

# News

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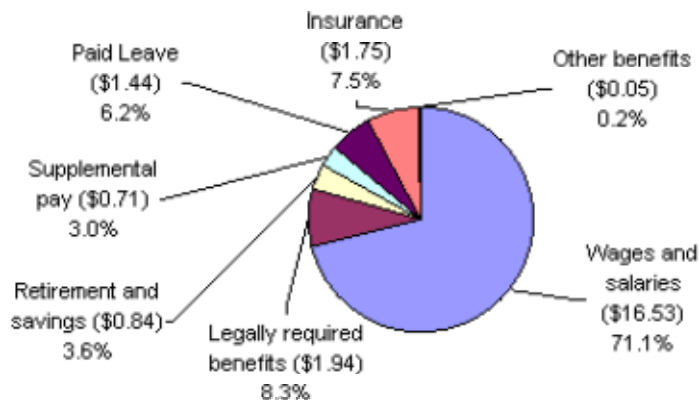
## EMPLOYER COSTS FOR EMPLOYEE COMPENSATION MIDWEST REGION - MARCH 2004

Employer costs for employee compensation of private industry workers in the Midwest averaged \$23.26 per hour worked in March 2004, according to the U.S. Department of Labor's Bureau of Labor Statistics. Acting Regional Commissioner John Gordon reported that wages and salaries in the Midwest averaged \$16.53 per hour and accounted for 71 percent of total compensation costs. Benefit costs averaged \$6.73 per hour and represented 29 percent of total employer compensation costs. Overall, the total cost of hourly compensation in the Midwest was close to the national average of \$23.29. (See table 1.)

Beginning with this release, Employer Costs for Employee Compensation are based on new classifications of industry and occupation: the 2002 North American Industry Classification System (NAICS) and the 2000 Standard Occupational Classification (SOC). These systems replace the 1987 Standard Industrial Classification System (SIC) and the Occupational Classification System (OCS). Also effective with this release, estimates for employer costs will no longer be available by SIC and OCS. See Explanatory Notes for more details.

Among the benefit categories, legally required benefits (Social Security, Medicare, workers' compensation, unemployment insurance) in the Midwest region averaged \$1.94 per hour worked (8.3 percent of total compensation). Other employer costs included insurance benefits (life, health, disability) at \$1.75 per hour worked (7.5 percent), paid leave benefits (vacation, holiday, sick, other) at \$1.44 (6.2 percent), and retirement and savings benefits at 84 cents (3.6 percent). (See chart 1.)

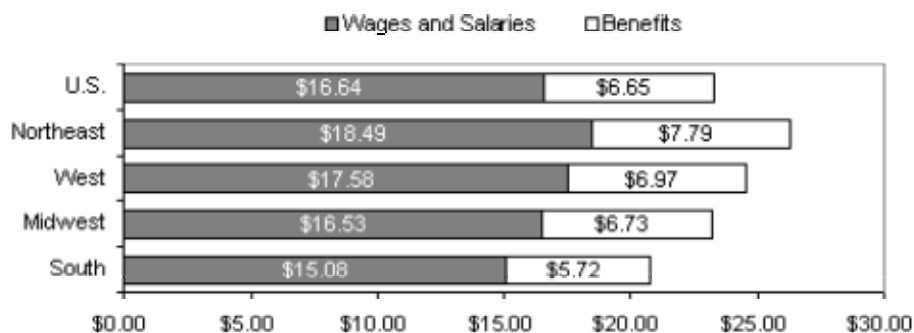
**Chart 1. Employer cost per hour worked, Midwest region, private industry, March 2004**



## Regional variations

In the other three regions of the country, total hourly compensation costs averaged \$26.29 in the Northeast, \$24.54 in the West, and \$20.80 in the South. Employer costs for wages and salaries averaged \$18.49 in the Northeast (70.4 percent of total compensation), \$17.58 in the West (71.6 percent of the total), and \$15.08 in the South (72.5 percent). Nationally, compensation costs averaged \$23.29 with wages and salaries averaging \$16.64 (71.5 percent of the total). (See chart 2.)

