

## **Attachment V**

### **Survey Methods and Reliability Statement for the May 2005 Occupational Employment Statistics Survey**

#### **Introduction**

The Occupational Employment Statistics (OES) survey is a mail survey measuring occupational employment and wage rates for wage and salary workers in non-farm establishments in the 50 States and the District of Columbia. Guam, Puerto Rico, and the Virgin Islands are also surveyed but their data are not included in national estimates.

About 6.5 million in scope establishments are stratified within State by substate area, industry, and employment size class. Substate areas include all officially defined metropolitan areas and one or more residual balance-of-State areas (MSA/BOS areas). The North American Industry Classification System (NAICS) is used to stratify establishments by industry.

Probability sample panels of about 200,000 establishments are selected semiannually. Responses are obtained through mail and telephone contact. Respondents report their number of employees by occupation across 12 wage bands. The Standard Occupational Classification (SOC) system is used to define occupations.

Estimates of occupational employment and occupational wage rates are based on a rolling six-panel (or 3-year) cycle. The total sample size when six panels are combined is approximately 1.2 million establishments.

#### **Occupational and industrial classification systems**

##### ***The occupational classification system***

The U.S. Office of Management and Budget's Standard Occupational Classification (SOC) system is used to define occupations. The survey uses the system to categorize workers across 22 major occupation groups spanning 801 detailed occupations. See appendix A for a detailed description of the system.

##### ***The industrial classification system***

The OES survey uses the North American Industry Classification System (NAICS). More information about NAICS can be found at the BLS Web site <http://www.bls.gov/bls/naics.htm> or in the *2002 North American Industry Classification System* manual. Each establishment in the survey is assigned a six-digit NAICS code based on its primary economic activity.

### ***Industrial scope and stratification***

The survey covers the following NAICS industry sectors:

- 11 Logging (1133), support activities for crop production (1151), and support activities for animal production (1152) *only*
- 21 Mining
- 22 Utilities
- 23 Construction
- 31-33 Manufacturing
- 42 Wholesale Trade
- 44-45 Retail Trade
- 48-49 Transportation and warehousing
- 51 Information
- 52 Finance and insurance
- 53 Real estate and rental and leasing
- 54 Professional, scientific, and technical services
- 55 Management of companies and enterprises
- 56 Administrative and support and waste management and remediation services
- 61 Educational services
- 62 Health care and social assistance
- 71 Arts, entertainment, and recreation
- 72 Accommodation and food services
- 81 Other services, except public administration [private households (814) are excluded]

Federal Government (assigned industry code 999100)

State government (assigned industry code 999200)

Local government (assigned industry code 999300)

These sectors are stratified into 343 industry groups. Most groups are entire four-digit NAICS codes. The rest are either *stand-alone* five-digit NAICS codes or residual four-digit NAICS codes with the *stand-alone* five-digit codes removed. “NAICS4/5” is a short term that is used to describe this particular grouping of industries.

## Concepts

An **establishment** is generally a single physical location at which economic activity occurs (e.g., store, factory, farm, etc.). Each establishment is assigned a six-digit NAICS code. When a single physical location encompasses two or more distinct economic activities, it is treated as two or more separate establishments if separate payroll records are available and certain other criteria are met.

**Employment** refers to the number of workers who can be classified as full- and part-time employees, including workers on paid vacations or other types of leave; salaried officers, executives, and staff members of incorporated firms; employees temporarily assigned to other units; and non-contract employees for whom the reporting unit is their permanent duty station regardless of whether that unit prepares their paychecks.

The OES survey includes all full- and part-time wage and salary workers in nonfarm industries. Self-employed owners, partners in unincorporated firms, household workers, and unpaid family workers are excluded.

**Occupations** are classified based on work performed and on required skills. Employees are assigned to an occupation based on the work they perform and not on their education or training. For example, an employee trained as an engineer but working as a drafter is reported as a drafter. Employees who perform the duties of two or more occupations are reported in the occupation that requires the highest level of skill or in the occupation where the most time is spent if there is no measurable difference in skill requirements. **Working supervisors** (those spending 20 percent or more of their time doing work similar to the workers they supervise) are classified with the workers they supervise. **Workers receiving on-the-job training, apprentices, and trainees** are classified with the occupations for which they are being trained.

