whether the sample occupations are covered by collective bargaining agreements).

Publication of quarterly changes in compensation is limited to six major ECI series. (See table 1.) These series are part of the ECI's basic occupation and industry estimating structure and, with one exception, represent at least 3,000 occupations surveyed at an establishment level. Service workers' data represent about 900 establishment/occupations. Compensation data for other ECI series will be published after assessment of sample sizes and the quarter-to-quarter changes in benefit costs.

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.