

EMPLOYMENT COST INDEX-DECEMBER 2003

Total compensation costs for civilian workers rose 0.7 percent from September to December 2003, seasonally adjusted, moderating from the 1.0 percent gain from June to September, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Benefit costs increased 1.2 percent and continued to strongly outpace the gain in wages and salaries for civilian workers, 0.5 percent. 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.

Although contributing only 30 percent of total compensation costs, about half of the increase in compensation costs was attributable to rises in benefit costs during the September to December 2003 period. Among State and local government workers, benefit costs accounted for 53 percent of compensation gains during the quarter, with health insurance and defined benefit retirement costs accounting for nearly three-quarters of the rise in State and local government benefit costs. Among private industry workers, the pattern of compensation gains was similar, with benefit costs attributing 51 percent of compensation gains during the September to December period. Health insurance and defined benefit retirement contributions accounted for approximately three-fifths of the gain in benefit costs.

Quarterly changes, seasonally adjusted

Compensation costs for both private sector and State and local government workers rose 0.7 percent from September to December. For State and local government workers, the increase in compensation costs was the same as in the prior quarter, while the gain for private sector workers had been 1.0 percent in September. December gains in private sector compensation costs were led by increases in retail trade and services, while private sector compensation gains were less in wholesale trade and in finance, insurance, and real estate. (See tables A and 1.)

Benefit costs advanced 1.2 percent for civilian workers (nonfarm private industry and State and local government) in the December 2003 quarter, following a gain of 1.5 percent in the September quarter. Private sector benefit costs rose 1.2 percent for the December quarter, following a 1.4 percent gain in the previous quarter. Benefit increases for State and local governments slowed to 1.1 percent in the December quarter, following a jump of 2.0 percent in September 2003.

Wages and salaries for civilian, private, and State and local workers all advanced 0.5 percent during the December quarter. This increase was lower than the 0.9 percent increase in private industry wages and salaries over the previous quarter. In contrast, in State and local government, this increase was higher compared with the modest 0.1 change during the prior quarter. Private sector wage gains were led by service-producing industries, especially retail trade and services. Increases in wages and salaries in the private sector were slowed by durable manufacturing and finance, insurance, and real estate industries.

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

adjusted

Compensation Component	Mar. 2002	June 2002	Sep. 2002	Dec. 2002	Mar. 2003	June 2003	Sep. 2003	Dec. 2003
Civilian workers								
Compensation costs	0.9	1.0	0.8	0.7	1.3	0.9	1.0	0.7
Wages and salaries	0.8	0.9	0.6	0.5	1.0	0.6	0.7	0.5
Benefit costs	1.0	1.3	1.2	1.3	2.2	1.4	1.5	1.2
Private industry								
Compensation costs	0.9	1.1	0.6	0.7	1.4	0.8	1.0	0.7
Wages and salaries	0.9	0.9	0.4	0.5	1.0	0.6	0.9	0.5
Benefit costs	1.1	1.3	1.1	1.2	2.4	1.3	1.4	1.2
State and local government								
Compensation costs	0.8	0.9	1.3	1.0	0.9	1.0	0.7	0.7
Wages and salaries	0.8	0.8	0.8	0.7	0.7	0.8	0.1	0.5
Benefit costs	1.0	1.1	2.2	1.7	1.5	1.3	2.0	1.1

Over-the-year changes, not seasonally adjusted

Annual compensation costs for civilian workers (not seasonally adjusted) increased 3.8 percent for the year ended December 2003, compared with a 3.4 percent over-the-year increase for December 2002. Compensation costs in private industry rose 4.0 percent in the year ended December 2003, higher than the more modest increase of 3.2 percent in December 2002. In contrast, compensation costs slowed to a 3.3 percent increase for State and local government for the year ended December 2003, compared with an over-the-year gain of 4.1 percent in December 2002. (See tables B, 2, and 3.)