**Chart 2. Employer costs per hour worked for employee compensation, private industry, March 2004**



Benefit costs in these three regions averaged \$7.79 (29.6 percent of total compensation) in the Northeast, \$6.97 (28.4 percent of the total) in the West, and \$5.72 (27.5 percent) in the South. Nationwide, benefit costs averaged \$6.65 and accounted for 28.5 percent of the cost of total compensation.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation, private industry workers, March 2004.

Compensation component	U.S. Average		Region (1)							
			Midwest		Northeast		South		West	
	Cost	Percent	Cost	Percent	Cost	Percent	Cost	Percent	Cost	Percent
Total compensation .....	\$23.29	100.0	\$23.26	100.0	\$26.29	100.0	\$20.80	100.0	\$24.54	100.0
Wages and salaries .....	16.64	71.5	16.53	71.1	18.49	70.4	15.08	72.5	17.58	71.6
Total benefits .....	6.65	28.5	6.73	28.9	7.79	29.6	5.72	27.5	6.97	28.4
Paid leave .....	1.50	6.4	1.44	6.2	1.83	6.9	1.29	6.2	1.58	6.4
Vacation .....	.74	3.2	.71	3.1	.88	3.3	.64	3.1	.80	3.2
Holiday .....	.52	2.2	.50	2.2	.64	2.4	.44	2.1	.53	2.2
Sick .....	.18	.8	.16	.7	.23	.9	.15	.7	.20	.8
Other .....	.06	.3	.07	.3	.08	.3	.05	.3	.05	.2
Supplemental pay .....	.66	2.8	.71	3.0	.92	3.5	.52	2.5	.57	2.3
Overtime and Premium (2) .....	.24	1.0	.28	1.2	.22	.8	.22	1.1	.24	1.0
Shift differentials .....	.06	.2	.07	.3	.06	.2	.05	.2	.05	.2
Nonproduction bonuses ..	.36	1.6	.35	1.5	.64	2.4	.26	1.2	.28	1.2
Insurance .....	1.65	7.1	1.75	7.5	1.87	7.1	1.46	7.0	1.65	6.7
Life .....	.04	.2	.04	.2	.05	.2	.04	.2	.04	.1
Health .....	1.53	6.6	1.62	7.0	1.72	6.5	1.34	6.5	1.55	6.3
Short-term disability .....	.05	.2	.05	.2	.06	.2	.04	.2	.03	.1
Long-term disability .....	.03	.1	.03	.1	.04	.1	.03	.2	.03	.1
Retirement and savings ....	.80	3.4	.84	3.6	.94	3.6	.66	3.2	.82	3.4
Defined benefit .....	.37	1.6	.45	1.9	.40	1.5	.29	1.4	.38	1.6
Defined contribution .....	.43	1.8	.39	1.7	.54	2.0	.38	1.8	.44	1.8
Legally required benefits ...	2.01	8.6	1.94	8.3	2.19	8.3	1.76	8.4	2.33	9.5
Social Security (3) .....	1.12	4.8	1.10	4.7	1.25	4.7	1.02	4.9	1.18	4.8
Medicare .....	.27	1.2	.27	1.2	.31	1.2	.25	1.2	.29	1.2
Federal unemployment insurance .....	.03	.1	.03	.1	.03	.1	.03	.2	.03	.1
State unemployment insurance .....	.13	.6	.13	.6	.18	.7	.09	.4	.16	.6
Workers' compensation ..	.45	1.9	.40	1.7	.42	1.6	.36	1.7	.67	2.7
Other benefits (4) .....	.04	.2	.05	.2	.05	.2	.03	.1	.02	.1

(1) The four geographic regions covered in this release correspond to the census definition:

Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin;

Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont;

South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia;

West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

(2) Includes premium pay for work in addition to the regular work schedule (such as overtime, weekends, and holidays).

(3) Comprises the Old-Age, Survivors, and Disability Insurance (OASDI) program.

