

## 2012 Supporting Statement for the National Compensation Survey

Justification, Part A.

### Overview

This request is for the approval of pay and benefit collection for the National Compensation Survey (NCS) 1220-0164. Under the NCS, the Bureau of Labor Statistics (BLS) conducts ongoing surveys of compensation and job characteristics. Data collected by the NCS is used to produce Employment Cost Trends, including the Employment Cost Index (ECI) and Employer Costs for Employee Compensation (ECEC), employee benefits data, and data used by the President's Pay Agent.

Through 2011, the BLS used the Locality Pay Surveys (LPS) and the ECI to deliver data required by the President's Pay Agent to comply with the requirements of the Federal Employees Pay Comparability Act of 1990 (FEPCA). The President's Pay Agent uses these data to recommend pay increases for Federal General Schedule workers; ECI data are used in determining the National adjustment and LPS data are used in determining locality-based adjustments. The LPS covered 31 locality pay areas designated by the Pay Agent plus the "Rest of the United States." The final approved budget for FY 2011 called for an alternative to the LPS component of the NCS, and the BLS introduced a new approach that uses data from two current BLS programs – the Occupational Employment Statistics (OES) survey and the ECI program. In the new approach, OES data provide wage data by occupation and by area, while ECI data are used to specify grade level effects. The new approach is also being used to extend the estimation of pay gaps to areas that were not included in the LPS sample, and this data has been delivered to the Pay Agent.

In FY 2011, this alternative approach to the LPS affected the two remaining NCS components: the ECI and the Employee Benefits Survey (EBS). This is due to the integration of the sampling, collection, and estimation processes of the NCS program. Under the alternative approach, BLS stopped collecting data from the wage-only establishments in the NCS sample in May 2011. With selection of an establishment sample whose data will first enter the NCS system in September 2012, BLS will revert to a national design in order to preserve the reliability of the ECI and the EBS. With a national design, the BLS reduced the sample size of the ECI and the EBS by about 25 percent. Based on prior experience and a preliminary analysis of the proposed design changes, we believe that the ECI and other national estimates from the NCS will be of about the same quality as the current estimates and that we will be able to continue publishing most, if not all, of the previous detailed estimates. Starting in FY 2013, the new NCS private industry sample will be on a three-year rotational cycle. For this reason, the figures given in the last clearance for FY 2013 have been revised. This clearance request is for FY 2013 to FY 2015 and covers the first of the NCS three-year rotational cycles. See Part B of this package for details of the new survey design.

The NCS uses a factor evaluation method with four factors to evaluate the work level of jobs. Each factor has several levels reflecting increasing duties and responsibilities, and there are point values associated with each level. The four factors are:

Knowledge – the amount of knowledge required for the job  
Job controls and complexity – the type of direction received and the nature of the job  
Contacts – the nature and purpose of contacts within a job but outside the supervisory chain  
Physical environment – risks involved and physical demands

The four-factor leveling method is the result of a joint effort between BLS and OPM undertaken at the request of the President’s Pay Agent. It simplified and modified the NCS procedures for classifying work levels to help speed up job evaluation in an interview. Tests showed the use of four factors produces more consistent work level occupational matching and has fewer decision points than the previous methodology.

As of May 2011, the NCS began collecting both wage and employee benefits for all sampled establishments. These data include the incidence, costs, and provisions of the benefits. For all of these establishments, the BLS updates the wage, salary, and benefit cost data quarterly. This updating allows for the publication of change in the cost of wages, benefits, and total compensation on a quarterly basis.

“Field economist” is the BLS title for those who collect data from respondents. To collect NCS data, field economists interview respondents who represent the companies, organizations, and government units within the sample. Field economists conduct these interviews by visiting the company or by phone, or both. Other communication media, such as faxes, mail, websites, and e-mail are used to assist the process, depending on the wishes of the respondents.

When asking questions on pay and benefits, field economists do not rely on a scripted interview. Instead, they ask probing questions to get the information. Field economists might ask questions in different ways to different respondents. Some respondents will be experts in the field of compensation, while other respondents merely maintain pay and benefit records. Because of the different levels of respondent knowledge, combined with the scope and complexity of NCS data collection, scripting an interview that covers most situations would be very difficult.

In the initial collection, the respondent does not complete the collection forms. The field economist asks for the needed information and uses the collection forms as a note-taking device. This information is then entered into the computer database of the NCS collection system after the completion of the interview with the respondent. Respondents normally give a copy of a recent establishment payroll run either electronically or printed and those payroll data are either electronically reformatted or hand entered into our collection system by the field economist. NCS policy is to collect the data in whichever form is easiest for the respondents to provide and then reformat those data for our use. This approach could cause some non-sampling error, but ongoing collection training and quality assurance programs are in place to lessen any impact on data collection.

When updating the data, the respondent may choose to send the data on forms that the BLS provides. The respondents may respond through e-mail, fax, mail, phone, or a NCS secure website. Many respondents will send copies of a recent payroll, benefits cost run, or billing statement for various benefits (mostly insurance) by e-mail, fax, or mail in place of using the forms. Respondents may wish to provide the information in a follow-up interview by phone

each time they report data and for this option they can call in the information or wait to be called. In such cases, the field economists enter information on the appropriate forms or directly in the computer database.

The published compensation data include the following information:

- Employer cost of total compensation
- Employer cost of benefits
- Employee cost of selected benefits
- Percent of employees participating in benefit plans
- Provisions of benefit plans
- Percent change in total compensation costs
- Percent change in earnings
- Percent change in selected benefits

The types of benefit information collected include:

- Health, life, and disability insurance
- Retirement plans
- Leave information
- Legally required benefits (Social Security, Medicare, workers' compensation, and unemployment insurance)
- Overtime, shift, and bonus pay
- Other benefits, including child care, health saving accounts

Some benefits (called "Other benefits" in NCS) data are collected to track the emergence of new or changing benefits over time. NCS also asks about the incidence of certain other benefits. The BLS only asks whether sampled occupations receive these benefits and periodically drops those that show no growth, supplementing them with other potentially growing benefits.

The compensation data currently captured includes information on details of benefit services received by employees and their families as well as restrictions and limits on the receipts of these services.

