

Prepared by the Bureau of Business Research
College of Business Administration

A PROFILE OF NEBRASKA'S SERVICES INDUSTRY

In terms of employment, the fastest growing industry in both Nebraska and the nation as a whole is the services industry. During the past two decades, employment in Nebraska's services industry increased 109 percent, while employment in all other nonagricultural industries of the state increased only 57 percent (Table 1). This trend is indicative of the transition from a goods-producing economy to a services-oriented economy that has occurred in this country since the end of World War II. In 1948, employees in the goods-producing industries (construction, manufacturing, and mining) comprised 42 percent of nonfarm payroll employment, nationally. By 1980, this percent had shrunk to 29 percent, and the outlook is for even further declines in the share of nonagricultural employment for the goods-producing industries.

The services-producing sector is the aggregate of the following nonagricultural industries: wholesale and retail trade; transportation, communications, and public utilities; finance, insurance, and real estate; government; and services. This article focuses on the services industry in Nebraska by presenting growth trends for employment, Gross State Product, and personal income. For selected services, data from the U.S. Census Bureau's quinquennial censuses of selected service industries are compared in an effort to underline where major changes have occurred within the industry.

The services industry includes activities such as health, education, social and personal services, business services, repair, and entertainment. Other than for trade and government, services employs the greatest number of people in Nebraska. In 1960, the services industry accounted for 14.5 percent of total nonagricultural employment in the state. By 1980, the industry's share of nonagricultural employment had risen to 18.5 percent, a gain surpassing all other Nebraska industries. The only other industry exhibiting an increase in its share of nonagricultural employment comparable to that of services was wholesale and retail trade. Percentage shares of nonagricultural employment in Nebraska for

the years 1960 and 1980 are presented in Table 2. As the data indicate, the goods-producing industries in Nebraska decreased their share of total nonagricultural employment from 24.6 percent in 1960 to 20.3 percent in 1980, reflecting the trend that has occurred nationally.

It has been suggested by some economists that the services industry exerts a stabilizing influence on the remainder of the economy during recessionary periods. Although it is beyond the scope of this article to prove such a contention, examination of employment data from the Nebraska Department of Labor is enlightening. For purposes of comparison, annual employment levels in services and in the aggregate of other nonagricultural industries from 1970 through 1981 are expressed as a percent of 1970 levels and presented graphically in Figure 1 (p. 2). During both the 1974-75 recession and the present economic downturn, employment in the services industry continued its historical trend of positive growth. However, employment in the aggregate of other nonagricultural industries declined during both downturns. Data from the Bureau of Labor Statistics of the U.S. Department of Labor indicate that, nationally, employment in the services industry has reduced the percentage decline in total employment during economic downturns by a fairly constant amount over time. These occurrences lend support to the argument that a decline in total employment during a recession is reduced by the upward growth of employment in the services industry. Although its impact on the overall economy is debatable, the data indicate that employment in the services industry is somewhat immune to the effects of a recession. However, this statement needs to be qualified. Although employment in the services industry has maintained a positive growth pattern

(continued on page 2)

Table 1
NEBRASKA EMPLOYMENT
1960, 1965, 1970, 1975, AND 1980

	Number of employees (thousands)				
	1960	1965	1970	1975	1980
Services	55.4	67.3	82.9	100.2	116.0
All Other Nonagricultural	325.7	348.6	399.2	457.5	511.5

Source: Nebraska Department of Labor.

Table 2
PERCENTAGE COMPOSITION OF NONAGRICULTURAL
EMPLOYMENT IN NEBRASKA, 1960 AND 1980

Industry	Percent	
	1960	1980
Manufacturing	17.53	15.36
Construction	6.40	4.62
Mining	0.71	0.29
Wholesale and Retail Trade	24.56	26.07
Transportation, Communication, and Public Utilities	9.87	7.60
Finance, Insurance, and Real Estate	5.93	6.71
Services	14.54	18.49
Government	20.47	20.86

Source: Nebraska Department of Labor.

(continued from page 1) during recessionary periods, the rate of growth has slowed. Also, unemployment associated with the industry is higher in times of recession. In general, this is not because of slack in the services industry, but stems from a re-entrance of workers into the labor force.

