Measures of labor earnings growth are quite sensitive to differences in definition and method. In the past several years, average real hourly earnings growth from the Labor Department’s Current Employment Statistics (CES) data series has increased, while real hourly compensation growth, which includes benefits, has decreased. Even when both series are deflated by the CPI-U, trend differences remain.

Both real compensation and real earnings are affected by employment shifts. The Employment Cost Index (ECI), which uses fixed weights across industries and occupations, measures compensation growth without the influence of employment changes. Real total compensation from the ECI is generally more volatile than the CES measure, and the two series have behaved quite differently in the past several years.

Employer Costs for Employee Compensation (ECEC), a series calculated with data from the ECI survey, uses current rather than fixed employment weights. From 2001 to 2002, ECEC measures of real compensation and of wages and salaries grew more than the ECI. Some of the recent ECEC increase came from a reduction in hours for lower-wage and salary workers during the most recent recession. Conversely, the ECI’s growth exceeded the ECEC’s in the 1990s because of the shift toward lower-paying jobs during that decade.

ECEC data are used to assess employers’ labor costs, but they do not measure labor costs relative to production. These are measured by unit labor costs (compensation per unit of real output). Unit labor costs, which are negatively related to productivity, have fallen dramatically in recent quarters, as often happens near the end of a recession.