As compensation practices change, so too must the NCS. This is accomplished through constant environmental scanning, which, after testing, can result in survey changes when new benefits, provisions, or practices are identified.

Examples of provision details in NCS include the following:

- Managed care in health insurance
- Cost sharing arrangements such as typical deductibles and copayments
- Other health plan information such as coverage for hospitalization, alternatives to hospitalization, mental health, substance abuse treatment, surgical care, and physicians visits
- Dental, vision, and prescription drug benefits
- Levels of coverage for life insurance and disability plans
- Pension plan eligibility, benefit formulas, survivor options, and disability provisions
- Defined contribution retirement plans: employee and employer contribution rates, investment choices, tax status of employee contributions, and disbursement options
- Number of vacation days, sick days, and holidays

Domestic partner benefits and their coverage is an area NCS added to collection in the fall of 2010. The NCS program also identified Payroll Deduction IRA plans as an upcoming compensation trend and started collecting and tracking these plans in 2011. NCS added these plans as a subcategory of the collected Cash or Deferred Arrangements (CODAs) with no employer contributions and is measuring access to this new benefit.

The NCS has developed and is currently testing a set of new Web pages as a respondent option for data reporting, based on the NCS data collection system. Full implementation of these new collection screens will follow successful testing by the BLS Cognitive Laboratory, both in the laboratory and in the field. Respondent access to these new web pages is through the existing NCS Internet Data Collection Facility (IDCF) system.

## **1. Necessity of the Information Collection**

Data on various forms of compensation, including employers' cost for wages and benefits, benefits incidence, and detailed characteristics of benefit plan provisions, are needed to meet the requirements of a number of Federal programs. Leveling data produced from the survey are used and will be used in the determination of locality pay and general increases for most Federal workers. Total compensation data are needed for the calculation of the ECI, a principal Federal economic indicator used in determining monetary policy. As Federal Reserve Bank Chairman Ben S. Bernanke said, "The Employment Cost Index is indispensable to understanding America's economy. It ensures the accuracy of the statistics on employers' compensation costs that we rely on for economic policy making and for successful business planning."

These ECI estimates are also widely used by the private sector to determine the costs of pay and benefits, for research in the field of labor economics, and in private contracts for wage escalation. The ECI provides quarterly and annual change in total compensation costs, including changes in wage and salary costs and changes in the cost of employer provided benefits.

The Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration) uses the ECI to determine allowable increases in Medicare reimbursements for hospital and physician charges. The Wage and Hours Division of DOL, uses the ECI to set benefit costs required by the Service Contract Act. Other uses of ECI data include: macro-

economic forecasting; collective bargaining and other pay determinations; estimating compensation in the National Income and Product Accounts done by the Bureau of Economic Analysis; contract cost escalation; and studies on the structure of employee compensation.

The Patient Protection and Affordable Care Act of 2010 (PPACA) states that “the Secretary [of Health and Human Services] shall define the essential health benefits” for certain health plans under the law. The Act further required the Secretary of Labor to “conduct a survey of employer-sponsored coverage to determine the benefits typically covered by employers,” and to report the results of the survey to the Secretary of Health and Human Services. The Department of Labor (DOL) first looked to its ongoing survey of benefits, NCS. Much of the needed data was already available from NCS on detailed provisions of employment-based health benefits and from previously-published survey results, which cover such services as hospital room and board, physician office visits, mental health and substance abuse treatment, dental care, and vision care. Cost-sharing information such as deductibles and copayments comes from the previously-published survey results as well.

For additional information on “essential health benefits” not currently collected by the NCS, data were obtained from existing BLS files of employer health plans. These existing files identify available health plans and other copies of written documents describing plan benefits. The NCS program extracted the detailed plan provisions presented in the reports from approximately 3,200 health plan documents. Sufficient data were available to publish data for twelve additional services: emergency room visits, ambulance services, diabetes care management, kidney dialysis, physical therapy, durable medical equipment, prosthetics, maternity care, infertility treatment, sterilization, gynecological exams and services, and organ and tissue transplantation.

The collection of employee compensation data is authorized and mandated by several laws and regulations. Links to the appropriate sections of these laws, regulations, or documents are attached. These include:

a. The Bureau of Labor Statistics is authorized to make “... continuing studies of ... labor costs in manufacturing, mining, transportation, distribution, and other industries” under Title 29 of the U.S. Code (29 USC 2b).

<http://law.onecle.com/uscode/29/2b.html>

b. The Federal Employees Pay Comparability Act of 1990 directs the President’s Pay Agent to prepare “... a report that -- (A) compares rates of pay under the General Schedule with the rates of pay generally paid to non-Federal workers for the same levels of work within each pay locality, as determined on the basis of appropriate surveys that shall be conducted by the Bureau of Labor Statistics.” The Act further specifies that in addition to locality differentials being implemented, the twelve-month change in the ECI for earnings and salaries for private industry workers minus 0.5 percentage points be used to adjust the General Schedule. (5 USC 5304)

<http://www.oscn.net/applications/OCISWeb/DeliverDocument.asp?CiteID=185083>

c. The Ethics Reform Act of 1989 specifies that data from the ECI be used to adjust the pay of members of the House of Representatives and the Senate, Federal judges, and senior Government officials. (5 USC 5318)

<http://www.oscn.net/applications/oscn/deliverdocument.asp?lookup=Next&listorder=439&dbCode=FDSTUS05&year=>

d. Compensation of Members of Congress shall be adjusted by an amount, rounded to the nearest multiple of \$100 (or if midway between multiples of \$100, to the next higher multiple of \$100), equal to the percentage of such annual rate which corresponds to the most recent percentage change in the ECI (relative to the date described in the next sentence), as determined under section 704(a) (1) of the Ethics Reform Act of 1989. (2 USC 31)

[http://uscode.house.gov/download/pls/Title\\_02.txt](http://uscode.house.gov/download/pls/Title_02.txt)

e. The ECI is designated a Principal Federal Economic Indicator under OMB Statistical Policy Directive No. 3. 2012 Release dates attached:

[http://www.bls.gov/schedule/news\\_release/eci.htm](http://www.bls.gov/schedule/news_release/eci.htm)>

## **2. Uses of Information**

A prominent use of the current NCS data is to determine changes in Federal workers' pay, as mandated in the FEPCA of 1990.

