

News

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Department
of Labor



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USDL: 05-113

TRANSMISSION OF MATERIAL
IN THIS RELEASE IS EMBARGOED
UNTIL 8:30 A.M. (EST),
FRIDAY, JANUARY 28, 2005

EMPLOYMENT COST INDEX—DECEMBER 2004

Total compensation costs for civilian workers increased 0.7 percent from September to December 2004, seasonally adjusted, moderating from the 0.9 percent gain from June to September, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Benefit costs rose 1.4 percent, while wage and salary costs increased 0.4 percent, the smallest quarterly increase in wage and salaries in 2004. The Employment Cost Index (ECI), a component of the National Compensation Survey, measures quarterly changes in compensation costs, which include wages, salaries, and employer costs for employee benefits for nonfarm private and State and local government workers.

Rises in benefit costs accounted for more than 60 percent of the increase in compensation costs for civilian workers from September to December 2004. Among private industry workers, benefit costs contributed nearly two-thirds of compensation gains during the quarter, with defined benefit retirement costs accounting for nearly one-third of the gain in compensation costs. Among State and local government workers, benefit costs composed half of compensation gains during the September to December period, with health insurance costs accounting for one-fifth of the gain in compensation costs.

Quarterly changes, seasonally adjusted

Compensation costs for the private sector rose 0.7 percent from September to December 2004, after advancing 0.9 percent in the prior quarter. December gains were led by goods-producing industries. For State and local government workers, compensation costs rose 1.0 percent in December, a gain from the 0.5 percent advance in September. (See tables A and 1.)

Benefit cost increases accelerated to 1.4 percent for civilian workers (nonfarm private industry and State and local government) in the December 2004 quarter, following a gain of 1.1 percent in the September quarter. Private sector benefit costs rose 1.5 percent for the December quarter, significantly higher than the 1.0 percent gain in the previous quarter. Benefit costs for State and local governments increased 1.5 percent in the December quarter, following an increase of 1.4 percent in September 2004.

Gains in wages and salaries for civilian workers increased 0.4 percent during the December quarter, moderating from a gain of 0.7 percent in September 2004. Wages and salaries for private industry workers rose 0.4 percent for the December quarter, slowing from the 0.9 percent gain during the prior period. Wage and salary gains slowed in goods-producing, transportation and public utilities, and wholesale trade industries. Wages and salaries in State and local government advanced 0.7 percent during the September-to-December period, after a 0.1 percent change in the previous quarter.

Table A. 3-month percent changes in Employment Cost Index, seasonally adjusted

| Compensation Component | Mar. 2003 | June 2003 | Sep. 2003 | Dec. 2003 | Mar. 2004 | June 2004 | Sep. 2004 | Dec. 2004 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Civilian workers | | | | | | | | |
| Compensation costs | 1.2 | 0.9 | 1.0 | 0.8 | 1.1 | 0.9 | 0.9 | 0.7 |
| Wages and salaries | 1.0 | 0.6 | 0.7 | 0.5 | 0.6 | 0.6 | 0.7 | 0.4 |
| Benefit costs | 2.0 | 1.4 | 1.5 | 1.4 | 2.4 | 1.8 | 1.1 | 1.4 |
| Private industry | | | | | | | | |
| Compensation costs | 1.4 | 0.8 | 1.1 | 0.8 | 1.1 | 1.0 | 0.9 | 0.7 |
| Wages and salaries | 1.0 | 0.6 | 0.9 | 0.5 | 0.6 | 0.6 | 0.9 | 0.4 |
| Benefit costs | 2.1 | 1.4 | 1.5 | 1.4 | 2.6 | 1.7 | 1.0 | 1.5 |
| State and local government | | | | | | | | |
| Compensation costs | 1.0 | 1.0 | 0.5 | 0.8 | 1.0 | 1.1 | 0.5 | 1.0 |
| Wages and salaries | 0.6 | 0.8 | 0.1 | 0.6 | 0.6 | 0.7 | 0.1 | 0.7 |
| Benefit costs | 1.6 | 1.5 | 1.6 | 1.3 | 1.7 | 1.9 | 1.4 | 1.5 |

Over-the-year changes, not seasonally adjusted

Annual compensation costs for civilian workers increased 3.7 percent for the year ended December 2004, virtually unchanged from a 3.8 percent over-the-year increase for December 2003. Compensation costs in private industry rose 3.8 percent in the year ended December 2004, compared with a 4.0 percent increase in December 2003. Compensation costs increased 3.5 percent for State and local governments for the year ended December 2004, compared with an over-the-year gain of 3.3 percent in December 2003. (See tables B, 2, and 3.)

