A new measure of compensation cost adjustments

New BLS collective bargaining series reflects specified lump-sum payments and other new approaches to compensation

During the 1980's, employers and unions significantly expanded the number of collective bargaining agreements providing lump-sum payments in lieu of permanent wage or benefit increases, and altered the longstanding pattern of wage and benefit changes. To meet this change, the Bureau, with this article, is introducing a new collective bargaining series—the cost adjustment series—to provide information on the measurable part of these phenomena in its data on collective bargaining settlements.

This article explains the need for the new measure, describes its attributes, indicates how it differs from the existing collective bargaining measure, and ends with 1989 data showing the new measure in a recent setting.

The initial program

In 1949, the Bureau of Labor Statistics initiated a program that measures the size of wage rate changes negotiated in collective bargaining settlements. In the beginning, it was limited to wage rates negotiated in selected industries. Gradually, the program was expanded and improved until it now provides data on average wage rate adjustments (the net effect of decisions to increase, decrease, or not change wage rates) in settlements covering 1,000 workers or more and average adjustments in compensation (wage rates and benefits costs) in settlements covering 5,000 workers or more. In this configuration, data go back to 1968 for private industry and to 1984 for State and local government. These data have proven useful in gauging the effect of collective bargaining settlements on wage and compensation rates for about one-half of the Nation's unionized work force.

The series provides a prospective estimate of how much compensation (or wage) rates will be adjusted—increased, decreased, or left unchanged—as a result of collective bargaining settlements reached during specified reference periods (typically the first 3, 6, and 9 months of a calendar year and the full year). For each settlement, we calculate the percent difference between compensation or wage rates just prior to the start of a new contract and those that would exist at the end of the first 365 days of the new contract (first-year measure) and at its expiration date (over-the-life measure.) The over-the-life measure is expressed as an annual average adjustment reflecting the compounding of changes during the contract term. The measures are based on the assumption that conditions existing when the new settlement was reached—for example, the size and composition of the work force, the extent of overtime and shift work, and so forth—would remain constant over the term of the contract.

The average adjustment for all settlements is computed in three steps. First, the increase (or decrease) in compensation or a component specified by each settlement is multiplied by the
number of workers it covers. (This gives each settlement with a change its appropriate weight in the overall average. Thus, a settlement covering 2,000 workers will have twice the impact on the average as an identical settlement covering 1,000 workers.) The resulting products are summed, and the sum is divided by the total number of workers under all settlements (including those under settlements with no change) to determine the average adjustment, with all settlements weighted by employment.

Why a new series?

The present series accurately measures compensation or wage rate adjustments under collective bargaining settlements. In the context of bargaining decisions and the structure of wage and compensation adjustments that prevailed during the 1960's and 1970's, data on rate adjustments also provided a reliable indication of trends in the employer's labor costs (and, to a lesser extent, the return to labor). Through the 1970's, for example, settlements typically provided a wage increase and an improvement in one or more benefits on the first day of the new agreement, and smaller increases on the first day of subsequent years of multi-year contracts. A comparison between the first-year measure and the over-the-life measure indicated the extent to which average first-year adjustments differed from those in subsequent years.

In the early 1980's, however, company and union negotiators often found themselves in an environment marked by increasing competition from foreign firms in both domestic and overseas markets and from nonunion companies in newly deregulated domestic industries. This created pressures for bargainers to lower labor costs or slow the rate of increases to retain jobs and maintain or improve competitiveness. They did this in several ways, two of which were of particular importance for the collective bargaining settlement series.

Delays, freezes, lumps. The first was to delay the greater part of wage or benefit increases beyond the effective date of the new contract or, in some cases, to freeze or reduce wages or benefits for all or part of the contract's term. The collective bargaining series could only partially reflect the effect of provisions of this type because it measures the difference between rates just before the effective date of a contract and rates at the end of a contract period (the first year or the full term), consequently ignoring at what point during the contract period the rate went up or down. The full effect of the timing of compensation changes (that is, when, during the contract period, they occur) on employer costs or employee compensation is, therefore, masked.

The second step taken to limit rising costs was to provide lump-sum payments in lieu of increases or to offset decreases in wage rates and other forms of compensation. The existing collective bargaining series excludes lump-sum payments, confining itself to permanent changes in compensation and wage rates. By definition, lump sums are not part of the permanent rate structure.