The percentage distributions of employment within the services industry for both Nebraska and the nation as a whole during 1980 are presented in Table 3. During the past two decades, the extraordinary growth in the services industry has been concentrated primarily in the health and business services. For Nebraska, health and business services comprise about 50 percent of employment within the industry. It is worth noting that health services employment in the state accounts for a considerably larger share of total services employment than for the nation as a whole. With two medical schools (each with a fully staffed hospital) and a greater-than-average number of nursing home beds and hospital beds per 1,000 population, the demand for health services personnel in Nebraska has been relatively strong, and is expected to remain so during the present decade.

Two other measures of regional economic activity useful for purposes of comparison are Gross State Product (output) and personal income. Gross State Product by industry is the regional analogue of Gross National Product, and measures the dollar value of all goods and services produced by an industry during a specified period of time; it reflects the net result of economic activity in an industrial sector. At the regional level, nothing exists that is comparable to the National Income and Product Accounts of the United States. Consequently, the Bureau of Business Research estimates Gross State Product using a variation of the Kendrick-Jaycox technique.¹ This estimated output series for Nebraska is a proxy for a Gross State Product series that would be prepared in the same fashion as Gross National Product. Real

Gross State Product is obtained by adjusting current dollar output for price changes, and more accurately reflects economic growth in an industrial sector. During the period from 1960 through 1980, real output for services increased 105 percent, slightly more than the 98 percent increase registered by the aggregate of other nonagricultural industries in Nebraska. Compared to other industrial sectors, services is not a high-output industry when employment is factored in. Growth of output for the services industry during the past two decades has just kept pace with the growth in employment for the industry. However, the growth in real output for the aggregate of other nonagricultural industries has been almost twice as great as that of employment in these industries. Consequently, output per employee in the services industry is much lower than the comparable figure for the other nonagricultural industries. In 1980, real output per employee in services amounted to \$8,795, whereas real output per employee in all other nonagricultural sectors was \$15,926. Since output for an industry is estimated using personal income, output per employee for the services industry is indicative of the relatively low wage rates that prevail in this industry.

Although it does not cover all economic activity of an industry, personal income is a commonly used measure of economic growth for a region. Personal income is estimated by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce. The Regional Economic Information System of BEA prepares estimates for states, counties, and SMSAs. Personal earnings (often referred to as participation income) include wage and salary disbursements, proprietors income, and other labor income. It represents the earnings of all individuals that are producing the goods and services of an industry. When adjusted for price changes, real personal earnings (in 1972 dollars) yield an indication of the trend in output for an industry. From 1960 to 1980, personal earnings in current dollars increased 509 percent in the services industry, compared to a 379 percent increase for all other nonagricultural sectors. This greater increase in personal earnings for services is, in part, attributable to the industry's employment boom over the two-decade period. In real terms, personal earnings for the services industry grew from \$399 million in 1960 to \$926 million in

¹John W. Kendrick and C. Milton Jaycox, "The Concept and Estimation of Gross State Product," *Southern Economic Journal* 32 (October, 1965), pp. 153-168.