The components of compensation showed dramatic differences in the rate of change. While increases in wages and salaries continued at a moderate pace, benefit costs continued to rise sharply. For civilian workers, wages and salaries rose 2.4 percent in the year ended December 2004, compared with a gain of 2.9 percent in December 2003. Wages and salaries for private industry workers also gained 2.4 percent for the year ended December, compared with an increase of 3.0 percent in December 2003. Benefit costs rose 6.9 percent for civilian workers for the period ended December 2004, compared with the increase of 6.3 percent for the year ended December 2003. (See tables B, 5, 6, and 8.)

Table B. 12-month percent changes in Employment Cost Index, not seasonally adjusted

| Compensation Component | Dec. 1999 | Dec. 2000 | Dec. 2001 | Dec. 2002 | Dec. 2003 | Dec. 2004 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Civilian workers | | | | | | |
| Compensation costs | 3.4 | 4.1 | 4.1 | 3.4 | 3.8 | 3.7 |
| Wages and salaries | 3.5 | 3.8 | 3.7 | 2.9 | 2.9 | 2.4 |
| Benefit costs | 3.3 | 4.9 | 5.2 | 5.0 | 6.3 | 6.9 |
| Private industry | | | | | | |
| Compensation costs | 3.4 | 4.4 | 4.2 | 3.2 | 4.0 | 3.8 |
| Wages and salaries | 3.5 | 3.9 | 3.8 | 2.7 | 3.0 | 2.4 |
| Benefit costs | 3.4 | 5.6 | 5.1 | 4.7 | 6.4 | 6.9 |
| State and local government | | | | | | |
| Compensation costs | 3.4 | 3.0 | 4.2 | 4.1 | 3.3 | 3.5 |
| Wages and salaries | 3.6 | 3.3 | 3.6 | 3.2 | 2.1 | 2.1 |
| Benefit costs | 2.8 | 2.4 | 5.5 | 6.2 | 6.1 | 6.7 |

Nonfarm private industry

For the year ended December 2004, compensation costs in private industry increased 4.7 percent for goods-producing industries, compared with an advance of 4.0 percent for the year ended December 2003. Compensation costs for manufacturing advanced 5.0 percent in December 2004, after increasing 4.1 percent in December 2003. Compensation costs for construction rose 2.4 percent in December 2004, compared with a 3.4 percent rise in December 2003. (See table 3.)

The over-the-year increase in compensation for service-producing industries was 3.3 percent, compared with a 4.0 percent gain for the year ended December 2003. Among service-producing industries, the 12-month increase for transportation and public utilities was 3.9 percent for the year ended in December 2004, led by a 5.0 percent increase in the electric, gas, and sanitary services industry. Compensation costs rose modestly in retail trade and wholesale trade, increasing 2.3 percent and 2.7 percent, respectively, in December 2004. (See table 3.)

Over-the-year compensation cost increases were 4.4 percent for blue-collar occupations, 3.5 percent for white-collar occupations, and 2.9 percent for service occupations for the year ended December 2004. Among white-collar occupational groups, compensation cost increases ranged from 2.4 percent for executive, administrative, and managerial employees to 4.5 percent for professional specialty and technical workers. Among blue-collar occupational groups, compensation cost increases ranged from 3.4 percent for transportation and material moving workers and handlers, equipment cleaners, helpers, and laborers to 5.7 percent for machine operators, assemblers, and inspectors. (See table 3.)

Gains in compensation costs for union workers continued to outpace those for nonunion workers. Compensation costs for union workers advanced 5.6 percent over the year ended December 2004, significantly higher than the 3.4 percent increase for nonunion workers. Among blue-collar workers, compensation costs advanced 5.7 percent for union workers, greater than the gain of 3.7 percent for nonunion workers. In manufacturing industries, compensation costs for union workers advanced sharply, rising 7.6 percent, significantly higher than the 4.2 percent increase for nonunion workers for the year ended December 2004. (See tables C and 4.)