Lump-sum payments are not a recent phenomenon. They have been provided for many years in some contracts as signing bonuses and attendance bonuses. Until the 1980's, their exclusion from the collective bargaining series had virtually no impact because, even in contracts in which they were provided, they usually accounted for only a small part of compensation. However, many of the lump sums negotiated in the 1980's were much larger and represented a significantly larger proportion of total compensation. Consequently, their exclusion diminished the usefulness of the compensation and wage rate series as an indicator of change in employers' costs or in the return to labor.

The following example shows how the new approaches to compensation in collective bargaining agreements may affect rates differently from the way they affect costs:

In three expiring agreements—A, B, and C—the compensation rate at expiration is $10 an hour. None has a lump-sum provision. Three new 1-year agreements are negotiated. Under each new agreement, employees are expected to work 2,000 hours over the term.

Agreement A provides an immediate 50-cent an hour increase in the compensation (wage and benefit) rate. Agreement B calls for a 50-cent-an-hour increase only after 6 months. Agreement C calls for no change in the compensation rate but provides a one-time lump sum payment of $1,000 to each worker on the first day of the new contract.

In the existing collective bargaining series, the compensation rate adjustment is expressed as the percentage difference between the rate in effect just prior to the effective date of a contract and the rate in effect at the end of the contract period (whether the first year or over the life). Therefore, both Agreement A and Agreement B are measured as providing a compensation rate adjustment of 5 percent ($50/$10) over the 1-year term. Agreement C is measured as providing no compensation rate adjustment over its term, because lump-sum payments were not considered part of the rate and, therefore, would be excluded from the series.
Agreement A, however, provides higher average hourly compensation to the worker than Agreement B. Under A, the compensation rate of $10.50 an hour is in effect for all 2,000 work hours, so average hourly compensation for the contract term is $10.50. Under B, the rate for the first 1,000 hours is $10, and the rate for the remaining 1,000 hours is $10.50, an average for the contract term of $10.25.

Agreement C provides the same total compensation to the worker and costs the employer the same as agreement A. That is, when the settlement was reached, each employee was expected to work 2,000 hours at a compensation rate of $10 an hour (for a total of $20,000), and would receive an additional $1,000 in a lump-sum payment. Compensation per worker will total $21,000 for 2,000 hours of work, or $10.50 an hour.

This example suggests the need for a new series that will measure how costs of contract settlements are affected by both the size and timing of negotiated changes in compensation rates and by the inclusion of lump-sum payments in the compensation package. To meet this need, BLS has designed a new series called the "cost adjustment" series; to distinguish between the two series, the existing series is called the "rate adjustment" series.

Comparing the two series

The new cost adjustment series, while similar to the rate series in some respects, differs from it in others, as discussed in the following sections.

Basis for estimate. In both series, cost estimates are based on the fundamental assumption that conditions existing at the time of settlement (for example, the size and composition of the work force or the extent of overtime and shift work) will remain constant over the term of the contract. Also in both series, measures of compensation adjustment are weighted by the number of workers involved.

What is compensation? Compensation is defined as employer payments directly to the worker or to a third party on behalf of or for the benefit of the worker. The third party may be a private organization (insurance company or labor-management vacation and holiday fund, for example) or a public organization (such as a Social Security fund or unemployment insurance fund). The cost series includes all items of compensation in the existing rate series but adds items that reflect the changing structure of compensation packages under collective bargaining.

Compensation items included in both series are:

- Straight-time pay for time worked, including incentive earnings, production bonuses, and cost-of-living adjustments actually paid;
- Premium pay for overtime, weekend, holiday, and late-shift work;
- Pay for leave, including vacations, holidays, sick leave, and personal leave;
- Negotiated payments for life insurance, health insurance, and sickness and accident insurance; pension and other retirement plans; severance pay; vacation and holiday funds; and supplemental unemployment benefit plans;
- Legally required payments for Social Security, railroad retirement, Federal, State, and railroad unemployment insurance, workers' compensation, State temporary disability insurance, and other legally required insurance.

In addition to the foregoing items common to both series, the new cost series includes, as part of compensation, specified lump-sum payments, as noted earlier. It also includes the cost to the employer of contractually required training programs that are clearly not a cost of doing business. For example, the cost of a program designed to give new skills to workers whose jobs may be eliminated is included. By contrast, the cost of new employee orientation is excluded.

Another difference between the new cost series and the rate series is that the former would include as a negotiated change in compensation a change in legally required insurance costs pending during the term of the contract—such as a rise in the Social Security tax rate—on the assumption that the parties consider the pending legally mandated rise when negotiating the remainder of the contract. By contrast, such pending changes in legally required programs are not reflected in the rate series.