A **wage** is money that is paid or received for work or services performed in a specified period. Base rate pay, cost-of-living allowances, guaranteed pay, hazardous-duty pay, incentive pay such as commissions and production bonuses, tips, and on-call pay are included in a wage. Back pay, jury duty pay, overtime pay, severance pay, shift differentials, non-production bonuses, employer costs for supplementary benefits, and tuition reimbursements are excluded. Employers are asked to classify each of their workers into an SOC occupation and one of the following 12 wage intervals:

Interval	Wages	
	Hourly rate intervals	Annual rate intervals
Range A	Under \$6.75	Under \$14,040
Range B	\$6.75 to \$8.49	\$14,040 to \$17,679
Range C	\$8.50 to \$10.74	\$17,680 to \$22,359
Range D	\$10.75 to \$13.49	\$22,360 to \$28,079
Range E	\$13.50 to \$16.99	\$28,080 to \$35,359
Range F	\$17.00 to \$21.49	\$35,360 to \$44,719
Range G	\$21.50 to \$27.24	\$44,720 to \$56,679
Range H	\$27.25 to \$34.49	\$56,680 to \$71,759
Range I	\$34.50 to \$43.74	\$71,760 to \$90,999
Range J	\$43.75 to \$55.49	\$91,000 to \$115,439
Range K	\$55.50 to \$69.99	\$115,440 to \$145,599
Range L	\$70.00 and over	\$145,600 and over

### 3-year survey cycle of data collection

The survey is based on a probability sample drawn from a universe of about 6.5 million in-scope establishments stratified by geography, industry, and employment size. The sample is designed to represent all non-farm establishments in the United States.

The OES survey allocates and selects a sample of approximately 200,000 establishments semiannually. Semiannual samples are referred to as *panels*. To the extent possible, private sector units selected in any one panel are not sampled again in the next five succeeding panels.

The survey is conducted over a rolling six-panel (or 3-year) cycle. This is done in order to provide adequate geographic, industrial, and occupational coverage. Over the course of a six-panel (or 3-year) cycle, approximately 1.2 million establishments are sampled. In this cycle, data collected in May 2005 are combined with data collected in November 2004, May 2004, November 2003, May 2003, and November 2002.

For a given panel, survey questionnaires are initially mailed out to almost all sampled establishments. State workforce agency staff may make personal visits to some of the larger establishments. Three additional mailings are sent to nonrespondents at approximately 3-week intervals. Telephone or personal visit follow-ups are made to nonrespondents considered critical to the survey because of their size.

Periodic censuses are taken of Federal and State Government.

- A census of the executive branch of Federal Government and the U.S. Postal Service (USPS) is conducted semiannually in June and December. Employment and wage data for these industries are collected from the U.S. Office of Personnel Management (OPM). Data from only the most recent panel is retained for use in OES estimates.
- A census of State government establishments is conducted annually each November, except for schools and hospitals. In most States, a consolidated report of employment and wage data is obtained for each MSA/BOS level.
- A probability sample is taken of local government establishments, except for hospitals, in every State except Hawaii.
- A census of Hawaii's local government is conducted annually each November. All Hawaii-local-government-owned establishments are included, except for schools.
- A census of hospitals owned by State or local government is taken over the 3-year period, along with their counterparts in the private sector.

## **Sampling procedures**

### ***The frame***

The sampling frame, or universe, is a list of about 6.5 million in-scope non-farm establishments that file unemployment insurance (UI) reports to the State workforce agencies. Virtually all establishments are required to file these reports with the exception of Guam establishments and rail transportation (NAICS 4821) establishments. Every quarter a national sampling frame list is created by combining all of the State lists into a single file called the Longitudinal Data Base (LDB). The following frame files were used to select each sample beginning with the May 2005 survey.

- 2004|2nd quarter LDB file (for May 2005 panel),
- 2003|4th quarter LDB file (for November 2004 panel),
- 2003|2nd quarter LDB file (for May 2004 panel),
- 2002|4th quarter LDB file (for November 2003 panel),
- 2002|2nd quarter LDB file (for May 2003 panel), and

- 2001|4th quarter LDB file (for November 2002 panel).

In addition, the LDB files were supplemented with frame files covering Guam and rail transportation (NAICS 4821).

### ***Stratification***

Establishments on the frame are stratified by geographic area and industry group (size class is eventually used during the sample selection process).

- Geographic stratification—686 MSA/BOS areas are specified. Each officially defined metropolitan area in a State is specified as a substate area. In addition, States may specify up to four residual balance-of-State areas (Note: Cross-State MSAs are split among several States). With the selection of the May 2005 sample, the OES survey shifted to using the revised MSA definitions based on the 2000 Census.
- Industry stratification—343 industry groups are defined at the NAICS 4/5-digit level.
- Size class definition—An establishment's size is defined as the maximum of its 12 monthly employment levels on the sampling frame. Establishments are classified into one of the following seven employment size class (SC) ranges: 1-4, 5-9, 10-19, 20-49, 50-99, 100-249, and 250 or more.

