

## Understanding Cost of Living Adjustment

### What You Get:

Boeing currently factors in a quarterly cost of living adjustment (COLA) to IAM-represented employee wages to partially offset the change in the cost of goods and services. Since 1996, COLA has added about one percent each year to an employee's base pay.

### How COLA works:

COLA is determined by factoring in the Consumer Price Index (CPI), which averages the cost of goods and services around the country.

### The Consumer Price Index (CPI) takes into account the following:

- Transportation (including the cost of gasoline)
- Food and beverages
- Apparel
- Housing (including energy costs)
- Medical care
- Recreation
- Education and communication
- Other goods and services

The Bureau of Labor Statistics, which publishes the CPI, strongly urges unions and companies to use national figures (instead of local figures) because they tend to be more accurate.

The CPI, on which COLA is based, is a useful measure of changing costs within the economy. It can show, for instance, the average cost of a gallon of gas or a carton of milk.

Increased living expenses may not be entirely covered by a COLA because a person's *actual* cost of living varies, relative to how a person spends money. For example a person who dines in a restaurant will typically spend more than someone eating at home, and homeowners who hire a plumber will have higher expenses than if they fix leaky faucets themselves.

The Cost of Living Adjustment is just one part of an employee's total pay and benefits package, which also includes other wage adjustments, health care and retirement benefits.



Source: Boeing, Bureau of Labor Statistics of the U.S. Department of Labor