Because of the difficulty of evaluating the cost to the employer or the cash benefit to the employee, such items as savings and thrift plans, stock purchase plans, and stock transfers to employees are excluded from both series. Neither series attempts to estimate the size of potential compensation changes contingent on some future event (such as an increase in the Consumer Price Index), as will be explained later.

In addition to compensation, the new cost series shows data separately for "cash payments" to workers for work time, for wages, and for benefits. Cash payments for work time include straight-time wages and premium pay, as well as "non-wage cash payments"—the lump-

Costs of settlements reflect both the size and timing of negotiated changes.
sum payments described earlier. By contrast, wages alone are considered cash payments excluding lump sums and premium pay. Benefits include pay for leave and negotiated and required employer payments for retirement, insurance, and similar plans.

Lump sums in the cost series. Lump sums (included in the cost series but excluded from the rate series) are one-time cash payments to workers that, unlike wages and benefits, are limited to a specific contract, are generally paid on specified dates during the contract’s term, and typically are not continued in future contracts unless renegotiated.

Lump sums are of two types—specified and contingent. Specified lump sums are guaranteed by the contract. They may be referred to in the contract simply as lump-sum payments, or they may be called signing bonuses, or Christmas or yearend bonuses. The amount of the payment may be specified in a variety of ways, such as a flat dollar amount for each worker—$1,000—or a proportion—say, 5 percent—of the worker’s previous year’s earnings.

Contingent lump sums are not guaranteed. Rather, they will be paid only if an event occurs—profits exceed $10 million or productivity increases by 5 percent, for example. Both the aggregate amount of the payment and the amount to be paid to an individual worker may be determined in several ways. For example, 3 percent of profits between $10 and $15 million and 4 percent of profits over $15 million will be equally divided among all workers; or each worker will receive 5 percent of his or her regular wage rate times the number of hours worked in the previous year.

Only specified lump sums, which are known at the time of settlement, are included in the new cost series. Contingent lump sums are excluded because their value cannot be known at the time of settlement. This treatment is similar to that accorded cost-of-living adjustment (COLA) clauses in both the rate series and the cost series. With regard to COLA clauses, it is Bureau policy not to conjecture on the direction or magnitude of future changes in consumer prices that may trigger a cost-of-living adjustment. This policy extends to similar factors (such as commodity prices or the productivity or profitability of a firm), the future change in which may trigger contingent lump-sum payments.

Other characteristics of both series. All costs and rates used in estimating percentage adjustments stemming from settlements are expressed in dollars per hour of working time. The Bureau does not publish cost or adjustment estimates for individual settlements. However, the terms of individual settlements, as described in the collective bargaining agreement, are published in the Bureau’s monthly periodical, Current Wage Developments.

The new cost series, like compensation data in the rate series, is limited to collective bargaining situations involving 5,000 workers or more because compilation of more than wage rate data for smaller situations is beyond the scope of the program’s resources.

Method of computing the cost series

Two criteria established for the cost series that differentiate it from the rate series are that it 1) reflect how compensation costs are affected by the timing of rate changes and 2) include specified lump-sum payments. How these criteria are met is described below.

Timing of changes. The effect of the timing of changes in the compensation rate, excluding lump-sum payments, on compensation cost during the contract period (first year or over the term) is calculated for each settlement by multiplying the average hourly rate of compensation (or of a component, such as wage rates or contributions to a health insurance fund) by the number of hours it is expected to be paid during the contract period. The product of the rate times the number of hours to be paid for (or the sum of products if the rate changes during the contract period) is divided by the number of work hours anticipated during the contract period, yielding an average cost per work hour.

A direct change in the rate for one compensation item may indirectly change the rate for a second. For example, a change in the wage rate may result in an indirect change in the rate for other items of compensation which are based on wage rates, such as paid vacation or Social Security. When this occurs, new costs are calculated for the indirectly affected compensation items.

This procedure is used to estimate costs for compensation items that are part of the ongoing rate structure—straight-time and premium wage rates, pay for leave time, and employer payments for negotiated and legally required retirement and insurance programs. The effect of lump-sum payments (which are not part of the ongoing rate structure) on compensation costs is measured differently.

Including lump sum payments. In the cost series, the effect of a specified lump-sum payment on hourly compensation cost is calculated by considering it as applying to the entire contract
period although it is paid on a particular date. The hourly cost of the lump-sum payment is computed by dividing the aggregate amount of the lump sum by the number of hours to be worked by all employees covered by the contract. Thus, for identical bargaining units, settlements that are identical save for the timing of the lump-sum payment will be measured as having identical hourly costs over their term because the lump sum is spread over the term of the contract regardless of when paid. (For the first-year measure, however, only lump sums to be paid during the first year are included, as is explained later.)