Other important data users include:

- Private firms that use the data in the administration and evaluation of the compensation packages they offer their workers
- Researchers in academia and consulting

The BLS continually examines compensation literature and maintains personal contact with relevant associations and researchers. Currently, no other information is available on a probability basis that yields the scope of compensation data found in the NCS surveys.

One of the chief products of the NCS is the ECI. The data produced by the ECI are the only source for measures of change in compensation in the broad civilian, non-Federal, and non-farm economy. Other surveys of change in compensation produce data that are valuable for specific purposes, but are limited in scope and coverage.

Another NCS product is the estimation of benefit incidence and detailed provisions. The NCS benefits are the only source of comprehensive data on employer-provided benefits that are based on a statistical sample and cover the broader economy. In 2011, the NCS produced and published two benefits products, one for incidence and key provisions and a second for detailed provisions for selected benefits in private industry establishments. To estimate and publish these benefits the BLS analyzed 12,208 benefits plans out of the sample of 15,000 establishments.

Other surveys of benefit provisions (mainly pension and health care plan analyses) are not based on a statistical sample, are limited to a tabulation of unweighted data, are not comprehensive in scope, and usually present a picture based mainly on plans of large employers.

There is continuing interest in using NCS data files for special research. Many academic, institutional, and government researchers are currently using these data, and other such efforts are in the planning stages. Recent requests for special research have come from the Treasury Department, the Statistical Abstract, the Congressional Research Service, the Bureau of Economic Analysis, the United States Postal Service, MIT, the Defense Department, the Joint Economic Committee of the U.S. Congress, and the City of New York. Examples of these requests include median wages for detailed occupations or data by establishment size in nonprofit organizations, median values for generic leveling factors, Knowledge and all others, 1997 – 2004, sick leave by SOC, establishment size, and other categories, estimates for profit and non-profit establishments in private industry, data by 4-digit NAICS and data by 2-digit SIC since 1982 and 3-digit NAICS to the present for Union and non-union data, Union and non-union data for State and local governments by geographical region, defined benefit and defined contribution retirement plans, changes in health insurance costs by sector, and access to paid sick leave by employment size for Middle Atlantic region.

Some proposed legislation on benefits uses NCS data for cost and benefit analysis. A recent example is the various paid sick leave legislation initiatives that have been introduced in Congress over the years (The Healthy Families Act.)

### **3. Uses of Improved Information Technology**

BLS field economists obtain data from respondents through personal interview, telephone, e-mail, fax, and web-site contacts. After the interview, BLS field economists enter collected data into a database utilizing a customized computer application. The application is designed for use on both laptop and desktop personal computers, and runs in the Microsoft Windows operating system. Field economists are able to enter information for an establishment and perform a variety of data edits to check the validity of the entries. This data capture system currently has approximately 650 total edits.

The Quarterly Census of Employment and Wages (QCEW) is a relational database of business establishments linked longitudinally and based on the micro data submitted quarterly by States from Unemployment Insurance (UI) tax files. The QCEW serves as a sampling frame for the NCS and other establishment-based surveys. BLS Data elements on these QCEW files include information on monthly employment, quarterly wages, business name and addresses, industry classification, geo codes, and other administrative data. Every business establishment contains a unique identifier that allows for tracking of individual establishments at the micro level across quarters for the United States. The BLS uploads these data into its computer system before the field economist visits the establishment, thereby reducing the burden on respondents to provide this basic information.

The BLS allows responding establishments to provide a computer file of data, rather than recording data on paper. NCS is currently using a program that allows for centralized control of data received over the Internet that helps facilitate data received electronically. These data can then be directly imported to the NCS system, or the data can be reformatted by the system if needed. While field economists may still visit the establishment during the initiation (first)

collection, respondents now can send initiation and updated data via the internet, mail, a secure server, or fax.

In 2007, the NCS introduced a Web-based system (IDCF) that allows NCS respondents, using Secure Sockets Layer (SSL) encryption and the establishment's schedule number, to upload data files to a secure BLS server and forwards those files to the assigned field economist. The NCS program is currently field testing a more interactive Web page to allow respondents to further refine and break out the detailed data they send NCS using this Web application.

The NCS program started switching to the Standard Occupational Classification (SOC) 2010 from the SOC 2000 beginning on May 5, 2010. The 2010 SOC system contains 840 detailed occupations, aggregated into 461 broad occupations. In turn, the SOC combines these 461 broad occupations into 97 minor groups and 23 major groups. Of the 840 detailed occupations in SOC 2010, 359 remained the same as in SOC 2000.

#### **4. Effort to Identify Duplication**

The NCS has eliminated the duplication that used to occur when the BLS had three separate surveys studying compensation. Each establishment is now contacted only one time (in each sample cycle) rather than possibly being contacted for more than one survey in a quarter. Therefore, the burden on respondents has been reduced significantly, especially for those large establishments that are selected in multiple samples.

In developing the NCS, the BLS has undertaken efforts to coordinate the NCS with other surveys and other Federal data needs. For example, within the BLS, data collection is coordinated between the NCS and the Bureau's OES program. For large establishments that are selected in both survey's samples, the NCS program collects the data and it is then used for both surveys.

NCS staff periodically contacts the Agency for Healthcare Research and Quality (Medical Expenditure Panel Survey [MEPS] Insurance Component survey staff) to avoid duplications of benefits collection. A recent example of this contact occurred when NCS was planning to add collection of two domestic partnership benefits. MEPS staff were contacted to verify that they were not currently collecting or planning to collect data on these benefits.

Contact with the MEPS staff also facilitates planning for how each survey plans to deal with the impacts of The Patient Protection and Affordable Care Act (PPACA) on both surveys' collection and publication efforts. The last two questions MEPS-IC added were in 2009 on the existence of incentives for those obtaining health insurance coverage elsewhere.

#### **5. Minimizing the Burden to Small Establishments**

The NCS program is designed to provide compensation data that are representative of the national economy. Therefore, information is collected from establishments of all sizes. Any establishment with at least one employee is a potential respondent (for NCS a small establishment has from 1 to 99 employees). Under the redesigned NCS, most private industry



establishments only will be in the sample for three years compared to the previous five-year sample. Redesign has not yet tackled the rotation cycle of the State and local government establishments sample, they are currently included in the sample for at least ten years.

