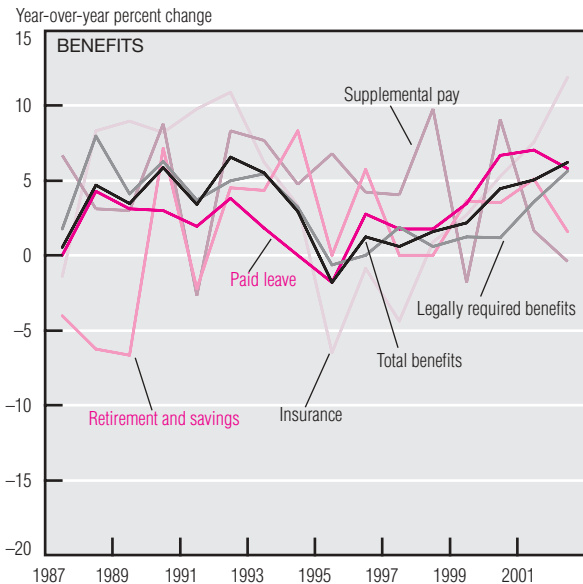
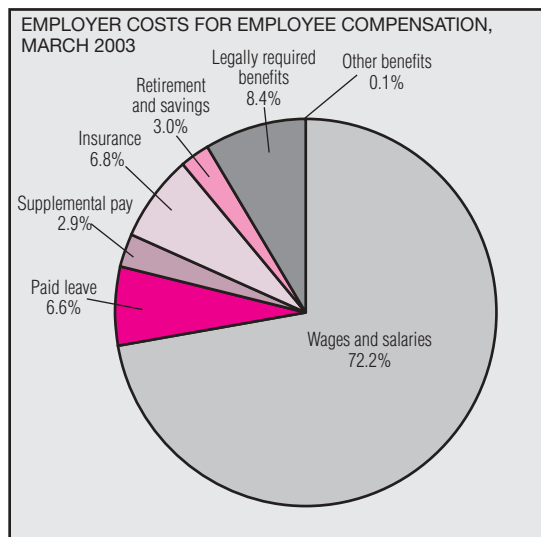
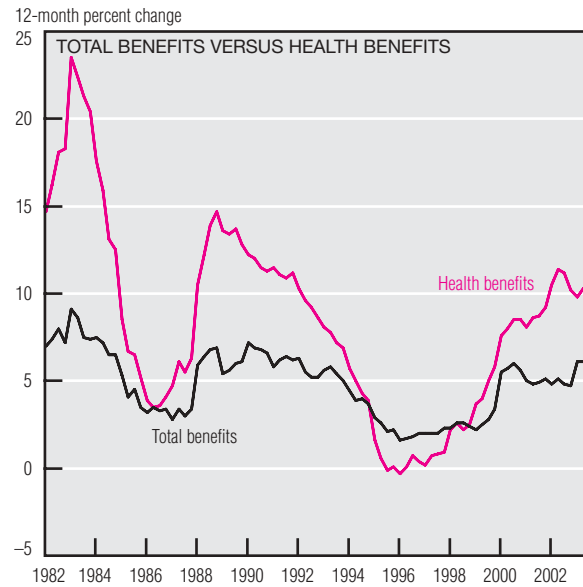
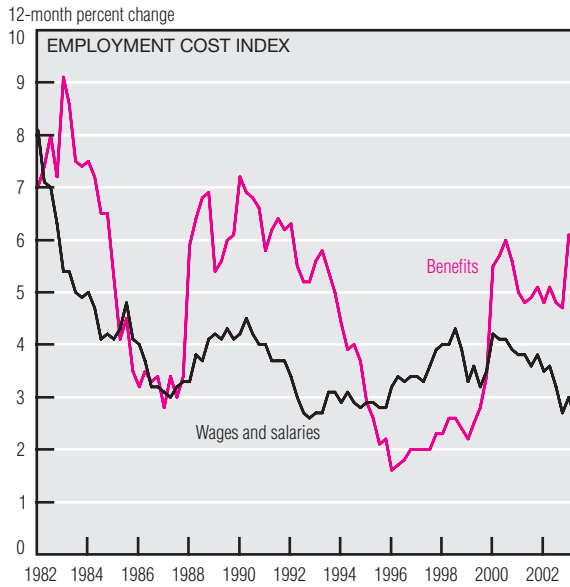


The Employment Cost Index



NOTE: All data are seasonally adjusted.
SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

The Employment Cost Index (ECI) is a quarterly measure of the rate of change in employers' costs for both wages and benefits. For most of the 1980s and early 1990s, benefit costs rose faster than wages. In the mid-1990s, the trend reversed course, and wage increases dominated, but in 2000, benefit costs began to outpace wage growth once again.

In the late 1980s and early 1990s, employers' health insurance costs increased significantly as a share of total benefits because medical care costs were rising steeply. After a few years of relative stability, health

insurance costs began escalating rapidly again in 1999, increasing benefits costs for both employers and employees.

In March 2003, wages and salaries accounted for 72.2% of employers' costs for employee compensation (for civilian workers in private industry); benefits were responsible for the remaining 27.8%. Legally required benefits, employers' largest non-wage costs, represented 8.4% of total compensation. Over the last two years, rapid increases in state unemployment insurance costs and workers compensation have substantially increased the

share of legally required benefits. Employers' costs for paid leave accounted for 6.6% of total compensation, insurance benefits for 6.8%, and retirement and savings for 3.0%.

Since 1995, the year-over-year percent change in total benefits has been accelerating, mainly because of a marked increase in the year-over-year percent change in insurance benefits (including health benefits) and legally required benefits. Because benefit costs represent a large share of overall employer costs, their rise has increased the costs of labor.