

Variable Pay in the BLS National Compensation Survey

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Variable pay is compensation that ties employee pay to some measure of job performance, based on individual, group, or company output. Compensation literature has identified variable or at-risk pay as an increasingly important part of compensation, and data users are requesting detailed information on the topic. The Bureau of Labor Statistics' National Compensation Survey (NCS) is currently conducting a series of tests as part of an ongoing improvement effort to identify current compensation practices and anticipate future compensation trends.

The survey currently classifies variable pay as either a wage supplement or a nonproduction bonus. Wage supplements are included with salary and time payments to form the wage component. The mixing occurs prior to the estimation phase, and, therefore, the individual items that form the wage component cannot be easily separated for display or analysis. The nonproduction bonus category, which is a benefits component, includes an eclectic collection of cash payments, none of which can be separated.

The variable pay research project is designed to identify the frequency with which discrete nonwage cash payments are present in selected establishments, determine the impact they have on total compensation, and assess alternative survey collection methods for capturing disaggregated compensation data.

The purpose of the first round variable pay pretests, conducted in early 2001, was to develop a working definition of "variable pay," to develop data elements, and to determine the feasibility of collecting occupational pay data using these developing concepts. Later that year, pretests in four small survey areas determined that detailed information on variable pay could be collected that would allow the NCS to produce a new data series on variable pay. The overall aim of these pretests was to determine whether respondents could identify all their variable pay programs and provide specific characteristics of those programs. Other goals of later pretests were to learn more about employer record keeping practices regarding variable pay, measure the quality of response, test data collection techniques, and identify other requirements necessary for full-scale data collection.

The recent pretest, conducted through July 2002, in about 40 of the largest U.S. firms in targeted industries, collected data on the incidence and detailed provisions of all variable pay policies offered to all occupations. The purpose of this pretest was to continue to examine respondent record keeping practices for variable pay, further refine the data collection techniques, and corroborate earlier pretest analysis. The information gathered on company variable pay practices will be used to further refine the survey definition and provision questions to be used in a full-scale national test scheduled for late 2003.

Once analysis of the national test is complete, BLS plans to implement new data elements and collection techniques in the NCS in late 2004 to:

- Publish the incidence of variable pay by type, cost, and occupation
- Determine the percent of variable pay in relation to total wage payments and total compensation
- Determine industry and occupational patterns of variable pay

Results and analysis of the pretests and national tests are available only in internal reports, since the data were intended to be used for internal research purposes only. However, an article summarizing these tests, and final plans for implementation into the NCS, is planned for summer 2004. BLS hopes to have new series on variable pay in the NCS available by mid-2005.