The aggregate collection burden on small establishments is significantly less than medium and large establishment burden. For all establishments, including small establishments, an optimum allocation design is obtained by sorting establishments within the industry by employment size and sampling the industry with probability proportionate to the amount of employment contained in those industries. Therefore, larger firms have a greater chance of being selected. The BLS also collects data on fewer occupations in small establishments. Furthermore, small establishments will have a smaller benefit collection burden because they tend to offer fewer benefits than larger establishments.<sup>1</sup>

## **6. Consequences of Not Collecting the Data or Less Frequent Data Collection**

The consequences of not collecting the NCS would cause the loss of data series that:

- Are needed to administer Federal workers' pay and other programs
- Are valuable tools to private sector compensation administrators
- Provide data critical to analysis of the US economy

If collection were done less frequently, the following negative ramifications could occur: Compensation change data, computed on a semiannual or annual basis instead of quarterly, would make it more difficult to identify the causes of any change in the price of labor in a timely manner.

The change would impair the ability of companies and government entities that use the ECI as a cost escalator for labor rates.

## **7. Special Circumstances**

There are no special circumstances for this collection.

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<sup>1</sup> For example, according to the most recent NCS Employee Benefits in the United States -- March 2011. 84 percent of private industry establishments of over 100 or more employees have health care benefits, as compared to 56 percent of establishments with fewer than one hundred employees. Just as strikingly, 81 percent of private industry establishments with one hundred or more employees offered retirement benefits, as compared to 49 percent of those in establishments with fewer than one hundred employees.

<http://www.bls.gov/news.release/pdf/ebs2.pdf>>

## **8. Federal Register Notice/Outside Consultation**

### Federal Register Notice

Four comments were received as a result of the Federal Register notice published in 76 FR 71073 on November 16, 2011.

Three of the comments received suggested that the NCS collect demographic data, specifically suggested were race and gender. The NCS collects information on employee wages and the provisions and employer costs for a wide variety of benefit plans. NCS is a voluntary survey and to collect detailed demographic data we have to be mindful of respondent's time as well as our ability to collect such data.

NCS takes a significant amount of time to collect wages and detailed benefit provisions and costs from respondents. If NCS were to add detailed demographic data to the request, that would further increase the burden on the voluntary respondents to our survey. We know from past experience that increased respondent burden will decrease survey response rates and result in diminished quality and quantity of survey estimates.

Detailed demographic data such as race and gender is often not available in an establishment's payroll system, the primary source of the wage and benefit information collected by NCS. Many establishments keep such data separate and are reluctant to provide this information because of burden and/or confidentiality reasons. As an establishment based survey, we do not believe that the NCS could publish useful demographic based estimates. This assessment is based on our experience with attempts to collect these data elements in earlier surveys.

One comment was made on suggesting the collection of probationary periods and tenure requirements for paid sick leave and paid family leave, this is again a resource and respondent burden issue. When such data were collected by predecessor surveys, a 3-month waiting period was reported as "common," suggesting that in most work places the benefit, when provided, is available to most workers. We believe that our earlier decision to drop collection of this variable remains an appropriate means of reducing respondent burden and collection costs. NCS regularly evaluates its collection procedures and will review this decision in the future.

One comment was received regarding the timeliness of NCS data, the survey is published quarterly and the published data are approximately three months old.

### Outside Consultation

The BLS solicits input from data users, including survey respondents, on the types of compensation statistics they would like to see produced. To assist in these efforts, a marketing outreach program was developed with the goal of informing users about the NCS and gathering information on the types of statistics users find most valuable. The BLS also obtains advice on its programs from the Data Users Advisory Committee (DUAC) with members from the labor, business, government, research and academic communities and the Federal Economic Statistics

Advisory Committee. The latter provides members of the academic community the opportunity to have input on statistical issues. This Committee is a joint effort of the Bureau of Economic Analysis, the Census Bureau, and the BLS.

In addition, the BLS attends, speaks, and has staff exhibits to describe and publicize the NCS program and products at the annual WorldatWork conference, the Society for Human Resources Management, the American Society for Healthcare Human Resources Administration Conferences, and the annual Joint Statistical Meetings sponsored by several professional statistical associations including the American Statistical Association. Getting public feedback from the human resource community helps in survey design and publications.

In an FY 1999 customer preference survey, 72 percent of the respondents were “Very satisfied” with the overall service provided by the NCS program and 26 percent were “Satisfied.” Finally, an important part of the feedback the BLS receives comes from the survey respondents and their reactions to the type of data requested, the accessibility of the data, and the value of the results. Field economists relay feedback information from respondents to regional managers, who in turn consult with national office managers to assess respondents’ suggestions or concerns and act appropriately.

## **9. Payments to Respondents**

No payments or gifts will be provided to any respondents.

## **10. BLS Confidentiality Policy**

The Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA) safeguards the confidentiality of individually identifiable information acquired under a pledge of confidentiality for exclusively statistical purposes by controlling access to, and uses made of, such information. CIPSEA includes fines and penalties for any knowing and willful disclosure of individually identifiable information by an officer, employee, or agent of the BLS.

Based on this law, the BLS provides all non-government respondents with the following confidentiality pledge/informed consent statement:

*The Bureau of Labor Statistics, its employees, agents, and partner statistical agencies, will use the information you provide for statistical purposes only and will hold the information in confidence to the full extent permitted by law. In accordance with the Confidential Information Protection and Statistical Efficiency Act of 2002 (Title 5 of Public Law 107-347) and other applicable Federal laws, your responses will not be disclosed in identifiable form without your informed consent.*

This statement appears on the private industry collection forms and is on our web collection site.

For the NCS program, the pledge of confidentiality is not extended to State and local government entities, unless specifically requested, since the data they provide are a matter of public record.

The Bureau of Labor Statistics Commissioner's Order No. 1-06, "Confidential Nature of BLS Statistical Data," explains the Bureau's policy on confidentiality: "In conformance with existing law and Departmental regulations, it is the policy of the BLS that respondent identifiable information collected or maintained by, or under the auspices of, the BLS for exclusively statistical purposes and under a pledge of confidentiality shall be treated in a manner that will ensure that the information will be used only for statistical purposes and will be accessible only to authorized persons."