Wages and salaries for union workers rose 2.8 percent for the 12 months ended in December 2004, compared with an over-the-year increase of 2.4 percent for nonunion workers. Benefit costs for union workers continued to rise sharply, 10.3 percent, compared with an increase of 6.2 percent for nonunion workers in December 2004. (See tables C, 7, and 8.)

Table C. 12-month percent changes in Employment Cost Index, private industry workers, not seasonally adjusted

| Compensation Component | Dec. 1999 | Dec. 2000 | Dec. 2001 | Dec. 2002 | Dec. 2003 | Dec. 2004 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Union workers | | | | | | |
| Compensation costs | 2.7 | 4.0 | 4.2 | 4.2 | 4.6 | 5.6 |
| Wages and salaries | 2.6 | 3.4 | 4.4 | 3.5 | 2.4 | 2.8 |
| Benefit costs | 2.8 | 5.2 | 3.7 | 5.7 | 8.3 | 10.3 |
| Nonunion workers | | | | | | |
| Compensation costs | 3.6 | 4.4 | 4.1 | 3.2 | 3.9 | 3.4 |
| Wages and salaries | 3.6 | 4.0 | 3.6 | 2.7 | 3.1 | 2.4 |
| Benefit costs | 3.5 | 5.7 | 5.4 | 4.5 | 6.0 | 6.2 |

Among the four geographic regions, increases in compensation costs ranged from 3.1 percent in the Midwest to 4.1 percent in the South for the year ended December 2004. Compensation costs rose 3.8 percent in the Northeast and 3.9 percent in the West. In the Midwest, gains in wages and salaries slowed to 1.6 percent for the year ended December 2004, significantly less than the 3.9 percent gain for the year ended December 2003. Among the remaining regions, wages and salaries rose 2.5 percent in the Northeast, 2.6 percent in the West, and 2.8 percent in the South for the year ended December 2004. (See tables 4 and 7.)

→ State and local government

Wages and salaries for State and local government workers edged up 2.1 percent in the year ended December 2004, the same as the gain for December 2003. Benefit costs rose 6.7 percent for the year ended December 2004, greater than the gain of 6.1 percent for the year ended December 2003. (See tables B, 5, and 8.)

For the year ended December 2004, compensation costs increased 3.0 percent for educational services, almost identical to the 2.9 percent increase for the year ended December 2003. Within educational services, compensation increases were 3.4 percent for elementary and secondary schools and 1.9 percent for colleges and universities. Among occupational groups, compensation costs of service workers rose 4.3 percent for the year ended December 2004, compared with gains of 3.5 percent for blue-collar workers and 3.3 percent for white-collar workers. (See table 2.)

NOTE:

The new seasonal factors for 2005, along with revised seasonally adjusted indexes for the past five years, will be available Wednesday, April 27, 2005, on the Internet site <http://www.bls.gov/ncs/ect/home.htm>, by e-mail request ocltinfo@bls.gov, or by telephone (202) 691-6199. The ECI for March 2005 is scheduled to be released Friday, April 29, 2005, at 8:30 a.m. (EDT).

ECI data are available on the Compensation Cost Trends page at <http://www.bls.gov/ncs/ect/home.htm>. To access data using Anonymous FTP, use the Internet address <ftp://ftp.bls.gov>.

For technical assistance in using the BLS Internet site, send e-mail to webmaster@bls.gov. For ECI data requests, send e-mail to ocltinfo@bls.gov.

The ECI news release is available through an e-mail subscription service. See the subscription link on <http://www.bls.gov/ncs/ect/home.htm> or <http://www.bls.gov/bls/newsrels.htm>.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: (202) 691-5200; Federal Relay Service Number: 1-800-877-8339.