(4) Includes severance pay and supplemental unemployment benefits.

Note: The sum of individual items may not equal totals due to rounding.

## EXPLANATORY NOTES

Employer Costs for Employee Compensation (ECEC) measures the average cost per employee hour worked that employers pay for wages and salaries and benefits. Employer costs for employee compensation in this release cover occupations in private industry only. Excluded from private industry are the self-employed and farm and private household workers. Regional estimates are highlighted here, but employer costs for the nine census divisions are now available as well.

Wages and salaries are defined as the hourly straight-time wage rate or, for workers not paid on an hourly basis, straight-time earnings divided by the corresponding hours. Straight-time wage and salary rates are total earnings before payroll deductions and include production bonuses, incentive earnings, commission payments, and cost-of-living adjustments. Not included in straight-time earnings are nonproduction bonuses such as lump-sum payments provided in lieu of wage increases, shift differentials, and premium pay for overtime and for work on weekends and holidays; these payments are included in the benefits component.

Benefits include: Paid leave-vacations, holidays, sick leave, and other leave; supplemental pay-overtime and premium pay for work in addition to the regular work schedule (such as weekends and holidays), shift differentials, and nonproduction bonuses (such as referral bonuses and lump-sum payments provided in lieu of wage increases); insurance benefits-life, health, short-term disability, and long-term disability; retirement and savings benefits-defined benefit and defined contribution plans; legally required benefits-Social Security, Medicare, Federal and State unemployment insurance, and workers' compensation; and other benefits-severance pay and supplemental unemployment plans.

The cost levels for this quarter were collected from a probability sample of about 35,600 occupations within approximately 8,200 sample establishments in private industry. Data are collected for the pay period including the 12th day of the survey months of March, June, September, and December.

Beginning with the March 2004 estimates, the ECEC percent of total compensation estimates are calculated from dollar aggregates and then rounded to the published level of precision. This change in method will provide the most precise estimates of the percent of total compensation; however, estimates of the percentage of total compensation calculated from the published cost estimates may differ slightly from those calculated from the unpublished dollar aggregates.

Sample establishments are classified by industry categories based on the 2002 North American Industry Classification (NAICS) system, as defined by the U.S. Office of Management and Budget. Within a sample establishment, specific job categories are selected and classified into about 800 occupational classifications according to the 2000 Standard Occupational Classification (SOC) system. Individual occupations are combined to represent one of ten intermediate aggregations such as professional and related occupations, or one of five higher-level aggregations such as management, professional, and related occupations. For more detailed information on NAICS and SOC, including background and definitions, see the BLS websites: ([www.bls.gov/bls/naics.htm](http://www.bls.gov/bls/naics.htm) and [www.bls.gov/soc/](http://www.bls.gov/soc/).)

Current employment weights are used to calculate cost levels. The March 2004 cost levels were calculated using the March 2004 employment counts from the Bureau of Labor Statistics Current Employment Statistics (CES) program, benchmarked to the 2003 universe of all private nonfarm establishments. For more information on the CES updating of employment estimates, see "BLS National Establishment Estimates Revised to Incorporate March 2003 Benchmarks" in the February 2004 issue of Employment and Earnings.

In most instances, private industry employment counts used in the ECEC were total employment estimates for 3-digit sub-sector industry groups, such as machinery manufacturing (NAICS 333) or gasoline stations (NAICS 447), as defined by the NAICS system. In a few cases, more detailed private industry

employment counts were used. These include 4-digit educational establishments--elementary and secondary schools (6111), junior colleges (6112), and colleges and universities (6113)--as well as the 6-digit aircraft manufacturing industry (336411). The employment data were apportioned based on the sampling weights assigned to the Employment Cost Index (ECI) sample. For more information on NAICS coding, see "Recent changes in the national Current Employment Statistics survey" in the June 2003 issue of the Monthly Labor Review.