At any given time there are about 172,000 nonempty MSA/BOS-by-NAICS4/5 strata on the frame. When comparing nonempty strata between frames, there may be substantial frame-to-frame differences. The differences are due primarily to normal birth and death processes and normal establishment growth and shrinkage. Other differences are due to NAICS reclassification and changes in geographic location.

### ***Allocation of the sample to strata***

Each State is assigned a fixed overall sample size. Beginning in 2005, the frame was stratified into 172,000 non-empty MSA/BOS-by-NAICS4/5 strata. A set of minimum sample size requirements based on the number of establishments in each cell was established to ensure coverage for industry and MSAs. For each MSA/BOS-by-NAICS4/5 stratum a sample allocation is calculated proportional to the employment in that stratum; the actual sample allocation is the larger of the minimum sample allocation

and the proportional allocation. In general, strata with large employment are allocated more sample than strata with less employment.

Prior to 2005, each State cell was stratified by MSA/BOS-by-NAICS4/5-by-Employment Size class<sup>1</sup>. The additional Employment Size class stratification created approximately 575,000 non-empty strata for each prior frame. At least one unit was selected from each stratum. Because nearly the entire sample was used to meet the minimum allocation requirements for each stratum, very little sample was left for optimal allocation.

### ***Sample selection***

Sample selection within strata is approximately proportional to size. In order to provide the most occupational coverage, larger employers are more likely to be selected than smaller employers; some of the largest employers are selected with certainty. The unweighted employment of sampled establishments makes up approximately 65 percent of total employment.

Permanent random numbers (PRNs) are used in the sample selection process. To minimize sample overlap between the OES survey and other large surveys conducted by the Bureau of Labor Statistics, each establishment is assigned a PRN. For each stratum, a specific PRN value is designated as the “starting” point to select a sample. From this “starting” point, we sequentially select the first ‘*n*’ eligible establishments in the frame into the sample where ‘*n*’ denotes the number of establishments to be sampled.

### ***Panel weights (sampling weights)***

Sampling weights are computed so that each panel will roughly represent the entire universe of establishments.

Federal Government, USPS, and State government units are assigned a panel weight of 1. Other sampled establishments are assigned a design-based panel weight, which reflects the inverse of the probability of selection.

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<sup>1</sup> Employment Size class definitions

<u>Number of employees</u>	<u>Size class</u>
1-4	1
5-9	2
10-19	3
20-49	4
50-99	5
100-249	6
250+	7

### ***National sample counts***

The combined sample for the May 2005 survey is the equivalent of six panels. The sample allocations for the panels in this cycle are:

204,507 establishments for May 2005  
206,002 establishments for November 2004  
204,197 establishments for May 2004  
204,881 establishments for November 2003  
199,587 establishments for May 2003  
201,016 establishments for November 2002

The combined sample size for the May 2005 estimates is approximately 1.2 million establishments, which includes only the most recent data for Federal and State Government. Federal and State Government units from older panels are deleted to avoid double counting these industries.

### **Response and nonresponse**

#### ***Response***

Of the approximately 1.2 million establishments in the combined initial sample, 1,115,817 were viable establishments (that is, establishments that are not out-of-scope or out-of-business). Of the viable establishments, 874,761 responded and 241,056 did not. The establishment response rate is 78.4 percent (874,761/1,115,817). The response rate in terms of weighted sample employment is 73.2 percent.

#### ***Nonresponse***

Establishments that did not report occupational employment data are “unit” nonrespondents. Establishments that reported employment data but failed to break out employment by wage intervals are “partial” nonrespondents. Missing data for unit nonrespondents are imputed through a two-step imputation process. Missing data for partial nonrespondents are imputed through the second step of the process only.

- ***Step 1, Impute an occupational employment staffing pattern***

For each unit nonrespondent, a staffing pattern is imputed using a nearest-neighbor “hot deck” imputation method. The procedure links a responding donor establishment to each nonrespondent. Possible donors were respondents from the current panel and any of the five previous panels. The nearest-neighbor hot deck procedure searches within defined cells for a



donor that most closely resembles the nonrespondent by geographic area, industry, and employment size. The procedure initially searches for a donor whose reported employment is approximately the same as the nonrespondent's frame employment within the same MSA-BOS and 5-digit NAICS. If the search is unsuccessful, the pool of donors is enlarged in incremental steps by expanding geographic area and industry until a suitable donor is found. Limits are placed on the number of times a donor can be used.