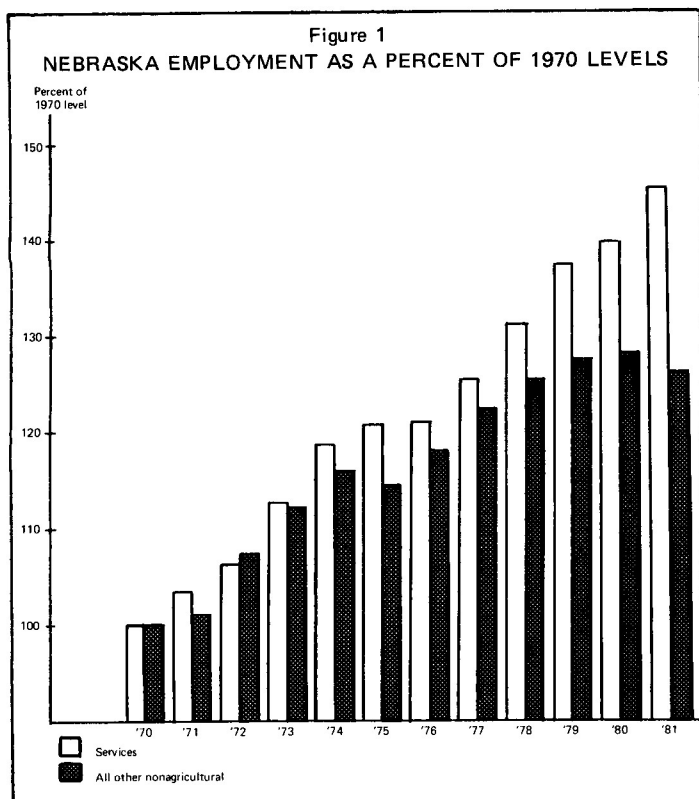


Table 3
PERCENTAGE DISTRIBUTION OF EMPLOYMENT
WITHIN THE SERVICES INDUSTRY, 1980

	Percent	
	Nebraska	U.S.
Hotels and Lodgings	5.7	6.0
Personal Services	5.3	5.2
Business Services	14.3	16.9
Automotive Repair and Garages	3.3	3.3
Amusement and Recreation	5.0	5.3
Health Services	35.9	29.5
Educational Services	7.3	6.3
Social Services	5.4	6.5
Membership Organizations	7.8	8.9
Other Services	10.0	12.1

Sources: Nebr. Dept. of Labor and U.S. Bureau of Labor Statistics.

1980, a 132 percent increase. Real personal earnings for the aggregate of other nonagricultural industries increased only 86 percent over the same time span. As with employment and Gross State Product, the services industry has outpaced the other nonagricultural industries in the growth of real personal earnings. Personal earnings and gross product for the services industry in Nebraska are summarized in Table 4.

CENSUSES OF SELECTED SERVICE INDUSTRIES

Beginning with the 1967 censuses, the U.S. Bureau of the Census conducts a comprehensive canvas of the nation's industrial and business activity. Such censuses were authorized by Congress, and are to be taken at five-year intervals, covering the years ending with "2" and "7." The first business census was conducted in 1810 as part of the decennial census of population, and the latest such census was completed in 1977. Business censuses are the primary source of facts about the structure and functioning of the economy, and are quite valuable as they provide a statistical profile of a large segment of the national economy. The objectives of this section are the presentation of highlights of the 1977 census and a comparison of the data with that of the previous census. In this manner, significant growth trends within the selected service industries can be recognized.

The 1977 Census of Services Industries contains data on establishments for certain industrial classifications that are also subject to the federal income tax. In Table 5 these industries are identified by title and SIC code, and employment statistics from the last two business censuses are presented. Total paid employees (full- and part-time) in the selected service industries increased from 31,708 in 1972 to 40,101 in 1977, a gain of 26.5 percent. As indicated by the data, the greatest increases in employment over this five-year period were registered by business services, legal services, and miscellaneous repair services.

During 1977, the 14,801 establishments of the selected service industries realized total receipts of \$976.3 million, an increase of 70.9 percent from the level of receipts recorded by the 1972 census. Adjusted for price changes, real business receipts (in 1972 dollars) increased 22.2 percent over the period (Table 6). Annual receipts averaged \$65,961 per establishment in 1977 compared to \$42,886 in 1972. Within industries, annual receipts for 1977 ranged from \$25,035 per establishment for personal services to \$221,499 for engineering, architecture, and surveying services (Table 7, p. 6). Business services receipts comprised the greatest share of total receipts of all establishments (23.9 percent).

The total payroll for 1977 was \$280.0 million, up 82.7 per-

cent from the 1972 level. For the 40,101 paid employees, this amounted to an annual average payroll of \$6,982 per employee. The average payroll per employee ranged from \$3,944 for amusement and recreation services, including motion pictures, to \$16,035 for engineering, architecture, and surveying services. Payroll as a percent of an establishment's total receipts averaged 32.5 percent for all selected service industries. Within industries, payroll as a percent of receipts was 48.7 percent for engineering, architecture, and surveying services, 40.9 percent for business services, and 21.1 percent for automotive repair, services, and garages.

At the county level, Douglas County was the leader in terms of business receipts, accounting for 45.4 percent (\$443.5 million) of total state receipts of selected service industries. Lancaster County ranked second with 15.5 percent (\$151.3 million) of total business receipts, according to the 1977 census data. Other counties in Nebraska reporting business receipts for selected service industries in excess of \$20 million were Hall (\$30.2 million), Lincoln (\$24.1 million), Sarpy (\$20.7 million), Platte (\$20.2 million), and Scotts Bluff (\$20.1 million). Compared to the rest of the state, the levels of business receipts (continued on page 6)