News releases and other information are available from the BLS fax-on-demand service. To request a document fax, call (202) 691-6325. To request data found in this news release, enter the following codes:

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Chart A. Changes in wages and salaries and in benefit costs, private industry, 1980-2004

12-month percent change

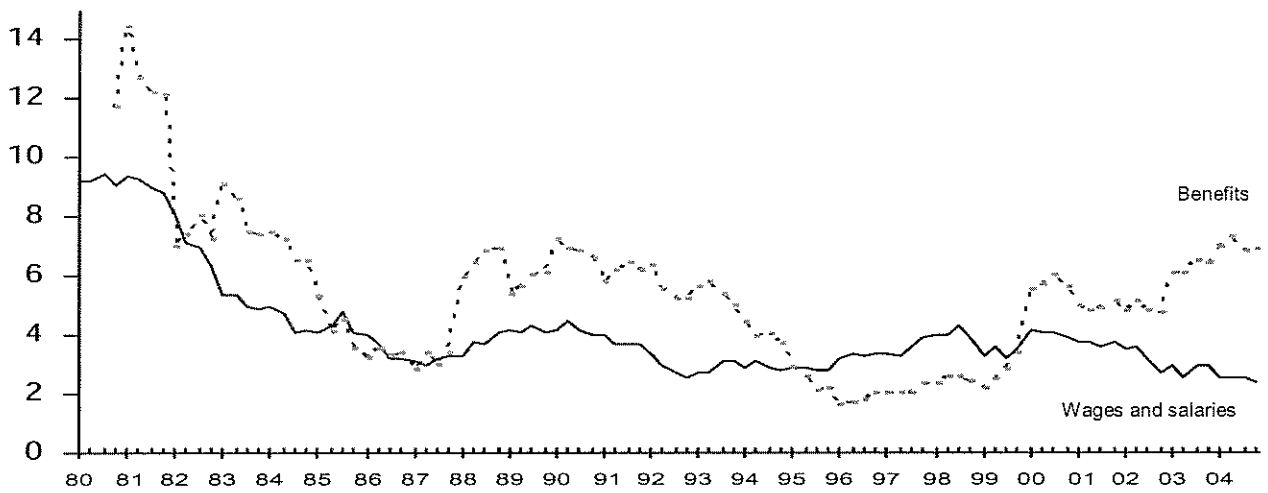


Chart B. Changes in wages and salaries, private industry and State and local government, 1980-2004

12-month percent change

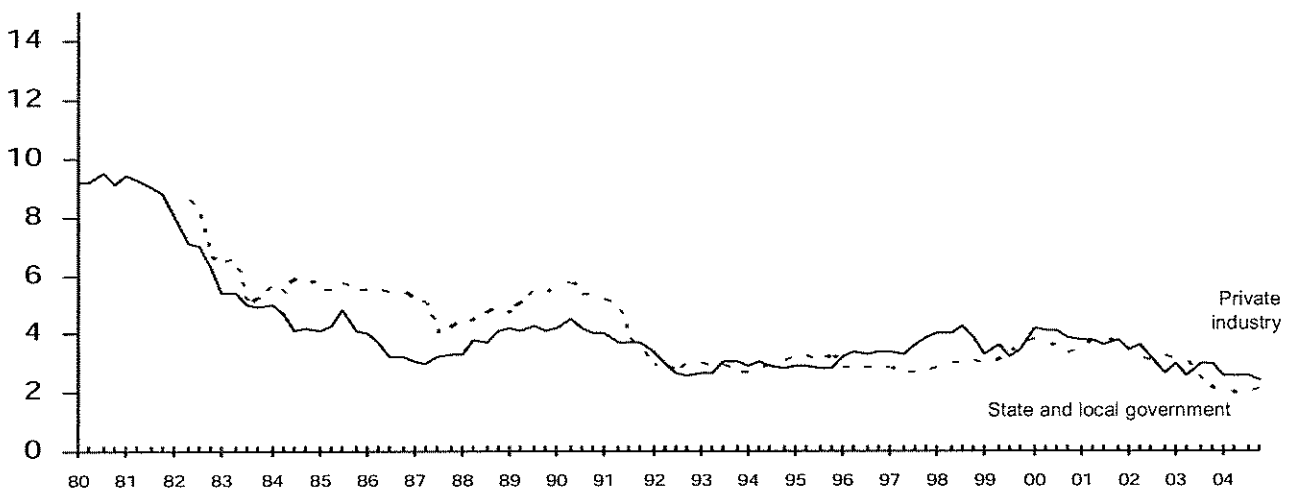


Chart C. Changes in benefits, private industry and State and local government, 1980-2004