The settlement cost. The settlement cost is the average hourly cost of compensation including lump-sum payments for the contract reference period (first year or over the life).

Calculating the cost adjustment. Once the hourly cost of the new contract has been determined, the cost adjustment (increase, decrease, or no change) stemming from the new contract is calculated. The cost adjustment is the percent difference between the average cost of compensation per work hour under the new contract and the average cost that existed for the work force covered by the previous agreement just before it was renegotiated (the measurement base). If the expiring agreement contained a specified lump-sum payment, it is included in the measurement base. The amount of the lump sum is calculated based on the assumption that all workers employed at contract termination were employed at the inception of the contract. The average cost of the lump-sum payments per work hour is calculated by multiplying each lump-sum amount by the number of workers who would have received it, and dividing the sum of the products by the total number of work hours under the expiring contract.

Two measurement bases—one covering the first-year adjustment and the other covering the over-the-life adjustment—are computed. The first includes only specified lump-sum payments made during the last year of the previous agreement. It is used as the base from which to measure the first-year adjustment under the new agreement. The other measurement includes all specified lump-sum payments during the life of the previous agreement and is the base from which the over-the-life adjustment under the new agreement is measured.

The cost adjustment under an individual settlement is calculated by dividing the settlement cost by the measurement base, yielding a percent adjustment that is then annualized and expressed as a compound rate of change.

The mean annual percent adjustment provided by all settlements for any reference period is calculated by multiplying the increase (or decrease) for each settlement by the number of workers it covers and dividing the sum of the products by the total number of workers under all settlements during that reference period, thus reflecting settlements with increases, decreases, and no change in compensation.

Illustrative calculation. The following is an illustration of how the new measure and its components would be calculated:

Contract X expired on June 30, 1988. At the time of expiration, employees worked 2,000 hours per year and compensation cost an average of $10 for each hour of work. It consisted of $8 a work hour in wages and $2 a work hour in benefit costs. A settlement is reached on a successor contract (Contract Y) effective July 1, 1988, and extending over a 2-year term. Contract Y calls for a wage increase of 40 cents an hour on January 1, 1990; improved benefits beginning July 1, 1988, that will cost the employer an additional 10 cents a work hour; and a lump-sum payment of $500 to be paid to each employee on July 1, 1988. There are no negotiated changes in hours of work.

Following is the computation of the cost adjustments stemming from Contract Y:

The base levels of compensation per work hour at the expiration of Contract X are:

- Cash payments = $8
- Wages = $8
- Benefits = $2
- Compensation = $10

The first-year costs per work hour are:

- Wages: $8
- Cash payments: $8.25

(This amount is computed in the following way: $8 wages plus $.25 lump sum ($500/2,000 work hours) = $8.25.)

- Benefits: $2.10
- Compensation: $10.35

(This is computed in the following way: $8.25 cash payments plus $2.10 benefits = $10.35.)

Based on these numbers, the first-year adjustments would be:

- Wages: $8 cost/$8 base = 0 percent
- Cash payments: $8.25 cost/$8 base = 3.1 percent
- Benefits: $2.10 cost/$2 base = 5 percent
- Compensation: $10.35 cost/$10 base = 3.5 percent

The over-the-life costs per work hour are:

- Wages: $8.10
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(This results from multiplying $8 x 3,000 hours (the number of work hours the rate is in effect—from July 1, 1988, to December 31, 1989) plus $8.40 x 1,000 hours (hours from January 1 to June 30, 1990) and dividing the result by 4,000 hours.)

Cash payments: $8.225

(This results from combining wages ($8.10) plus $.125 lump sum ($500 divided by 4,000 hours).)

Benefits: $2.10
Compensation: $10.325

(The result of combining $8.225 (cash payments) plus $2.10 benefits = $10.325.)

The over-the-life adjustments would be:

Wages: $8.10 cost/$8 base = 1.3 percent over the 2-year life, or 0.6 percent per year
Cash payments: $8.225 cost/$8 base = 2.8 percent over the 2 years or 1.4 percent per year
Benefits: $2.10 cost/$2 base = 3 percent over the 2 years or 2.5 percent per year. (The example ignores the increase in the cost of wage-related benefits—such as leave time, pensions, or life insurance—which would occur as a result of a wage increase. In practice, such cost increases are reflected when changes in benefit costs are computed.)