Table 5
EMPLOYMENT IN SELECTED SERVICES INDUSTRIES
IN NEBRASKA, 1972 AND 1977

SIC Code	Industry	1972	1977	% Change 1972-77
701,3	Hotels, Motels, Trailing Parks, and Camps	4,870	6,463	32.7
72	Personal Services	6,634	6,338	-4.5
73	Business Services	8,046	12,798	59.1
75	Automotive Repair, Services, and Garages	2,577	3,477	34.9
76	Miscellaneous Repair Services	1,252	1,832	46.3
78,79	Amusement and Recreation Services, including Motion Pictures	4,745	4,178	-11.9
8072	Dental Laboratories	216	268	24.1
81	Legal Services	1,580	2,326	47.2
891	Engineering, Architecture, and Surveying Services	1,788	2,421	35.4

Sources: U.S. Bureau of the Census, 1977 Census of Service Industries, 1972 Census of Selected Service Industries, and Bureau of Business Research computations.

Table 4
GROSS PRODUCT AND PERSONAL EARNINGS
FOR THE SERVICES INDUSTRY IN NEBRASKA
1960, 1965, 1970, 1975, AND 1980

Year	Gross Product (millions of \$)	Real Gross Product (millions of 1972 \$)	Personal Earnings (millions of \$)
1960	294	498	271
1965	395	574	358
1970	642	711	580
1975	1,063	484	920
1980	1,910	1,020	1,650

Sources: U.S. Department of Commerce and Bureau of Business Research computations.

Table 6
SELECTED SERVICE INDUSTRIES IN NEBRASKA
1972 AND 1977

	1972	1977	% Change 1972-77
Number of Establishments	13,319	14,801	11.1
Proprietors and Working Partners	10,291	12,573	22.2
All Employees	31,708	40,101	26.5
All Business Receipts (thousands of \$)	571,200	976,295	70.9
Constant Dollar Business Receipts ¹ (thousands of 1972 \$)	571,200	697,852	22.2
Payroll Entire Year (thousands of \$)	153,289	279,983	82.7

¹ Business receipts are deflated with the personal consumption expenditures implicit price deflator for services.

Sources: U.S. Bureau of the Census, 1977 Census of Service Industries, 1972 Census of Selected Service Industries, and Bureau of Business Research computations.

Review and Outlook

The level of economic activity in Nebraska declined 2.2 percent as measured by the Bureau of Business Research's index of physical volume output. This month-to-month decrease in Nebraska's output in January 1982 is one of the largest monthly declines in recent months.

The December-to-January decrease in the state's economic activity was recorded in all sectors of the economy with the exception of construction, where a small increase was recorded. Agriculture and manufacturing had the largest monthly declines. It should be noted that January estimates are based upon revised data which result in significant alterations for some sectors. These changes are annual revisions required each year to calculate the

indexes, especially the employment and cash farm marketing series. The indexes in Table 2 reflect these changes, including new seasonal adjustment factors, and are not directly comparable to data published in previous issues of *Business in Nebraska*. This annual update is designed to improve the accuracy of the measures.

The agriculture sector recorded a 9.2 percent decrease in net physical volume output. This decline follows substantial gains in cash farm marketing receipts during the fourth quarter 1981. On a seasonally adjusted basis, cash farm marketing receipts in Nebraska were down more than \$73 million December-January. Compared with one year ago, January 1982 receipts were \$36 million below the corresponding level for January 1981. Nebraska cash farm marketings went against (continued on page 5)