12-month percent change

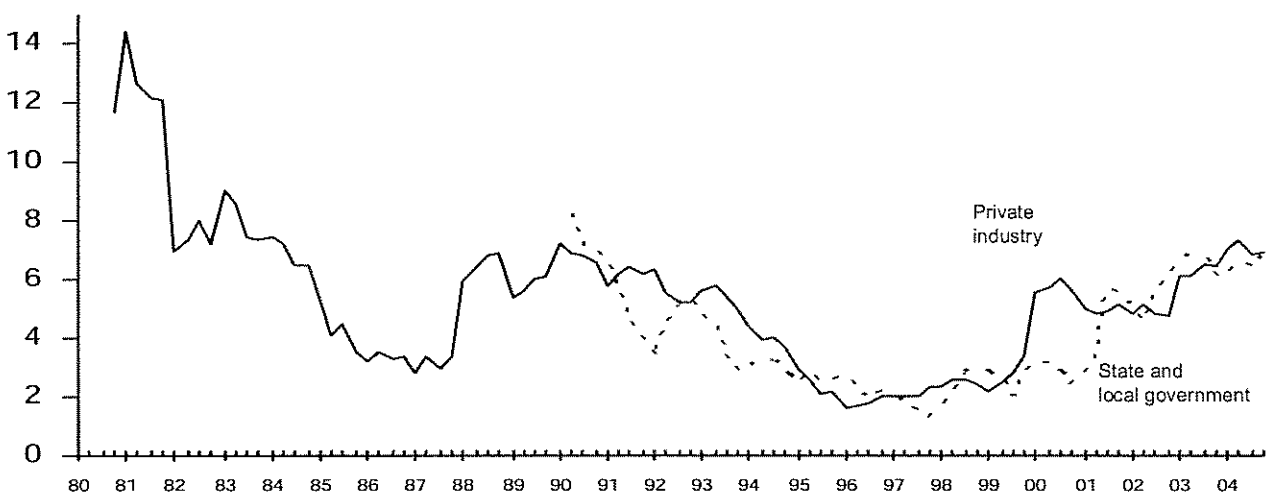


Table 5. Employment Cost Index for wages and salaries for civilian and State and local government workers, by industry and occupational group

(Not seasonally adjusted data)

