

The New ECI "Exclusionary" Series: An Improved Measure to Control for Wage Volatility

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With the release of the March 2006 Employment Cost Index (ECI), several new series were published that exclude incentive paid workers from all workers in a given industry or occupational category.¹ Because incentive pay tends to be volatile, removing it allows a better look at the underlying trends in wages;² this is similar in concept to the core [Consumer Price Index \(CPI\)](#) series, which has volatile items (food and energy) removed to gain a better understanding of changes in prices. The ECI "excluding sales occupations" series had been published each quarter over many years to give data users a look at a given series without the effect of commissions and other incentive pay; however, excluding sales workers from a given series also removed workers such as cashiers, who typically earn only straight-time wages. After researching the issue, BLS developed a new set of series to separate workers with volatile pay.³

Table. Employment Cost Index series and new exclusionary series, 3-month percent change, wages and salaries, not seasonally adjusted, March 2006

	All workers	Excluding sales occupations	Excluding incentive paid occupations
Civilian workers			
Civilian, all workers	0.7	0.8	0.7
Civilian, white-collar	0.7	0.8	--
Private industry workers			
Private industry, all workers	0.7	0.9	0.8
Occupational group			
White-collar occupations	0.8	1.0	--
Management, professional, and related	1.1	--	1.0
Management, business, and financial	1.3	--	1.1
Sales and office	0.4	--	0.8
Sales and related	-0.2	--	0.9
Blue-collar, Production, transportation, and material moving	0.6	--	0.6
Production	0.7	--	0.6
Industry and occupational group			
Goods producing industries	0.7	0.8	0.8
Goods producing, white-collar	0.7	1.1	--
Manufacturing, white-collar	0.6	1.1	--
Service providing industries	0.8	0.9	0.9
Service providing, white-collar	0.8	1.0	--

Note: Dashes indicate data not available.

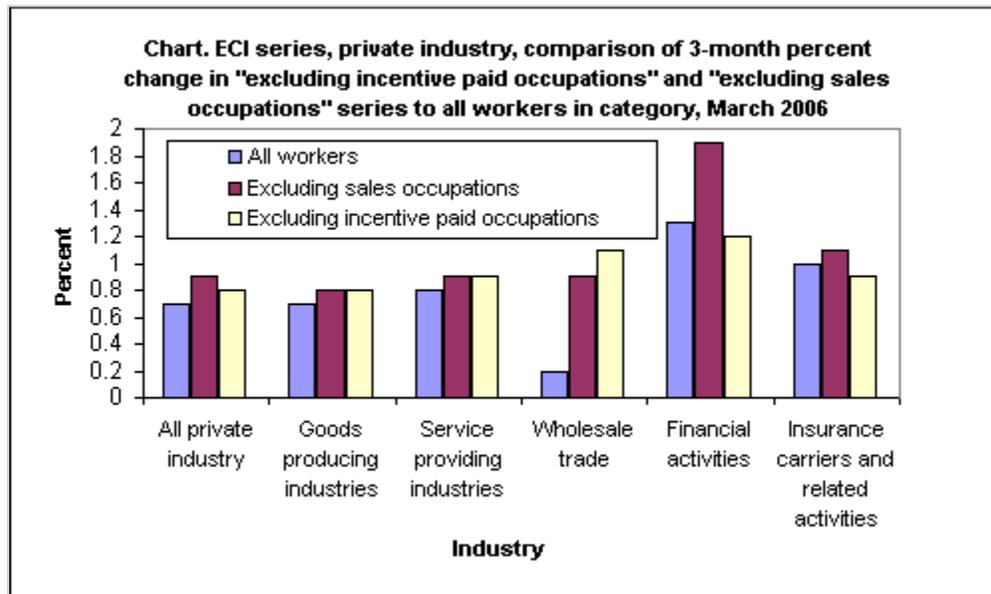
Source: Employment Cost Index--March 2006, USDL 06-732 (U.S. Department of Labor), April 28, 2006, tables 8, 9.

	All workers	Excluding sales occupations	Excluding incentive paid occupations
Trade, transportation, and utilities	0.4	--	0.7
Wholesale trade	0.2	0.9	1.1
Retail trade	0.5	--	0.7
Financial activities	1.3	1.9	1.2
Credit intermediation and related activities	1.5	--	1.3
Insurance carriers and related activities	1.0	1.1	0.9
Real estate and rental and leasing	-0.2	--	0.9

Note: Dashes indicate data not available.

Source: Employment Cost Index--March 2006, USDL 06-732 (U.S. Department of Labor), April 28, 2006, tables 8, 9.

- The table lists all of the ECI private industry, wage and salary series that were accompanied by an "excluding incentive paid occupations" series, an "excluding sales occupations" series, or both, in the March 2006 news release. It also shows the 3-month changes, not seasonally adjusted, for the period from December 2005 to March 2006. For each wage and salary series, there is a respective total compensation series but not a respective benefits series; none of these series are seasonally adjusted.



- The chart shows each ECI private industry series that was accompanied by both an "excluding sales occupations" series and an "excluding incentive paid occupations" series, and the 3-month change, not seasonally adjusted, for the December 2005 to March 2006 period for each of these series.

Note: Each exclusionary series had a lower standard error than that of its complementary all-worker series. Also, in each case, the "excluding incentive paid occupations" series had a lower standard error than its complementary "excluding sales occupations" series.⁴ Because data for the new series have been published only for December 2005 and March 2006, it is too early to analyze longer trends.

SOURCE: [Employment Cost Index--March 2006](http://www.bls.gov/news.release/archives/eci_04282006.pdf), USDL 06-732 (U.S. Department of Labor), April 28, 2006; available on the Internet at http://www.bls.gov/news.release/archives/eci_04282006.pdf.

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Notes

1 The basic unit of observation for the Employment Cost Index is a unique occupation (or "quote") within an establishment. Among other characteristics, all workers in a quote are defined as either incentive paid or time-based (nonincentive) paid. Data for workers in incentive-paid occupations are omitted for the "exclusionary series." The new base for these series was set at 100 in December 2005; March 2006 was the first quarter in which a 3-month change could be registered.

2 See Anthony J. Barkume and Thomas G. Moehrle, "The Role of Incentive Pay in the Volatility of the Employment Cost Index," *Compensation and Working Conditions*, Summer 2001, pp. 13-18; available on the Internet at <http://www.bls.gov/opub/cwc/archive/summer2001art2.pdf>.

3 Several existing series that exclude sales workers are still being published, but they will be discontinued with the release of the March 2007 ECI data.

4 The most recent ECI standard errors are available online at <http://www.bls.gov/ncs/ect/ectvar.htm> and http://www.bls.gov/web/eci.suppl.toc.htm#stanerr_txt.

Data for Chart. New Employment Cost Index series: "excluding incentive paid occupations", 3 month percent change, wages and salaries, not seasonally adjusted, March 2006

	All workers	Excluding sales occupations	Excluding incentive paid occupations
All private industry	0.7	0.9	0.8
Goods producing industries	0.7	0.8	0.8
Service providing industries	0.8	0.9	0.9
Wholesale trade	0.2	0.9	1.1
Financial activities	1.3	1.9	1.2
Insurance carriers and related activities	1	1.1	0.9

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