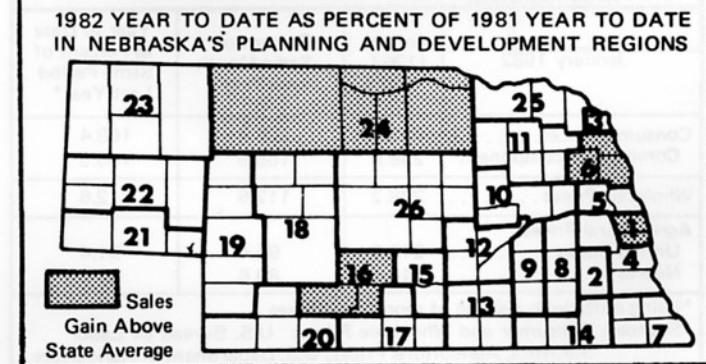
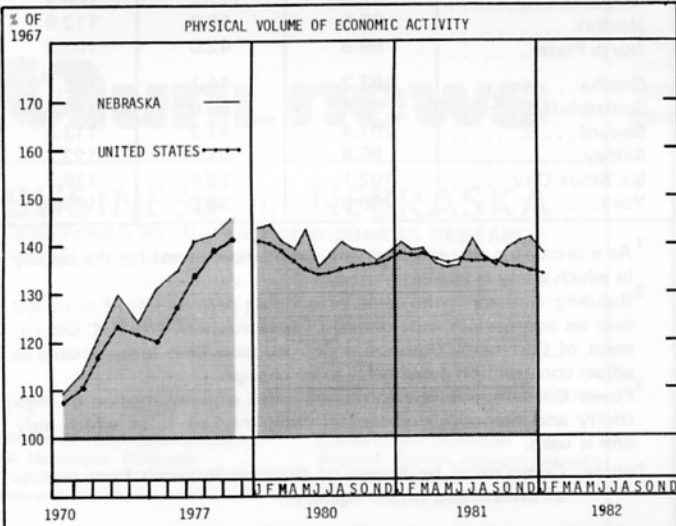
Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES				
1. CHANGE FROM PREVIOUS YEAR				
January 1982	Current Month as Percent of Same Month Previous Year		1982 Year to Date as Percent of 1981 Year to Date	
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	102.8	103.8	102.8	103.8
Agricultural	106.5	97.9	106.5	97.9
Nonagricultural	102.3	104.0	102.3	104.0
Construction	77.7	89.2	77.7	89.2
Manufacturing	98.2	99.7	98.2	99.7
Distributive	104.0	106.4	104.0	106.4
Government	108.7	107.7	108.7	107.7
Physical Volume	98.4	96.9	98.4	96.9
Agricultural	118.9	107.2	118.9	107.2
Nonagricultural	95.6	96.6	95.6	96.6
Construction	72.9	83.6	72.9	83.6
Manufacturing	94.6	94.8	94.6	94.8
Distributive	95.9	98.1	95.9	98.1
Government	101.8	98.0	101.8	98.0

2. CHANGE FROM 1967		
Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	368.3	357.1
Agricultural	367.6	358.2
Nonagricultural	368.2	357.0
Construction	227.2	307.6
Manufacturing	352.6	303.4
Distributive	387.8	393.0
Government	378.9	350.9
Physical Volume	138.2	133.9
Agricultural	153.2	147.4
Nonagricultural	135.9	133.4
Construction	67.2	91.0
Manufacturing	148.2	124.1
Distributive	137.3	139.1
Government	146.6	147.9

3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)			
Region Number and City	City Sales*	Sales in Region*	
	Jan. 1982 as percent of Jan. 1981	Jan. 1982 as percent of Jan. 1981	Year to date '82 as percent of Year to date '81
<i>The State</i>	86.7	86.7	86.7
1 Omaha	96.9	94.5	94.5
Bellevue	79.1		
2 Lincoln	84.3	84.6	84.6
3 So. Sioux City	76.2	81.0	81.0
4 Nebraska City	80.7	80.8	80.8
5 Fremont	70.6	76.8	76.8
Blair	91.2		
6 West Point	81.0	91.0	91.0
7 Falls City	81.3	83.0	83.0
8 Seward	76.6	83.0	83.0
9 York	84.8	84.7	84.7
10 Columbus	53.8	65.0	65.0
11 Norfolk	82.7	85.1	85.1
Wayne	98.5		
12 Grand Island	77.6	76.6	76.6
13 Hastings	71.7	77.2	77.2
14 Beatrice	76.1	79.6	79.6
Fairbury	89.0		
15 Kearney	81.9	81.5	81.5
16 Lexington	85.8	89.0	89.0
17 Holdrege	72.0	79.9	79.9
18 North Platte	79.5	80.0	80.0
19 Ogallala	79.7	86.0	86.0
20 McCook	73.7	79.6	79.6
21 Sidney	83.1	86.0	86.0
Kimball	94.8		
22 Scottsbluff/Gering	74.7	76.0	76.0
23 Alliance	78.1	81.8	81.8
Chadron	80.7		
24 O'Neill	90.6	91.3	91.3
25 Hartington	77.5	86.1	86.1
26 Broken Bow	86.6	83.8	83.8

*State totals include sales not allocated to cities or regions. The year-to-year ratios for city and region sales may be misleading because of changes in the portion of unallocated sales. Region totals and city totals exclude motor vehicle sales. Sales are those on which sales taxes are collected by retailers located in the state. Compiled from data provided by Nebraska Department of Revenue.