Compensation: $10.325 cost/$10 base = 3.25 percent over the 2 years or 1.6 percent per year

When contract Y expires on June 30, 1990, compensation costs average $11.80 per work hour. Wages average $9.425 a work hour, benefits cost an average of $2.25 an hour, and the cost of the lump sum is computed at 12.5 cents an hour ($500 paid over 4,000 work hours).

A 2-year replacement contract (contract Z) is negotiated to be effective July 1, 1990. It calls for an immediate wage increase of 25 cents an hour, no change in benefits, and a lump sum of $250 to be paid to each worker on the first day of the contract. There continue to be 2,000 hours of work per employee each year.

The following is the computation of the cost adjustments stemming from Contract Z:

The base levels per work hour at the expiration of Contract Y are:

Wages = $9.425
Cash payments = $9.425 (first-year base); and $9.55 (over-the-life base).

It should be noted that the cash payment base for the first year of Contract Z would exclude the $.125 per-hour cost of the lump sum under Contract Y. The first-year adjustment is calculated on the base of the last year of the preceding contract and no lump-sum payment was made during that year under Contract Y. For the over-the-life measure, however, lump sums are included in the base regardless of when they are paid during the contract term.

Benefits = $2.25
Compensation = $11.675 (first-year base); and $11.80 (over-the-life base).

The first-year costs per work hour are:

Wages: $9.675
Cash payments: $9.80

(This amount is the sum of $9.675 wages plus $.125 lump sum ($250/2,000 work hours).)

Benefits: $2.25
Compensation: $12.05

(This amount is the sum of $9.80 cash payments plus $2.25 benefits.)

The first-year adjustments would be:

Wages: $9.675 cost/$9.425 base = 2.7 percent
Cash payments: $9.80 cost/$9.425 base = 4.0 percent
Benefits: $2.25 cost/$2.25 base = 0 percent
Compensation: $12.05 cost/$11.675 base = 3.2 percent

The over-the-life costs per work hour would be:

Wages: $9.675
Cash payments: $9.7375

(The sum of $9.675 wages plus $.0625 lump sum ($250 over 4,000 hours) = $9.7375.)

Benefits: $2.25
Compensation: $11.9875

(The sum of $9.7375 cash payments plus $2.25 benefits.)

The over-the-life adjustments would be:

Wages: $9.675 cost/$9.425 base = 2.7 percent over the 2-year life, or 1.3 percent per year
Cash payments: $9.7375 cost/$9.55 base = 2 percent over the 2 years or 1 percent per year
Benefits: $2.25 cost/$2.25 base = 0 percent
Compensation: $11.9875 cost/$11.80 base = 1.6 percent over the 2 years or 0.8 percent per year.

Data from the new cost series

Private industry. As measured by the new cost adjustment series, collective bargaining settlements covering 5,000 workers or more reached in 1989 provided compensation cost adjustments that averaged 4.9 percent in the first contract year and 2.8 percent a year over the contract's life. (See table 1.) Adjustments in
cash payments for work time averaged 5.1 percent in the first year and 2.9 percent annually over the contract term. Adjustments in benefit costs were 4.6 percent in the first year and 2.8 percent over the life. The settlements covered a total of 1,096,000 workers, or 28 percent of the 3.9 million private industry workers under contracts covering at least 5,000 workers.

Settlements that provided no specified lump-sum payment covered just over three-fifths (679,000) of the workers under 1989 settlements:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Specified lump-sum payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>All private industries:</td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>3.3</td>
</tr>
<tr>
<td>Cash payments</td>
<td>3.5</td>
</tr>
<tr>
<td>Wages</td>
<td>3.6</td>
</tr>
<tr>
<td>Benefits</td>
<td>2.6</td>
</tr>
<tr>
<td>(Number of workers)</td>
<td>(417,000)</td>
</tr>
</tbody>
</table>

They called for total compensation cost adjustments that averaged 2.6 percent a year over their term, less than the 3.3 percent under settlements that did provide a lump-sum payment. They also specified smaller average adjustments in the cost of cash payments but larger adjustments in benefit costs than the other settlements.

Three-tenths (329,000) of the workers under settlements covering 5,000 workers or more in 1989 were covered by a cost-of-living adjustment (COLA) clause. An additional one-eighth (136,000) had some other kind of contingent compensation change in their contracts (primarily a lump-sum payment based on company profits). As indicated in the following tabulation, contracts with these kinds of contingent changes specified compensation cost adjustments averaging 3.1 percent a year over their term, compared to 2.6 percent for those with no contingent change.