| Industry and occupational group | Indexes (June 1989=100) | | | Percent changes for— | | | | | |
|---|-------------------------|--------------|--------------|----------------------|--------------|--------------|------------------|--------------|--------------|
| | Dec. 2003 | Sep. 2004 | Dec. 2004 | 3 months ended— | | | 12 months ended— | | |
| | | | | Dec. 2003 | Sep. 2004 | Dec. 2004 | Dec. 2003 | Sep. 2004 | Dec. 2004 |
| Civilian workers | 162.3 | 165.7 | 166.2 | 0.3 | 0.9 | 0.3 | 2.9 | 2.4 | 2.4 |
| Excluding sales occupations | 162.3 | 165.6 | 166.3 | .4 | .9 | .4 | 2.9 | 2.4 | 2.5 |
| Industry | | | | | | | | | |
| Goods producing ¹ | 158.7 | 162.3 | 162.4 | .3 | .8 | .1 | 2.3 | 2.5 | 2.3 |
| Manufacturing | 160.1 | 163.8 | 164.0 | .3 | .9 | .1 | 2.3 | 2.6 | 2.4 |
| Service producing ² | 163.6 | 167.0 | 167.5 | .4 | .9 | .3 | 3.0 | 2.5 | 2.4 |
| Services | 165.4 | 169.3 | 170.1 | .4 | 1.1 | .5 | 2.7 | 2.8 | 2.8 |
| Health services | 165.9 | 170.8 | 171.7 | .7 | 1.3 | .5 | 3.1 | 3.7 | 3.5 |
| Hospitals | 167.7 | 171.8 | 173.2 | .8 | 1.1 | .8 | 3.4 | 3.3 | 3.3 |
| Educational services | 163.2 | 166.0 | 166.8 | .3 | 1.3 | .5 | 1.9 | 2.0 | 2.2 |
| Public administration ³ | 160.0 | 162.6 | 163.5 | .4 | .7 | .6 | 2.7 | 2.0 | 2.2 |
| Nonmanufacturing | 162.7 | 166.0 | 166.5 | .4 | .9 | .3 | 3.0 | 2.4 | 2.3 |
| Occupational group | | | | | | | | | |
| White collar | 165.1 | 168.7 | 169.1 | .4 | 1.0 | .2 | 3.1 | 2.6 | 2.4 |
| Excluding sales | 165.7 | 169.1 | 169.9 | .4 | .9 | .5 | 3.1 | 2.5 | 2.5 |
| Professional specialty and technical | 162.5 | 166.5 | 167.0 | .4 | 1.3 | .3 | 2.5 | 2.9 | 2.8 |
| Executive, administrative, and managerial | 171.2 | 173.4 | 174.4 | .4 | .6 | .6 | 4.5 | 1.7 | <u>1.9</u> |
| Administrative support, including clerical | 164.9 | 168.8 | 169.7 | .4 | .8 | .5 | 2.7 | 2.7 | 2.9 |
| Blue collar | 156.3 | 159.7 | 160.0 | .3 | .8 | .2 | 2.4 | 2.5 | 2.4 |
| Service | 160.6 | 162.8 | 163.6 | .5 | .6 | .5 | 2.4 | 1.9 | 1.9 |
| State and local government | 161.9 | 164.5 | 165.3 | .4 | 1.0 | .5 | 2.1 | 2.0 | 2.1 |
| Industry | | | | | | | | | |
| Services | 162.1 | 164.8 | 165.5 | .3 | 1.3 | .4 | 1.8 | 2.0 | 2.1 |
| Excluding schools | 164.5 | 167.5 | 168.3 | .8 | 1.1 | .5 | 2.6 | 2.6 | 2.3 |
| Health services | 166.7 | 169.6 | 170.7 | 1.0 | 1.1 | .6 | 2.8 | 2.7 | 2.4 |
| Hospitals | 166.7 | 169.9 | 171.0 | .7 | 1.2 | .6 | 2.6 | 2.7 | 2.6 |
| Educational services | 161.6 | 164.2 | 164.9 | .2 | 1.3 | .4 | 1.7 | 1.9 | 2.0 |
| Schools | 161.8 | 164.3 | 165.0 | .2 | 1.2 | .4 | 1.8 | 1.8 | 2.0 |
| Elementary and secondary | 160.9 | 163.8 | 164.5 | .2 | 1.4 | .4 | 1.8 | 2.0 | 2.2 |
| Colleges and universities | 164.0 | 165.4 | 166.3 | .3 | .6 | .5 | 1.5 | 1.2 | 1.4 |
| Public administration ³ | 160.0 | 162.6 | 163.5 | .4 | .7 | .6 | 2.7 | 2.0 | 2.2 |
| Occupational group | | | | | | | | | |
| White collar | 161.5 | 164.1 | 164.9 | .3 | 1.0 | .5 | 2.0 | 1.9 | 2.1 |
| Professional specialty and technical | 161.4 | 164.4 | 165.0 | .2 | 1.3 | .4 | 1.9 | 2.1 | 2.2 |
| Executive, administrative, and managerial | 163.3 | 164.3 | 166.1 | .5 | .3 | 1.1 | 2.0 | 1.1 | <u>1.7</u> |
| Administrative support, including clerical | 159.5 | 162.6 | 163.0 | .3 | 1.1 | .2 | 2.2 | 2.2 | 2.2 |
| Blue collar | 158.3 | 160.7 | 161.4 | .4 | .9 | .4 | 2.1 | 2.0 | 2.0 |
| Service | 165.8 | 168.5 | 169.4 | .5 | .9 | .5 | 2.9 | 2.2 | 2.2 |

¹ Includes mining, construction, and manufacturing.² Includes transportation, communication, and public utilities; wholesale and retail trade; finance, insurance, and real estate; service

industries; and public administration.

³ Includes executive, legislative, judicial, administrative, and regulatory activities of State and local governments, SICs 91 through 96.