(continued from page 4) the national trend, where there was an increase of approximately 4 percent on a seasonally adjusted basis December 1981-January 1982. Prices received by Nebraska farmers dropped more than nationally, 10.4 percent in Nebraska January 1982 compared with 8.6 percent for the U.S.

The nonagriculture segments of the Nebraska economy declined 0.9 percent December 1981-January 1982. Construction recorded a small increase of 0.4 percent on a month-to-month basis, but remains extremely depressed.

Manufacturing recorded a 2.8 percent decrease, one of the largest decreases on a month-to-month basis in some time. The manufacturing output index moved erratically higher in 1981, peaking in July 1981. Declines in the state's manufacturing sector have been recorded monthly since July, with the exception of September. The manufacturing segment of the index is approximately 14 percent below the two year previous levels.

The distributive trade and the government sector recorded decreases of 0.5 percent December 1981-January 1982. The distributive trade sector also peaked in July 1981, and recovered only very slightly in the fourth quarter of 1981 before declining in January 1982. The government sector has shown little movement over the past several years.

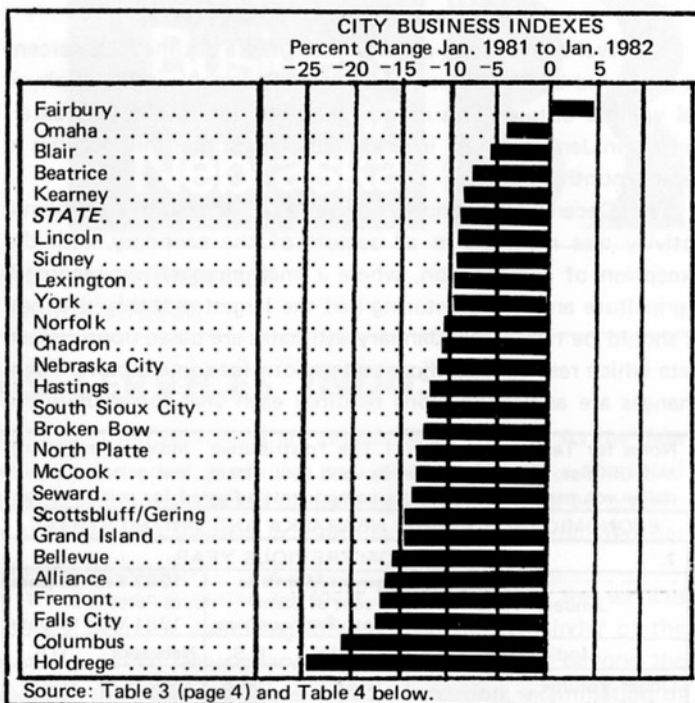
Nebraska net taxable retail sales were estimated at \$591.2 million in January 1982. This is approximately \$55 million below January 1981 sales levels. On a dollar volume basis (unadjusted for price changes) retail sales declined 8.6 percent January 1982 compared with one year previous. On a price adjusted basis, real retail sales fell 13.3 percent. The commodity component of the Consumer Price Index increased 5.5 percent January 1981-January 1982, reflecting a continued slowdown in inflation.

The January 1982 retail sales figure shows a considerable drop irrespective of whether or not adjusted for price changes. Part of the January 1982 decline resulted from the fact that January 1981 was a strong month for retail sales, but this does not account totally for the substantial drop in sales in January 1982.

On a price adjusted basis, data in Table 3 indicate that retail sales for the state were approximately 86.7 percent of one year previous. Cities recording substantially better retail sales than the state average include Omaha, Blair, Wayne, and O'Neill. Sales on a price adjusted basis were down in all of these communities, although the decrease was less than that recorded in the state.

The city business indexes indicate the wide-spread nature of the recession across the state. Fairbury was the only city to record an increase on a year-to-year basis. For the state, the index was down 9.2 percent. Communities recording gains above the state average change include Omaha, Blair, Beatrice, and Kearney.