<table>
<thead>
<tr>
<th>Measure</th>
<th>With COLA and/or lump-sum provision</th>
<th>With no COLA or contingent lump-sum provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>All private industries:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>3.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Cash payments</td>
<td>3.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Wages</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Benefits</td>
<td>3.2</td>
<td>2.5</td>
</tr>
<tr>
<td>(Number of workers)</td>
<td>(465,000)</td>
<td>(632,000)</td>
</tr>
</tbody>
</table>

Table 1. Average percent adjustment in compensation cost, by industry, in collective bargaining settlements covering 5,000 workers or more, 1989

<table>
<thead>
<tr>
<th>Measure</th>
<th>First-year adjustment</th>
<th>Annual adjustment over contract life</th>
</tr>
</thead>
<tbody>
<tr>
<td>All private industries (1,096,000 workers):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>4.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Cash payments</td>
<td>5.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Wages</td>
<td>4.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Benefits</td>
<td>4.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Manufacturing (161,000 workers):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>8.4</td>
<td>5.0</td>
</tr>
<tr>
<td>Cash payments</td>
<td>10.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Wages</td>
<td>5.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Benefits</td>
<td>3.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Nonmanufacturing (935,000 workers):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>4.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Cash payments</td>
<td>4.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Wages</td>
<td>3.9</td>
<td>2.4</td>
</tr>
<tr>
<td>Benefits</td>
<td>4.8</td>
<td>2.7</td>
</tr>
<tr>
<td>State and local governments (596,000 workers):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>4.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Cash payments</td>
<td>4.8</td>
<td>3.9</td>
</tr>
<tr>
<td>Wages</td>
<td>4.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Benefits</td>
<td>4.0</td>
<td>3.3</td>
</tr>
<tr>
<td>State government (377,000 workers):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>3.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Cash payments</td>
<td>4.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Wages</td>
<td>4.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Benefits</td>
<td>3.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Local government (220,000 workers):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>5.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Cash payments</td>
<td>6.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Wages</td>
<td>5.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Benefits</td>
<td>4.7</td>
<td>3.9</td>
</tr>
</tbody>
</table>

NOTE: Because of rounding, sums of individual items may not equal totals.

State and local government. In State and local government, collective bargaining settlements covering 5,000 workers or more reached in 1989 adjusted employer costs for compensation an average of 4.6 percent in the first contract year and 3.7 percent a year over the contract life. The settlements applied to 596,000 workers, about two-fifths of the nearly 1.5 million State and local government employees under all contracts covering at least 5,000 workers.

Adjustments in cash payments per work hour averaged 4.8 percent in the first year and 3.9 percent annually over the contract term. Almost all of the cash payment adjustments were in the form of wage and premium pay adjustments; only 3 percent of the employees under the settlements received a lump-sum payment.

Workers in State government accounted for 64 percent (377,000) of all government workers under these 1989 settlements. Their contracts provided average compensation cost adjustments of 3.2 percent a year over their term, compared to 4.7 percent for local government settlements.

(Additional detailed tabulations of data for 1988 and 1989 will be published in the August 1990 issue of the Bureau's monthly periodical, Current Wage Developments.)
Future publication of data

The new cost series for private industry and State and local government introduced in this article will appear in the regular news releases covering major collective bargaining settlements that are issued for the compensation and wage rate series. Private industry releases are published for each calendar quarter, in the month following the end of the quarter—April for the first quarter for example. The most recent release, issued July 24, contains cost series data for the first half of 1990. State and local government releases are published in August for the first 6 months and in February for the full calendar year. The next release will appear in August.

The existing "rate adjustment series" will be continued because of its wide use as a measure of rate adjustments and because it provides such data for settlements involving 1,000 workers or more. Current resource limitations preclude the extension of the new cost series to settlements involving fewer than 5,000 workers.

Footnotes

2 The cost series differs from the rate series in several minor technical aspects in addition to the major ones described in the article. Details of these differences are available to interested readers upon request to the Bureau's Office of Compensation and Working Conditions, Room 2025, 441 G St, NW, Washington, DC 20212.

A note on communications

The Monthly Labor Review welcomes communications that supplement, challenge, or expand on research published in its pages. To be considered for publication, communications should be factual and analytical, not polemical in tone. Communications should be addressed to the Editor-in-Chief, Monthly Labor Review, Bureau of Labor Statistics, U.S. Department of Labor, Washington, DC 20212.