After a donor has been found, its occupational staffing pattern is used to prorate the nonrespondent's frame employment by occupation. The prorated employment is the nonrespondent's imputed occupational employment.

Note: At the end of step 1, total employment has been imputed by occupation for the nonrespondent. We do not, however, have an employment distribution across wage intervals for the occupations.

- *Step 2, Impute an employment distribution across wage intervals:*  
For each "unit" nonrespondent in step 1 or for each "partial" nonrespondent, impute an employment distribution across wage intervals for all occupations. This distribution, called the wage employment distribution, is imputed as follows:
- Identify the imputation cell for the nonrespondent. Imputation cells are initially defined by MSA/BOS, NAICS4/5, and size class from the most recent panel only.
- Determine if the imputation cell has enough respondents to compute wage employment distributions. If not, incrementally enlarge the cell until there are enough respondents.
- For each occupation in the imputation cell, use the respondents to calculate an employment distribution as a percentage across wage intervals.
- Use the distributions above to prorate the nonrespondent's imputed occupational employment across wage intervals. (Or, for partial respondents, use the distributions above to prorate the reported occupational employment across wage intervals.)

## **Combining and benchmarking data for occupational employment estimates**

### ***Reweighting for the combined sample***

Employment and wage rate estimates are computed using a rolling six-panel (3-year) sample. Estimates for the May 2005 survey were calculated using data from the May 2005, November 2004, May 2004, November 2003, May 2003, and November 2002 samples. Establishments from each panel's sample are initially assigned weights as if one panel was being used to represent the entire population. When the samples are combined, each sampled establishment must be reweighted so that now the aggregated sample across six panels represents the entire population. This revised weight is called the d-weight.

The final weight of certainty units is set to 1.

Noncertainty units were reweighted stratum-by-stratum. The original single-panel sampling weights were computed so that responses in a stratum could be weighted to represent the entire stratum population. In one common scenario, six panel samples are combined and all six panels have sample units for a particular stratum. A summation of the single-panel weights would over-represent the stratum population by a factor of six. Because we do not want to over-represent the stratum population, the final weight of each establishment is set equal to one sixth of its single-panel sampling weight. In general, when six panel samples are combined, a count of the number of panels with at least one unit selected for a given stratum is assigned to  $k$ . The d-weight of each establishment in the stratum is computed by multiplying its single-panel sampling weight by  $1/k$ .

### ***Benchmarking to QCEW employment***

A ratio estimator is used to calculate estimates of occupational employment. The auxiliary variable for the estimator is the average of the latest May and November employment totals from the Bureau's Quarterly Census of Employment and Wages (QCEW). For the May 2005 survey, the auxiliary variable is the average of May 2005 and November 2004 employment. In order to balance the State need for estimates at differing levels of geography and industry, the ratio estimation process is carried out through a series of four hierarchical employment ratio adjustments. The ratio adjustments are also known as benchmark factors (BMFs).

The first of the hierarchical benchmark factors is calculated in the States for cells defined by MSA-BOS, NAICS4/5, and employment size class (4 size classes: 1-19, 20-49, 50-249, 250+). If a first level BMF is out of range, it is reset to a maximum ceiling or minimum floor value. First level BMFs are calculated as follows:

$h$  = MSA-BOS by NAICS4/5

$H$  = State by 4-digit NAICS

$s$  = employment size classes (1-19, 20-49, 50-249, 250+)

$S$  = aggregated employment size classes (1-49, 50+)

$M$  = average of May and November QCEW

$w_i$  = final weight for establishment  $i$

$x_i$  = total establishment employment

$BMF_{\min}$  = a parameter, the lowest value allowed for BMF

$BMF_{\max}$  = a parameter, the highest value allowed for BMF

$$\beta_{hs} = \left( M_{hs} / \sum_{i \in hs} w_i x_i \right), \quad \beta_{hS} = \left( M_{hS} / \sum_{i \in hS} w_i x_i \right), \quad \beta_h = \left( M_h / \sum_{i \in h} w_i x_i \right),$$

then

$$BMF_{1,hs} = \begin{cases} \beta_{hs}, & \text{if all } \beta_{hs} \text{ within } h \text{ are bounded by } (BMF_{\min}, BMF_{\max}), \\ \beta_{hS}, & \text{if all } \beta_{hS} \text{ within } h \text{ are bounded by } (BMF_{\min}, BMF_{\max}), \\ BMF_{\min}, & \text{if } \beta_h < BMF_{\min}, \\ BMF_{\max}, & \text{if } \beta_h > BMF_{\max}, \\ \beta_h & \text{otherwise} \end{cases}$$