The ECI, which measures the change in employer costs for employee compensation, is calculated with fixed 1990 employment counts to prevent employment shifts among occupations and industries from influencing the changes. Therefore, year-to-year changes in Employer Costs for Employee Compensation will differ from those in the ECI.

Historical ECEC data, using the industry categories based on the 1987 Standard Industrial Classification System and classifying jobs into occupational classifications according to the 1990 Census of Population, are available from several sources. Data and related articles are included in the bulletin, Employer Costs for Employee Compensation, 1986-99 (Bulletin 2508). An annual historical summary from March 1986 through March 2002 is also available on the Internet site ([www.bls.gov/ncs/ect](http://www.bls.gov/ncs/ect)) or upon request. Data on a quarterly basis from June 2002 through December 2003 is also available. Information on how costs are calculated appears in "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. An article on changes in employer compensation costs, "Tracking Changes in Benefit Costs," appears in Compensation and Working Conditions, Spring 1999.

### Relative Standard Errors

Because the ECEC is a sample survey, it is subject to sampling errors. Sampling errors are differences that occur between the results computed from a sample of observations and those computed from all observations in the population. The estimates derived from different samples selected using the same sample design may differ from one another. A measure of the variation among these differing estimates is the standard error. It can be used to measure the precision with which an estimate from a particular sample approximates the expected result of all possible samples. The chances are about 68 out of 100 that an estimate from the survey differs from a complete population figure by less than the standard error. The chances are about 90 out of 100 that this difference would be less than 1.6 times the standard error. All the statements of comparisons appearing in this publication are significant at a 1.6 standard error level or better, unless otherwise indicated. This means that for differences cited, the estimated difference is greater than 1.6 times the standard error of the difference.

The relative standard error (RSE) for all estimates will be available shortly after the release is issued. This information can be obtained directly from the BLS Internet site ([www.bls.gov/ncs/ect](http://www.bls.gov/ncs/ect)), by e-mail request [ocltinfo@bls.gov](mailto:ocltinfo@bls.gov), or by telephone (202) 691-6199.

For a more detailed explanation of relative standard errors, see "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. For a detailed explanation of how to use standard error data to analyze differences in year-to-year changes, see "Analyzing Year-to-Year Changes in Employer Costs for Employee Compensation," Compensation and Working Conditions, Spring 1998. This article supplements an article from the Summer 1997 issue of Compensation and Working Conditions, "Explaining the Differential Growth Rates of the ECI and ECEC," which examined how differences in the construction of these measures contribute to differing trends.

Standard errors relate to differences that occur from sampling errors, but not from nonsampling errors. Nonsampling errors are not measured and include survey nonresponse and data collection and

processing errors. Survey nonresponse occurs when sample members are unwilling or unable to participate in the survey. Data collection errors include inaccurate data by respondents and definitional difficulties. Processing errors include errors in recording, coding, and entering data. Although nonsampling errors are not measured, BLS quality assurance programs contain procedures for reducing such errors. These procedures include data collection reinterviews, observed interviews, computer data edits, and systematic reviews of reports on which data are recorded. Extensive field economist training also is conducted to maintain high data collection standards.

### Obtaining information

Information on compensation cost trends over time is available in the Bureau of Labor Statistics report on the Employer Cost for Employee Compensation, 1986-99, Bulletin 2508 and the Employment Cost Indexes, 1975-99, Bulletin 2532. Information on the incidence and detailed provisions of selected employee benefit plans is published in Employee Benefits in State and Local Governments, 1998, Bulletin 2531; Employee Benefits in Medium and Large Private Establishments, 1997, Bulletin 2517; and Employee Benefits in Small Private Establishments, 1996, Bulletin 2507. Copies of these Bulletins are available on the Bureau's Internet site at [www.bls.gov/ebs](http://www.bls.gov/ebs). Employment Cost Index data is available at [www.bls.gov/ncs/ect](http://www.bls.gov/ncs/ect).

Printed copies of these surveys are available from the Bureau of Labor Statistics, Publications Sales Center, Room 960, 230 S. Dearborn Street, Chicago, IL 60604.