The components of compensation continued to show significant differences. While increases in wages and salaries slowed, benefit costs rose sharply during the year ended December 2003. For private industry workers, wages and salaries rose 3.0 percent in the year ended December 2003, compared with a gain of 6.4 percent for benefits. Wages and salaries rose a modest 2.1 percent for State and local government workers, while benefits increased 6.1 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. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003
Civilian workers						
Compensation costs	3.4	3.4	4.1	4.1	3.4	3.8
Wages and salaries	3.7	3.5	3.8	3.7	2.9	2.9
Benefit costs	2.6	3.3	4.9	5.2	5.0	6.3
Private industry						
Compensation costs	3.5	3.4	4.4	4.2	3.2	4.0
Wages and salaries	3.9	3.5	3.9	3.8	2.7	3.0
Benefit costs	2.4	3.4	5.6	5.1	4.7	6.4
State and local government						
Compensation costs	3.0	3.4	3.0	4.2	4.1	3.3
Wages and salaries	3.1	3.6	3.3	3.6	3.2	2.1
Benefit costs	3.0	2.8	2.4	5.5	6.2	6.1

Nonfarm private industry

For the year ended December 2003, compensation costs in private industry increased 4.0 percent for goods-producing industries, compared with the 3.7 percent advance for the year ended December 2002. Compensation costs for manufacturing advanced 4.1 percent in December 2003, after increasing 3.8 percent in December 2002. Compensation costs for construction rose 3.4 percent in December 2003, compared with a 3.2 percent rise in December 2002. (See table 3.)

The over-the-year increase in compensation for service-producing industries was 4.0 percent, compared with the 3.1 percent gain for the year ended December 2002. Among service-producing industries, the 12-month increase for finance, insurance, and real estate was 7.4 percent for the year ended in December 2003, led by a large increase in banking, savings and loan, and other credit agencies. Compensation costs rose modestly in wholesale trade, increasing 3.2 percent in the year ended December 2003.

Over-the-year compensation cost increases were 4.1 percent for white-collar occupations, 4.0 percent for blue-collar occupations, and 3.2 percent for service occupations for the year ended December 2003. Among white-collar occupational groups, compensation changes ranged from 3.2 for sales workers to 5.2 percent for executive, administrative, and managerial employees. Among blue-collar workers, compensation cost increases ranged from 3.4 percent for transportation and material moving workers to 4.1 percent for the remaining three blue-collar occupational groups. (See table 3.)

Compensation costs for union workers advanced 4.6 percent over the year ended December 2003, compared with a 3.9 percent increase for nonunion workers. Compensation costs among blue-collar union workers rose 4.9 percent, higher than the gain of 3.5 percent for blue-collar nonunion workers. In goods-producing industries, a 5.1 percent increase for union workers was greater than the 3.7 percent advance for nonunion workers. (See tables C and 4.)

Wages and salaries for union workers rose a modest 2.4 percent for the 12 months ended in December 2003. This compares with an over-the-year increase of 3.1 percent for nonunion workers. In contrast, benefit costs for union workers rose sharply, 8.3 percent, greater than the increase of 6.0 percent for nonunion workers in December 2003. (See tables C, 7, and 8.)

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

Compensation Component	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003
Union workers						
Compensation costs	3.0	2.7	4.0	4.2	4.2	4.6
Wages and salaries	3.3	2.6	3.4	4.4	3.5	2.4
Benefit costs	2.5	2.8	5.2	3.7	5.7	8.3
Nonunion workers						
Compensation costs	3.5	3.6	4.4	4.1	3.2	3.9
Wages and salaries	4.0	3.6	4.0	3.6	2.7	3.1
Benefit costs	2.4	3.5	5.7	5.4	4.5	6.0

Among the four geographic regions, increases in compensation costs ranged from 3.1 percent in the South to 4.8 percent in the Midwest.

Compensation costs rose 4.1 percent in the Northeast and 4.4 percent in the West. (See table 4.)

State and local government

Employer costs for wages and salaries among State and local government workers rose 2.1 percent for the year ended December 2003. Wage and salary increases for State and local government workers for years ending from December 1982 through December 2002 ranged from 2.7 percent in December 1993 and December 1997 to 6.6 percent in December 1982. Benefit costs rose 6.1 percent for the year ended December 2003. Benefit increases from December 1992 through December 2002 ranged from 1.3 percent in December 1997 to 6.2 percent in December 2002.

For the year ended December 2003, compensation costs increased 2.9 percent for educational services, slowing from the 3.8 percent gain for the year ended December 2002. Compensation cost gains moderated for health services, rising 3.3 percent for the year ended December 2003 compared with a 4.4 percent rise for the year ended December 2002. Among occupational groups, compensation costs of service workers rose 4.0 percent for the year ended December 2003, compared with gains of 3.4 percent for blue-collar workers and 3.1 percent for white-collar workers. (See tables B, 5, and 8.)