In some instances, respondents are unable to provide certain data elements needed to complete the collection requirements. The data, however, may be available from a secondary source such as an insurer, union, or accounting firm. When this occurs, it becomes necessary for the BLS to go to a secondary source for the information. In these cases, the BLS requests verbal consent from the establishment to solicit the information from the secondary source (examples: union benefit fund or commercial payroll processing firm.)

## **11. Sensitive Questions**

Aside from the sensitivity attached to payroll information, no other sensitive questions are asked during the survey.

## **12. Estimated Reporting Burden**

Estimates of respondent burden are provided in this section for all activities associated with the NCS program. For the purposes of the discussion of respondent burden and BLS cost, collection is divided into two categories: initiations and updates. In an initiation, the respondent is contacted for the first time. The BLS field economist samples the jobs for study, collects the pay and benefit information, and sets up the updating process. In an update, information is collected on the same jobs that were sampled in initiation. The field economist records any changes to employment characteristics or compensation since the initiation, or since the last update. Thus, updates generally take far less time than initiations.

Broadly stated, both private industry and State/local government establishments in the survey fall into one or more of the three categories below. Each of these categories, with the percentage of establishments expected in each category over the three years, is listed below.

1) Establishments where pay and benefits data are collected and updated quarterly (some of these benefits may only change annually). The BLS collects data on pay and benefit costs every quarter from all establishments.

2) Feasibility testing to determine the best ways to collect compensation. These represent about 10 percent of the estimated establishments in the NCS. Tests are conducted to improve survey procedures and processes, produce data that are more accurate, investigate compensation practices, and to help lower respondent burden. Over the next three years, some tests that may be conducted are to improve electronic data collection processes, to explore the feasibility of collecting additional details about occupational characteristics needed by the Social Security

Administration, and to test potential changes to the types of health insurance data NCS collects as a result of the implementation of the Affordable Care Act. A nonsubstantive change will be submitted to OMB prior to any testing describing the study in further detail.

3) Follow-up establishment interviews for quality assurance activities on the collected data. The NCS has a formal review policy where reviewers select approximately 5 percent of all establishments for re-contact.

This relatively simple picture becomes more complex when taking into account the various types of data collected. The following list breaks the activities down into the types of collection.

Activity (1a) - Initiation of establishments in the NCS sample where pay and benefits are collected.

Activity (1b) - Updating of establishments in the NCS sample where pay and benefits are collected. Data from these establishments are updated quarterly.

Activity (2) - Tests of compensation collection. These tests include studies of new ways to reduce respondent burden and improve the collection of compensation data through enhanced data coverage and data definitions.

Activity (3a) - Re-interview for quality assurance activities of pay/benefit initiations.

Activity (3b) - Re-interview for quality assurance activities of pay/benefit updates.

Estimates of net respondent burden associated with these collection activities in FY 2013, FY 2014 and FY 2015 are broken out by affected publics (private sector, State and local governments) and provided on the following pages.

**Table 1a. Anticipated private sector sample burden by activity type for FY 2012 (annual figures)**

| Collection Activity  | Number of Respondents Per Activity (Net) | Responses Per Respondent | Total Annual Responses by Activity | Minutes Per Response | Total Hours |
|--|--|--------------------------|------------------------------------|----------------------|-------------|
| Activity 1a—Initiation of NCS pay/benefit data   | 1,960                                    | 1                        | 1,960                              | 252.5                | 8,248       |
| Activity 1b—Updates of NCS pay/benefit data  | 9,069                                    | 3.7974                   | 34,439                             | 39.88                | 22,890      |
| Activity 2—Feasibility survey testing  | 980                                      | 1                        | 980                                | 60                   | 980         |
| Activity 3a— Re-interview for quality assurance activities of pay/benefits initiations | 98                                       | 1                        | 98                                 | 15                   | 25          |
| Activity 3b— Re-interview for quality assurance activities of pay/benefit updates      | 490                                      | 3.7959                   | 1860                               | 15                   | 465         |
| FY 2011-2013 Totals annually   | 12,597                                   |                          | 39,337                             |                      | 32,608      |

**Table 1b. Anticipated private sector sample burden by activity type for FY 2013 to FY 2015 (annual figures)**

| Collection Activity  | Number of Respondents Per Activity (Net) | Responses Per Respondent | Total Annual Responses by Activity | Minutes Per Response | Total Hours |
|--|--|--------------------------|------------------------------------|----------------------|-------------|
| Activity 1a—Initiation of NCS pay/benefit data   | 3,240                                    | 1                        | 3,240                              | 252.5                | 13,635      |
| Activity 1b—Updates of NCS pay/benefit data  | 6,644                                    | 4                        | 26,576                             | 39.85                | 17,651      |
| Activity 2—Feasibility survey testing  | 988                                      | 1                        | 988                                | 60                   | 988         |
| Activity 3a— Re-interview for quality assurance activities of pay/benefits initiations | 162                                      | 1                        | 162                                | 15                   | 41          |
| Activity 3b— Re-interview for quality assurance activities of pay/benefit updates      | 332                                      | 4                        | 1,328                              | 15                   | 332         |
| FY 2011-2013 Totals annually   | 11,366                                   |                          | 32,294                             |                      | 32647       |

**Table 2. Anticipated State and local government sample burden by activity type for FY 2013 to FY 2015 (annual figures) which carries forward from previous sample**

| Collection Activity  | Number of Respondents Per Activity (Net) | Responses Per Respondent | Total Annual Responses by Activity | Minutes Per Response | Total Hours |
|--|--|--------------------------|------------------------------------|----------------------|-------------|
| Activity 1a—Initiation of NCS pay/benefit data   | *  |                          | *                                  |                      | *           |
| Activity 1b—Updates of NCS pay/benefit data  | 1,516                                    | 4                        | 6,064                              | 40.15                | 4,058       |
| Activity 2—Feasibility survey testing  | 151                                      | 1                        | 151                                | 60                   | 151         |
| Activity 3a— Re-interview for quality assurance activities of pay/benefits initiations | *  |                          | *                                  |                      | *           |
| Activity 3b— Re-interview for quality assurance activities of pay/benefit updates      | 76                                       | 4                        | 304                                | 15                   | 76          |
| FY 2013-2015 Totals annually   | 1,743                                    |                          | 6,519                              |                      | 4,285       |

\* = activities not being done in the State and local government for this period.