Second level BMFs are calculated for cells defined within States at the four-digit NAICS level by summing the product of final weight and first level BMF for each establishment in the cell. Second level BMFs account for the portion of universe employment that is not adequately covered by weighted employment in first-level benchmarking. Inadequate coverage occurs when “MSA-BOS | NAICS4/5 | size class” cells have no sample data or when a floor or ceiling is imposed on first-level BMFs. Second level benchmarks are calculated as follows:

$$\beta_H = \left( \frac{M_H}{\sum_{hs \in H} \sum_{i \in hs} w_i x_i} BMF_{1,hs} \right), \text{ then}$$

$$BMF_{2,H} = \begin{cases} BMF_{\min}, & \text{if } \beta_H < BMF_{\min}, \\ BMF_{\max}, & \text{if } \beta_H > BMF_{\max}, \\ \beta_H & \text{otherwise} \end{cases}$$

Third level BMFs ( $BMF_{3,H}$ ) are calculated at the “State | 3-digit NAICS” cell level by summing the product of final weight, first level BMF, and second level BMF for each establishment in the cell. Fourth level BMFs ( $BMF_{4,H}$ ) are calculated at the “State | 2-digit NAICS” cell level by summing the product of final weight, first level BMF, second level BMF, and third level BMF for each establishment in the cell. As with second level BMFs, third and fourth level BMFs are computed to account for inadequate coverage of the universe employment.

A final benchmark factor,  $BMF_i$ , is calculated for each establishment as the product of its four hierarchical benchmark factors ( $BMF_i = BMF_1 * BMF_2 * BMF_3 * BMF_4$ ). A benchmark weight value is then calculated as the product of the establishment’s d-weight and final benchmark factor.

### ***Occupational employment estimates***

Benchmark weights are used to compute estimates of occupational employment. Estimates are produced for cells defined by geographic area, industry group, and size of establishment (i.e., size class). The total employment for an occupation in a cell is estimated by taking the product of reported occupational employment and benchmark weight for each establishment in the cell, and summing the product across all establishments in the cell. This sum is the estimate of total occupational employment in the cell.

The equation below is used to calculate occupational employment estimates for an estimation cell defined by geographic area, industry group, and size class.

$$\hat{X}_{ho} = \sum_{i \in h} (w_i BMF_i x_{io})$$

$o$  = occupation;

$h$  = estimation cell;

$w_i$  = benchmark weight for establishment  $i$ ;

$BMF_i$  = final benchmark factor for establishment  $i$ ;

$x_{io}$  = reported employment for occupation  $o$  in establishment  $i$ ;

$\hat{X}_{ho}$  = estimated employment for occupation  $o$  in cell  $h$

### ***Wage rate estimation***

Two externally derived parameters are used to calculate wage rate estimates. They are

- the mean wage rates for each of the 12 wage intervals and
- wage updating factors (also known as aging factors)

Wage rates of workers are reported to the OES survey as grouped data across 12 consecutive, non-overlapping wage bands. Individual wage rates are not collected.

**An illustration:** An establishment employs 10 secretaries at the following wage rates:

\$ 7/hour – 1 secretary

\$ 8/hour – 1 secretary

\$11/hour – 2 secretaries

\$12/hour – 2 secretaries

\$13/hour – 2 secretaries

\$15/hour – 1 secretary

\$16/hour – 1 secretary

Wage rates for secretaries, however, are reported to the OES survey as follows:

Wage interval A (under \$ 6.75/hour) – 0 secretaries

Wage interval B (\$ 6.75-\$8.49/hour) – 2 secretaries

Wage interval C (\$ 8.50-\$10.74/hour) – 0 secretaries

Wage interval D (\$10.75-\$13.49/hour) – 6 secretaries

Wage interval E (\$13.50-\$16.99/hour) – 2 secretaries

The remaining wage intervals have 0 secretaries.

Because wage rates are collected as grouped data, we must use grouped data formulae to calculate estimates of mean and percentile wage rates. Assumptions are made when using grouped data formulae. For the mean wage rate formula, we assume that we can calculate the average wage rate for workers in each interval. For the percentile wage rate formula, we assume that workers are evenly distributed in each interval.

Wage data from the following panels May 2005, November 2004, May 2004, November 2003, May 2003, and November 2002 were used to calculate May 2005 wage rate estimates. Wage data from different panels, however, are not equivalent in real-dollar terms due to inflation and rising living costs. Consequently wage data collected prior to the current survey reference period (May 2005) have to be updated or aged to approximate that period.

