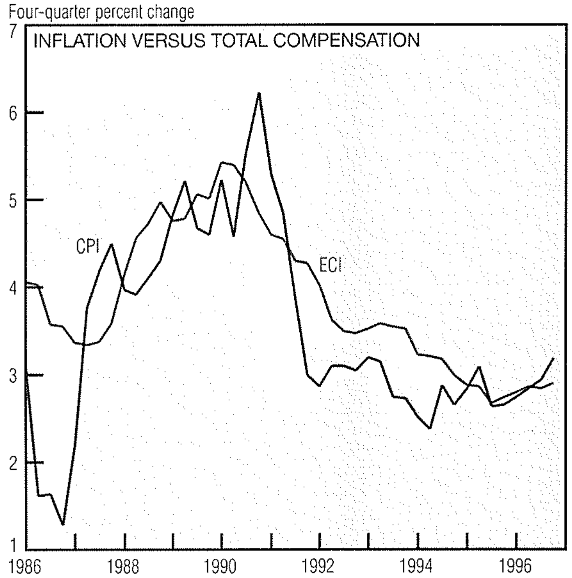
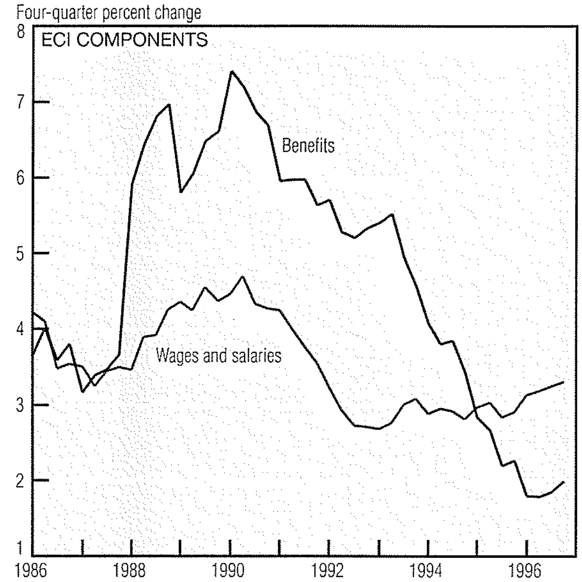
Employment Cost Index





ECI Wage and Salary Growth by Occupation and Region, 1996

	Average annual percent change, last: 1 yr.	3 yr.	6 yr.
Occupation			
Professional specialty/ technical	3.57	3.04	3.42
Executive	3.77	3.44	3.45
Administrative support	3.12	3.14	3.50
Service occupations	3.40	3.14	3.25
Blue-collar occupations	3.04	3.01	3.16
Region			
Northeast	3.32	2.96	3.24
South	3.76	3.16	3.28
Midwest	3.32	3.20	3.45
West	3.10	3.11	3.34

ECI Wage and Salary Growth by Industry, 1996[a]

	Average annual percent change, last: 1 yr.	3 yr.	6 yr.
Manufacturing	3.30	3.15	3.48
Construction	2.90	2.91	2.75
Transportation and public utilities	2.67	3.35	3.57
Wholesale and retail trade	3.84	3.35	3.38
FIRE[b]	3.21	2.75	2.77
Services	3.57	3.04	3.42
Business	4.67	4.15	3.52
Health	2.34	2.39	3.30
Educational	3.40	3.56	3.57

a. Private industry workers.
b. Finance, insurance, and real estate.
SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

The Employment Cost Index (ECI) is the best measure of compensation (wages and benefits) growth available to labor analysts. Like the Consumer Price Index (CPI), it relies on a fixed basket of items—in this case, occupations. This prevents shifts in the occupational composition of the workforce from appearing as wage gains, as they do in average hourly earnings data. Because the ECI includes overtime payments as a fixed increment to wages, short-term increases in overtime will not alter the index.

A long period of low unemployment rates has led many analysts to seek evidence of "excessive" wage increases, but wage growth has remained moderate; it has been further offset by slower growth in benefit costs over the last two years. For most groups of workers (occupations, industries, or regions), 1996 wage growth was comparable to the rates of the past several years.

Although the ECI and the CPI have shown similar growth patterns in recent years, the direction of causality is unclear. Firms could be adjusting wages to keep pace with inflation or adjusting prices to keep up with wage growth. Both explanations are consistent with the correlation between the CPI and the ECI.