The table below summarizes the data, including figures on the actual number of respondents to be contacted each year.

**Table 3: Anticipated private sector average responses and burden by Fiscal Year**

| Fiscal Year     | Respondents | Average responses per year | Total # of Responses * | Average minutes per response | Total hours |
|-----------------|-------------|----------------------------|------------------------|------------------------------|-------------|
| FY 2013         | 10872       | 2.9704                     | 32,294                 | 60.6521                      | 32,645      |
| FY 2014         | 10,872      | 2.9704                     | 32,294                 | 60.6521                      | 32,645      |
| FY 2015         | 10,872      | 2.9704                     | 32,294                 | 60.6521                      | 32,645      |
| Overall Average | 10,872      | 2.9704                     | 32,294                 | 60.6521                      | 32,645      |

Private sector averages includes both initiation, update of establishment data, and quality assurance contacts.

For comparison FY 2012 private sector average responses and burden below.

| Fiscal Year | Respondents | Average responses per year | Total # of Responses * | Average minutes per response | Total hours |
|-------------|-------------|----------------------------|------------------------|------------------------------|-------------|
| FY 2012     | 12,597      | 3.1227                     | 39,337                 | 49.736                       | 32,608      |

**Table 4: Anticipated State and local government average responses and burden by Fiscal Year**

| Fiscal Year     | Respondents | Average responses per year | Total # of Responses | Average minutes per response | Total hours |
|-----------------|-------------|----------------------------|----------------------|------------------------------|-------------|
| FY 2013         | 1,667       | 3.9106                     | 6,519                | 39.44                        | 4,285       |
| FY 2014         | 1,667       | 3.9106                     | 6,519                | 39.44                        | 4,285       |
| FY 2015         | 1,667       | 3.9106                     | 6,519                | 39.44                        | 4,285       |
| Overall Average | 1,667       | 3.9106                     | 6,519                | 39.44                        | 4,285       |

State and local government data is an average of updating establishment data and quality assurance contacts. The NCS gets few State and local government refusals to cooperate and that sample normally runs at a 95 percent response rate, reflecting change over time.

When pay and a benefit data are collected, a response rate of 74.0 percent is expected. All estimates are based on studies of past experience.

For surveys collected quarterly, the BLS estimates that 90 percent of establishments that provide initial data will continue to provide data.

The BLS estimates that NCS feasibility special studies will have a response rate of 85 percent. Finally, the BLS estimates that re-interview for quality assurance activities will have a response rate approaching 100 percent of those who participate in each survey.

The BLS estimates that for NCS pay and benefits schedules, an anticipated 4.21 hours of respondent time will be required for initial collection: 1.23 hours for the completion of the pay component, and 2.98 hours for the completion of benefits. The BLS estimates that updates for the NCS schedules will take 39.9 minutes for establishments where both pay and benefits are collected. The change to a 3 year sample for the private industry collection cycle from the prior 5 year collection cycle causes the individual respondent burden to increase for the NCS from FY 2013 forward.

The BLS estimates that follow-up re-interview for quality assurance activities will take 15 minutes. Because of the nature of a quality assurance re-interview, the time required is not dependent on the time required for initial collection.



Estimates of net respondent burden associated by collection activities in FY 2013, FY 2014, and FY 2015 follow.

**Table 5. Anticipated burden by activity type in FY 2013 – October 2012 to September 2013**

| Collection Activity  | Number of Respondents Per Activity (Net) | Responses Per Respondent | Total Annual Responses by Activity | Minutes Per Response | Total Hours |
|--|--|--------------------------|------------------------------------|----------------------|-------------|
| Activity 1a—Initiation of NCS pay/benefit data   | 3,240                                    | 1                        | 3,240                              | 252.5                | 13,635      |
| Activity 1b—Updates of NCS pay/benefit data  | 8,160                                    | 4                        | 32,640                             | 39.9                 | 21,706      |
| Activity 2—Feasibility survey testing  | 1,139                                    | 1                        | 1,139                              | 60                   | 1,139       |
| Activity 3a— Re-interview for quality assurance activities of pay/benefits initiations | 162*                                     | 1                        | 162                                | 15                   | 41          |
| Activity 3b— Re-interview for quality assurance activities of pay/benefit updates      | 408*                                     | 4                        | 1,632                              | 15                   | 408         |
| FY 2013 Total  | 12,539                                   |                          | 38,813                             |                      | 36,929      |

\*Re-interview respondents are not included in the total number as they are included in the previous activities.

**Table 6. Anticipated burden by activity type in FY 2014 – October 2013 to September 2014**

| Collection Activity  | Number of Respondents Per Activity (Net) | Responses Per Respondent | Total Annual Responses by Activity | Minutes Per Response | Total Hours |
|--|--|--------------------------|------------------------------------|----------------------|-------------|
| Activity 1a—Initiation of NCS pay/benefit data   | 3,240                                    | 1                        | 3,240                              | 252.5                | 13,635      |
| Activity 1b—Updates of NCS pay/benefit data  | 8,160                                    | 4                        | 32,640                             | 39.9                 | 21,706      |
| Activity 2—Feasibility survey testing  | 1,139                                    | 1                        | 1,139                              | 60                   | 1,139       |
| Activity 3a— Re-interview for quality assurance activities of pay/benefits initiations | 162*                                     | 1                        | 162                                | 15                   | 41          |
| Activity 3b— Re-interview for quality assurance activities of pay/benefit updates      | 408*                                     | 4                        | 1,632                              | 15                   | 408         |
| FY 2014 Total  | 12,539                                   |                          | 38,813                             |                      | 36,929      |

\*Re-interview respondents are not included in the total number as they are included in the previous activities.