### ***Determining a mean wage rate for each interval***

The mean hourly wage rate for all workers in any given wage interval cannot be computed using grouped data collected by the OES survey. This value is calculated externally using data from the Bureau's National Compensation Survey (NCS). Although smaller than the OES survey in terms of sample size, the NCS program, unlike OES, collects individual wage data. The mean hourly wage rate for interval L (the upper, open-ended wage interval) is calculated without wage data for pilots. This occupation is excluded because pilots work fewer hours than other occupations. Consequently their hourly wage rates are much higher.

### ***Wage aging process***

Aging factors are developed from the Bureau's Employment Cost Index (ECI) survey. The ECI survey measures the rate of change in compensation for nine major occupation groups on a quarterly basis. Aging factors are used to adjust OES wage data in past survey reference periods to the current survey reference period (May 2005).

### ***Mean hourly wage rate estimates***

Mean hourly wage is the total weighted hourly wages for an occupation divided by its weighted survey employment. Estimates of mean hourly wage are calculated using a standard grouped data formula that was modified to use ECI aging factors.

$$\hat{R}_o = \frac{\sum_{z=t-5}^t \left( \sum_{i \in z} w_i \text{BMF}_i \hat{y}_{i o} \right)}{\hat{X}_o}$$

$$\hat{y}_{i o} = u_{z o} \sum_r x_{i o r} c_{z r} \quad (i \in z)$$

$o$  = occupation

$\hat{R}_o$  = mean hourly wage rate for occupation  $o$

$z$  = panel (or year)

$t$  = current panel

$w_i$  = final weight for establishment  $i$

$\text{BMF}_i$  = final benchmark factor applied to establishment  $i$

$\hat{y}_{i o}$  = unweighted total hourly wage estimate for occupation  $o$  in establishment  $i$

$r$  = wage interval

- $\hat{X}_o$  = estimated employment for occupation  $o$   
 $x_{i o r}$  = reported employment for occupation  $o$  in establishment  $i$  in wage interval  $r$   
 (note that establishment  $i$  reports data for only one panel  $z$  or one year  $z$ )  
 $u_{z o}$  = ECI aging factor for panel (or year)  $z$  and occupation  $o$   
 $c_{z r}$  = mean hourly wage for interval  $r$  in panel (or year)  $z$

In this formula,  $c_{z r}$  represents the mean hourly wage of interval  $r$  in panel (or year)  $z$ . The mean is computed externally using data from the Bureau's NCS survey. Research is conducted at periodic intervals to verify the continued viability of this updating procedure.

### ***Percentile hourly wage rate estimates***

The  $p$ -th percentile hourly wage rate for an occupation is the wage where  $p$  percent of all workers earn that amount or less and where  $(100-p)$  percent of all workers earn that amount or more. The wage interval containing the  $p$ -th percentile hourly wage rate is located using a cumulative frequency count of estimated employment across all wage intervals. After the targeted wage interval is identified, the  $p$ -th percentile wage rate is then estimated using a linear interpolation procedure.

$$pR_o = L_r + \frac{j}{f_r}(U_r - L_r)$$

- $pR_o$  =  $p$ -th percentile hourly wage rate for occupation  $o$   
 $r$  = wage interval that encompasses  $pR_o$   
 $L_r$  = lower bound of wage interval  $r$   
 $U_r$  = upper bound of wage interval  $r$   
 $f_r$  = number of workers in interval  $r$   
 $j$  = difference between the number of workers needed to reach the  $p$ -th percentile wage rate and the number of workers needed to reach the  $L_r$  wage rate

### ***Annual wage rate estimates***

These estimates are calculated by multiplying mean or percentile hourly wage rate estimates by a "year-round, full time" figure of 2,080 hours (52 weeks x 40 hours) per year. These estimates, however, may not represent mean annual pay should the workers work more or less than 2,080 hours per year.

Alternatively, some workers are paid based on an annual amount but do not work the usual 2,080 hours per year. For these workers, survey respondents report annual wages. Since the survey does not collect the actual number of hours worked, hourly wage rates cannot be derived from annual wage rates with any reasonable degree of confidence. Only annual wages are reported for some occupations.

## Variance estimation

### *Occupational employment variance estimation*

A subsample replication technique called the “jackknife random group” is used to estimate variances of occupational employment. In this technique, each sampled establishment is assigned to one of G random groups. G subsamples are created from the G random groups. Each subsample is reweighted to represent the universe.