D. E. P.



4. JANUARY CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Employment ¹	Building Activity ²	Power Consumption ³
<i>The State</i>	99.5	52.5	118.6
Alliance	89.7	67.6	125.2
Beatrice	103.0	176.4	111.7
Bellevue	98.4	31.4	120.0
Blair	100.0	68.2	112.7
Broken Bow	82.4	115.2	119.5
Chadron	99.9	62.0	140.6
Columbus	100.3	73.7	129.0
Fairbury	99.8	751.3	124.4
Falls City	97.8	20.6	112.3
Fremont	100.6	48.6	107.9*
Grand Island	102.8	28.0	113.6
Hastings	104.7	73.5	149.4
Holdrege	73.6	86.1	127.2
Kearney	102.3	69.6	112.8
Lexington	101.2	43.6	110.2
Lincoln	100.9	57.4	117.8
McCook	90.5	160.4	115.5
Nebraska City	92.4	117.2	108.4
Norfolk	99.5	56.2	112.6
North Platte	99.5	42.0	105.9
Omaha	103.2	44.1	122.7
Scottsbluff/Gering ..	98.4	56.0	114.4
Seward	101.4	41.2	113.3
Sidney	96.8	91.3	122.1
So. Sioux City	102.1	59.4	116.3
York	98.8	58.9	125.5

¹As a proxy for city employment, total employment for the county in which a city is located is used.

²Building Activity is the value of building permits issued as spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Construction Cost Index is used to adjust construction activity for price changes.

³Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

5. PRICE INDEXES

January 1982	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	282.5	108.4	108.4
Commodity component	258.8	105.5	105.5
Wholesale Prices	298.2	112.6	112.6
Agricultural Prices			
United States	243.0	91.4	91.4
Nebraska	240.0	89.6	89.6

*Using arithmetic average of monthly indexes.
Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

(continued from page 3) in Douglas County and Lancaster County were high. For the 3,827 selected service industry establishments in Douglas County, receipts per establishment amounted to \$115,898; the comparable figure for the 1,977 business establishments in Lancaster County was \$76,505. In the other 91 counties of Nebraska, business receipts per establishment were \$42,403. For purposes of comparison, the state-wide average receipts per establishment was \$65,961, according to the 1977 census.

Among the cities of Nebraska with populations exceeding

2,500, Omaha and Lincoln led the way in total business receipts for selected service industries with 57.5 percent of the state total. Employees in selected service industries in Omaha and Lincoln were compensated at higher levels than their counterparts in the nonmetropolitan areas of Nebraska. During 1977, payroll per employee levels for Omaha and Lincoln were \$7,839 and \$6,725, respectively. In the nonmetropolitan areas of the state, payroll per employee was measured at \$6,119, compared to a state-wide average payroll per employee for all establishments of \$6,982.

C. L. B.

Table 7
SELECTED SERVICES INDUSTRIES IN NEBRASKA, 1977

	Receipts per Establishment (\$)	Receipts as a Percent of Receipts of All Establishments	Payroll as a Percent of Receipts	Payroll per Employee (\$)
Hotels, Motels, Trailing Parks, and Camps	161,051	10.3	28.7	4,267
Personal Services	25,035	12.9	35.3	5,593
Business Services	93,098	23.9	40.9	6,812
Automotive Repair, Services, and Garages	90,481	17.7	21.1	9,216
Miscellaneous Repair Services	42,411	7.8	29.0	8,995
Amusement and Recreation Services, including Motion Pictures	56,866	8.1	23.7	3,944
Dental Laboratories	103,672	0.7	45.1	10,474
Legal Services	89,379	10.2	26.2	9,950
Engineering, Architecture, and Surveying Services	221,499	8.4	48.7	16,035

Source: U.S. Bureau of the Census, 1977 Census of Service Industries.

THE CPI: HOMEOWNERSHIP CHANGES AND POSTPONEMENT OF REBASING

On October 27, 1981, the Bureau of Labor Statistics announced its intention to change the way in which homeownership costs are measured by the Consumer Price Index. Effective with data for January 1983, the Consumer Price Index for all Urban Consumers (CPI-U) will incorporate a rental equivalence measure for homeownership costs. Effective with data for January 1985, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) will also incorporate the rental equivalence approach.

Because of severe budget constraints, the Bureau of Labor

Statistics did not carry out the government directive to rebase the Consumer Price Index and the Producer Price Index to the new U.S. government 1977=100 reference base. Postponement was required because of the high cost of both the direct production work necessary to prepare the data and the information services to explain the change. No alternative date for adopting the 1977 reference base has been set. All Items indexes on a 1977=100 reference base are available upon request from the Bureau.

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