**Table 7. Anticipated burden by activity type in FY 2015 – October 2014 to September 2015**

| Collection Activity  | Number of Respondents Per Activity (Net) | Responses Per Respondent | Total Annual Responses by Activity | Minutes Per Response | Total Hours |
|--|--|--------------------------|------------------------------------|----------------------|-------------|
| Activity 1a—Initiation of NCS pay/benefit data   | 3,240                                    | 1                        | 3,240                              | 252.5                | 13,635      |
| Activity 1b—Updates of NCS pay/benefit data  | 8,160                                    | 4                        | 32,640                             | 39.9                 | 21,706      |
| Activity 2—Feasibility survey testing  | 1,139                                    | 1                        | 1,139                              | 60                   | 1,139       |
| Activity 3a— Re-interview for quality assurance activities of pay/benefits initiations | 162*                                     | 1                        | 162                                | 15                   | 41          |
| Activity 3b— Re-interview for quality assurance activities of pay/benefit updates      | 408*                                     | 4                        | 1,632                              | 15                   | 408         |
| FY 2015 Total  | 12,539                                   |                          | 38,813                             |                      | 36,929      |

\*Re-interview respondents are not included in the total number as they are included in the previous activities.

The table below summarizes the data, including figures on the actual number of respondents to be contacted each year.

**Table 8: Anticipated average responses and burden by Fiscal Year**

| Fiscal Year     | Respondents | Average responses per year | Total # of Responses | Average minutes | Total hours |
|-----------------|-------------|----------------------------|----------------------|-----------------|-------------|
| FY 2013         | 12,539      | 3.0954                     | 38,813               | 57.087          | 36,929      |
| FY 2014         | 12,539      | 3.0954                     | 38,813               | 57.087          | 36,929      |
| FY 2015         | 12,539      | 3.0954                     | 38,813               | 57.087          | 36,929      |
| Overall Average | 12,539      | 3.0954                     | 38,813               | 57.087          | 36,929      |

#### Overview of NCS collection forms

The NCS has 12 different forms for data collection as different activities during data collection call for unique forms. Both private industry and government versions exist for 5 of the 12 form types. Copies of these forms are included in this clearance package.

These forms are primarily used as note-taking devices by the field economists (BLS staff). The field economists ask probing questions that will vary depending on the knowledge level of the respondent. The forms provide the field economist with a list of the required information needed for the survey, not a list of questions. For quality assurance re-interviews, the field economists will ask for specific items of data in a prescribed manner from data stored in the electronic database. NCS considers the establishment data in the electronic database the official copy of the establishment data for survey purposes.

The following table gives the burden level of each form. Since one respondent will often be asked information for multiple forms, the number of total respondents and responses is higher than the figures given in Tables 4-6. In those tables, a respondent who provided information for multiple forms would be counted as one respondent and one response. Table 10 counts such a situation as multiple respondents and multiple responses and relates forms to initiation and update data collection. Data on Table 10 are annualized averages for FY 2013, FY 2014, and FY 2015.

**Table 9. Functions and uses of NCS forms**

| Form   | Function  | Activities used   | Time  |
|--|---|---|---|
| Establishment collection form (NCS Form 12-1G )                  | Government General Establishment Information; records check of these data               | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a) | Time 19 minutes for activity 1a.<br>Time 5 minutes for activity 3a  |
| Establishment collection form (NCS Form 12-1P)                   | Private Industry General Establishment Information; records check of these data         | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a) | Time 19 minutes for activity 1a.<br>Time 5 minutes for activity 3a  |
| Earnings form (NCS Form 12-2G)                                   | Government Earnings data; records check of earnings data                                | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a) | Time 20 minutes for activity 1a.<br>Time 5 minutes for activity 3a  |
| Earnings form (NCS Form 12-2P)                                   | Private Industry Earnings data; records check of earnings data                          | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a) | Time 20 minutes for activity 1a.<br>Time 5 minutes for activity 3a  |
| Wage Shuttle form (the computer generated earnings update form ) | Updating earnings data; records check of earnings data                                  | Pay/benefit update (1b);<br>Quality assurance checks<br>pay/benefit update (3b)         | Time 20 minutes for activity 1b.,<br>Time 5 minutes for activity 3b |
| Work Level Form (NCS 12-3G)                                      | Government Documenting work level of occupation; records check of this collection       | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a) | Time 25 minutes for activity1a.<br>Time 5 minutes for activity 3a   |
| Work Level Form (NCS 12-3P)                                      | Private Industry Documenting work level of occupation; records check of this collection | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a) | Time 25 minutes for activity 1a.<br>Time 5 minutes for activity 3a  |

| Form  | Function   | Activities used  | Time   |
|---|--|--|--|
| Work Schedule Form (NCS 12-4G)                    | Government Initiation collection of regular work schedule; records check of this collection        | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a)  | Time 10 minutes for activity 1a.<br>Time 2 minutes for activity 3a   |
| Work Schedule Form (NCS 12-4P)                    | Private Industry Initiation collection of regular work schedule; records check of this collection  | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a)  | Time 10 minutes for activity 1a.<br>Time 2 minutes for activity 3a   |
| Benefits Collection Form (NCS 12-5G)              | Government Collection of benefits for new government units; records check of this collection       | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a)<br>Pay/benefit initiation<br>Quality assurance checks<br>benefit initiation          | Time 177 minutes for activity 1a.<br>Time 5 minutes for activity 3a.                                       |
| Benefits Collection Form (NCS 12-5P)              | Private Industry Collection of benefits for new government units; records check of this collection | Pay/benefit initiation (1a);<br>Quality assurance checks<br>pay/benefit initiation (3a)<br>Pay/benefit initiation;<br>Quality assurance checks of<br>benefit initiation (3a) | Time 178.5 minutes for activity 1a.<br>Time 5 minutes for activity 3a.<br>Time 10 minutes for activity 1a. |
| Summary of Benefits (Benefit update form SO-1003) | Update of benefits data for all establishments; records check of this collection                   | Pay/benefit update (1b);<br>Quality assurance checks<br>pay/benefit update (3b)  | Time 19.92 minutes for activity 1b. 5 minutes for activity 3b  |
| IDCF Government                                   | Entry screens for SSL Website  | Establishment identification and up load of update data (1b) for firms that use this option  | Time 4 minutes for activity 1b.  |
| IDCF Private                                      | Entry screens for SSL Website  | Establishment identification and up load of update data (1b) for firms that use this option  | Time 4 minutes for activity 1b.  |