G estimates of total occupational employment ( $\hat{X}_{hjo g}$ ) (one estimate per subsample) are calculated. The variability among the G employment estimates is a good variance estimate for occupational employment. The two formulae below are used to estimate the variance of occupational employment for an estimation cell defined by geographic area and industry group.

$$v(\hat{X}_{hjo}) = \frac{\sum_{g=1}^G (\hat{X}_{hjo g} - \hat{X}_{hjo})^2}{G(G - 1)}$$

- h** = estimation cell defined by geographic area and industry group
- j** = employment size class (1-19, 20-49, 50-249, 250+)
- o** = occupation
- $v(\hat{X}_{hjo})$  = estimated variance of  $\hat{X}_{hjo}$
- G** = number of random groups
- $\hat{X}_{hjo}$  = estimated employment of occupation *o* in cell *h* and size class *j*
- $\hat{X}_{hjo g}$  = estimated employment of occupation *o* in cell *h*, size class *j*, and subsample *g*
- $\hat{X}_{hjo}$  = estimated mean employment for occupation *o* in cell *h* and size class *j* based on the G subsamples (Note: a finite population correction factor is applied to the terms  $\hat{X}_{hjo g}$  and  $\hat{X}_{hjo}$ .)



The variance for an occupational employment estimate in cell  $h$  is obtained by summing the variances  $v(\hat{X}_{hjo})$  across all size classes  $j$  in the cell.

$$v(\hat{X}_{ho}) = \sum_{j \in h} v(\hat{X}_{hjo})$$

### **Occupational mean wage variance estimates**

Because the OES wage data are collected in intervals (grouped), we do not capture the exact wage of each worker. Therefore, some components of the wage variance are approximated using factors developed from NCS data. A *Taylor Series Linearization* technique is used to develop a variance estimator appropriate for OES mean wage estimates. The primary component of the mean wage variance, which accounts for the variability of the observed sample data, is estimated using the standard estimator of variance for a ratio estimate. This component is the first term in the formula given below:

$$v(\hat{R}_o) = \left( \frac{1}{\hat{X}_o^2} \left( \sum_h \left\{ \frac{n_{ho}(1-f_{ho})}{n_{ho}-1} \right\} \left\{ \sum_{i \in h} w_i^2 (q_{io} - \bar{q}_{ho})^2 \right\} \right) + \sum_r \theta_{or}^2 \sigma_{cr}^2 + \frac{1}{\hat{X}_o^2} \sum_r \left( \sum_{i=1}^{n_r} (w_i x_{ior})^2 \right) \sigma_{er}^2 + \frac{1}{\hat{X}_o} \sum_r \theta_{or} \sigma_{or}^2 \right)$$

$\hat{R}_o$  = estimated mean wage for occupation  $o$

$v(\hat{R}_o)$  = estimated variance of  $\hat{R}_o$

$\hat{X}_o$  = estimated occupational employment for occupation  $o$

$h$  = stratum (area/industry/size class)

$f_{ho}$  = sampling fraction for occupation  $o$  in stratum  $h$

$n_{ho}$  = number of sampled establishments that reported occupation  $o$  in stratum  $h$

$w_i$  = sampling weight for establishment  $i$

$q_{io}$  =  $(\hat{y}_{io} - \hat{R}_o x_{io})$  for occupation  $o$  in establishment  $i$

$\hat{y}_{io}$  = estimated total occupational wage in establishment  $i$  for occupation  $o$

$x_{io}$  = reported employment in establishment  $i$  for occupation  $o$

$\bar{q}_{ho}$  = mean of the  $q_{io}$  quantities for occupation  $o$  in stratum  $h$

$\theta_{or}$  = proportion of employment within interval  $r$  for occupation  $o$ ;

$x_{ior}$  = reported employment in establishment  $i$  within wage interval  $r$  for occupation  $o$

$(\sigma_{cr}^2, \sigma_{er}^2, \text{ and } \sigma_{or}^2)$  Within wage interval  $r$  these are estimated using the NCS and, respectively, represent: The variability of the wage value imputed to each worker; the variability of wages across establishments; and the variability of wages within establishments.

### **Reliability of the estimates**

Estimates developed from a sample will differ from the results of a census. An estimate based on a sample survey is subject to two types of error—sampling and nonsampling error. An estimate based on a census is only subject to nonsampling error.

#### ***Nonsampling error***

This type of error is attributable to several causes, such as: Errors in the sampling frame; an inability to obtain information for all establishments in the sample; differences in respondents' interpretation of survey question; an inability or unwillingness of the respondents to provide correct information; errors made in recording, coding, or processing the data; and errors made in imputing values for missing data. Explicit measures of the effects of nonsampling error are not available.

#### ***Sampling errors***

When a sample, rather than an entire population, is surveyed, estimates differ from the true population values that they represent. This difference, or sampling error, occurs by chance and its variability is measured by the variance of the estimate or the standard error of the estimate (square root of the variance). The relative standard error is the ratio of the standard error to the estimate itself.

Estimates of the sampling error for occupational employment and mean wage rate are provided in this publication to allow data users to determine if those statistics are reliable enough for their needs. Only a probability-based sample can be used to calculate estimates of sampling error. The formulae used to estimate OES variances are adaptations of formulae appropriate for the survey design used.

The particular sample used in this survey is one of a large number of many possible samples of the same size that could have been selected using the same sample design. Sample estimates from a given design are said to be unbiased when an average of the estimates from all possible samples yield, hypothetically, the true population value. In this case, the sample estimate and its standard error can be used to construct confidence intervals, or ranges of values that include the true population value with known probabilities. To illustrate, if the process of selecting a sample from the population was repeated

many times, if each sample was surveyed under essentially the same unbiased conditions, and an estimate and a suitable estimate of its standard error made from each sample, then:

1. Approximately 68 percent of the intervals from one standard error below to one standard error above the estimate would include the true population value. This interval is called a 68-percent confidence interval.
2. Approximately 90 percent of the intervals from 1.6 standard errors below to 1.6 standard errors above the estimate would include the true population value. This interval is called a 90-percent confidence interval.
3. Approximately 95 percent of the intervals from 2 standard errors below to 2 standard errors above the estimate would include the true population value. This interval is called the 95-percent confidence interval.
4. Almost all (99.7 percent) of the intervals from 3 standard errors below to 3 standard errors above the estimate would include the true population value.

For example, suppose that an estimated occupational employment total is 5,000, with an associated estimate of relative standard error of 2.0 percent. Based on these data, the standard error of the estimate is 100 (2 percent of 5,000). To construct a 95-percent confidence interval, add and subtract 200 (twice the standard error) from the estimate: (4,800, 5,200). Approximately 95 percent of the intervals constructed in this manner will include the true occupational employment if survey methods are nearly unbiased.

Estimated standard errors should be taken to indicate the magnitude of sampling error only. They are not intended to measure nonsampling error, including any biases in the data. Particular care should be exercised in the interpretation of small estimates or of small differences between estimates when the sampling error is relatively large or the magnitude of the bias is unknown.

### ***Quality control measures***

Several edit and quality control procedures are used to reduce nonsampling error. For example, completed survey questionnaires are checked for data consistency. Follow-up mailings and phone calls are sent out to nonresponding establishments to improve the survey response rate. Response analysis

studies are conducted to assess the respondents' comprehension of the questionnaire. (See the section below for additional information on the quality control procedures used by the OES survey.)

The OES survey is a Federal-State cooperative effort that enables States to conduct their own surveys. A major concern with a cooperative program such as OES is to accommodate the needs of BLS and other Federal agencies, as well as State-specific publication needs, with limited resources while simultaneously standardizing survey procedures across all 50 States, the District of Columbia, and the U.S. territories. Controlling sources of nonsampling error in this decentralized environment can be difficult. One important computerized quality control tool used by the OES survey is the Survey Processing and Management (SPAM) system. It was developed to provide a consistent and automated framework for survey processing and to reduce the workload for analysts at the State, regional, and national levels.

To ensure standardized sampling methods in all areas, the sample is drawn in the national office. Standardizing data processing activities such as validating the sampling frame, allocating and selecting the sample, refining mailing addresses, addressing envelopes and mailers, editing and updating questionnaires, conducting electronic review, producing management reports, and calculating employment estimates have resulted in the overall standardization of the OES survey methodology. This has reduced the number of errors on the data files as well as the time needed to review them.

Other quality control measures used in the OES survey include:

- Follow-up solicitations of nonrespondents, especially critical or large nonrespondents.
- Review of schedules to verify the accuracy and reasonableness of the reported data.
- Adjustments for atypical reporting units on the data file;
- Validation of the benchmark employment figures and of the benchmark factors.
- Validation of the analytical tables of estimates at the NAICS4/5 level.

## **Confidentiality**

BLS has a strict confidentiality policy that ensures that the survey sample composition, lists of reporters, and names of respondents will be kept confidential. Additionally, the policy assures respondents that published figures will not reveal the identity of any specific respondent and will not allow the data of any specific respondent to be imputed. Each published estimate is screened to ensure that it meets these confidentiality requirements. The specific screening criteria are not listed in this publication to further protect the confidentiality of the data.