**Table 10: Anticipated annual respondent collection burden by form average of FY 2013-2015**

| Form  | Total Respondents Per Form | Frequency     | Total Annual Responses | Average Minutes for the Predominant Form Use | Total Hours   |
|---|----------------------------|---------------|------------------------|--|---------------|
| Establishment collection form (NCS Form 12-1G)  | *                          |               | *                      | 19   | *             |
| Establishment collection form (NCS Form 12-1P)  | 3,240                      | At initiation | 3,240                  | 19   | 1,026         |
| Earnings form (NCS Form 12-2G)  | *                          |               | *                      | 20   | *             |
| Earnings form (NCS Form 12-2P)  | 3,240                      | At initiation | 3,240                  | 20   | 1,080         |
| Wage Shuttle form computer generated earnings update form #                                   | 8,160                      | 4             | 32,640                 | 20   | 10,880        |
| Work Level Form (NCS Form 12-3G)  | *                          |               | *                      | 25   | *             |
| Work Level Form (NCS FORM 12-3P)  | 3,240                      | At initiation | 3,240                  | 25   | 1,350         |
| Work Schedule Form (NCS 12-4G)  | *                          |               | *                      | 10   | *             |
| Work Schedule Form (NCS 12-4P)  | 3,240                      | At initiation | 3,240                  | 10   | 540           |
| Benefits Collection Form (NCS 12-5G)  | *                          |               | *                      | 177  | *             |
| Benefits Collection Form (NCS 12-5P)  | 3,240                      | At initiation | 3,240                  | 178.5  | 9,639         |
| Summary of Benefits (Benefit update form SO-1003) is computer generated #                     | 8,160                      | 4             | 32,640                 | 19.90  | 10,826        |
| Collection not tied to a specific form (testing, Quality Assurance/Quality Measurement, etc.) | 1,709                      | 1.716         | 2,933                  | 32.485                                       | 1,588         |
| <b>TOTALS</b>   | <b>34,229</b>              |               | <b>84,413</b>          |  | <b>36,929</b> |

# Includes IDCF form time (Web based screens for SSL encryption secure web-site, for this respondents have two reporting options.)

\*NCS Government forms (NCS 12-XG), are only used for government sample initiations, none going on during this period

Individual respondent cost per year (for all responses) is expected to be an average of \$39.82 for FY 2013, \$39.82 for 2014 and \$39.82 for 2015. This amount is based on an average cost of \$41.85 per hour per respondent. The estimate, based on past experience, is that 70 percent of reporting time comes from professional and related workers, and the remaining 30 percent comes from office and administrative support workers. Professional and related specialty earned an average of \$50.07 per hour in total compensation; office and administrative support workers earned an average of \$22.67 per hour in total compensation. (Hourly costs of pay and benefits measured by the Employer Cost for Employee Compensation data series for Civilian workers in June, 2011.) <http://www.bls.gov/news.release/pdf/ecec.pdf> The figure of \$41.85 is a weighted hourly average.

Estimated annualized cost to all respondents for all activities is \$1,545,478 in FY 2013, \$1,545,478 in FY 2014, and \$1,545,478 in FY 2015. These totals are based on an average hourly cost of \$41.85 to the respondent.

### **13. Cost Burdens to Respondents**

There are no capital and start-up costs or operation and maintenance and purchase of service costs resulting from the collection of this information.

### **14. Estimated Cost of the Survey**

The estimated cost of the survey is \$51 million for FY 2012. NCS collection cost is \$24 million and non-collection cost is \$27 million. With the implementation of a national sample and a 3 year collection cycle for the private industry sample, the BLS will have an increase in the respondent burden and survey collection times per establishment over the current NCS collection cycle for the following reasons:

- Larger initiation sample
- Sample rotation is on a faster rotation cycle for private industry (3 years)

### **15. Program Changes or Adjustments**

The NCS sample starting in FY 2011 was reduced 64% to reflect the loss of the LPS sample and some cuts to the ECI sample. In 2011, the implementation of the alternative to the LPS resulted in a loss of 20,300 establishments from the sample. The ECI sample lost 4,000 establishments (approximately a 25% sample loss). In 2011, the BLS published 278 indexes and 317 levels quarterly, using a sample of 15,000 establishments and 50,500 occupations. The NCS sample of 15,000 establishments has collection done for both wages and benefits and is on a quarterly data collection cycle. The private industry sample from FY 2013 forward is going to a 3 year collection cycle from the previous 5 year collection cycle. All current NCS data series are NAICS and SOC based. NCS began the transition to SOC 2010 codes and definitions with the collection of data in May of 2010.



## **16. Plans for Tabulation, Statistical Use, and Publication**

Nationwide and locality based quarterly change in compensation data is released shortly after the close of collection for each quarter. ECI and Employer Costs for Employee Compensation (ECEC) are published on a national and a locality basis. Finally, detailed information will be available annually on the incidence of benefits and benefit provisions.

Employee benefits news releases and publications have a large number of tabulations, including tabulations linking wage levels to benefit incidence rates, counts of establishments offering major benefits to at least one employee, Census division breakouts, and new benefit items.

All published estimates from the NCS are available on the BLS internet site, [www.bls.gov](http://www.bls.gov). Included on this site are several query tools that allow users to indicate the type of data desired. Customized tabulations are returned.

Data will be adjusted for non-responses (Establishments may either refuse to provide any data or may refuse to provide data for certain occupations or benefits items). The adjustment consists of revising the weights used to aggregate the individual establishments and occupations. In addition, the BLS imputes missing items on pay, benefits costs, participation rates, and provisions.

The BLS also adjusts the weights in a process known as benchmarking. This process adjusts weights to reflect changes in employment that occur between the compilation of the universe from which the sample is drawn and the reference date of publication.

A detailed description of the statistical procedures used in compiling the data is presented in Part B.

## **17. Approval to not Display the OMB Expiration Date**

Approval to not display the expiration date for OMB approval is not being sought.

## **18. Exceptions to the Certification Statement**

There are no exceptions to the certification statement.