

Common Pay Patterns and Extra Earnings: 2013

Household Economic Studies

Current Population Reports

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INTRODUCTION

Earnings are generally associated with a steady paycheck. However, earnings can include different types of payments. For instance, some people may receive monthly payments based on an annual salary only, while others may receive weekly payments based on an hourly wage per number of hours worked. People may also receive additional payments for overtime or they may receive additional payments based on performance, such as bonuses, tips, or commissions. This analysis of the composition of earnings helps us to better explain and understand the economic well-being of individuals in the United States.

The data for this brief come from the 2014 Survey of Income and Program Participation (SIPP) Panel Wave 1. This brief examines the different types of pay received during calendar year 2013, including wage and salary and extra earnings (which collectively refer to commission, tips, overtime, and bonus payments). This brief also provides information on earnings by sex, age, race, and Hispanic origin.

Improvements to Earnings Measurement

The SIPP has recently been redesigned starting with the 2014 SIPP Panel Wave 1 to increase data quality and decrease costs.¹ Since its inception in 1983, the SIPP has always measured earnings from all sources and on a monthly basis. With the redesign, the SIPP continues to measure monthly earnings from all sources, and has

¹ Information about the redesign is available at <www.census.gov/programs-surveys/sipp/about/re-engineered-sipp.html>.

What Is SIPP?

The Survey of Income and Program Participation (SIPP) is a nationally representative panel survey administered by the Census Bureau that collects information on the short-term dynamics of employment, income, household composition, and eligibility and participation in government assistance programs. It is a leading source of information on specific topics related to economic well-being, family dynamics, education, wealth and assets, health insurance, child care, and food security. Each SIPP panel follows individuals for several years, providing monthly data that measures changes in household and family composition and economic circumstances over time. For more information, please visit the SIPP Web site at <www.census.gov/sipp>.

also expanded the way the earnings are collected and released.²

Prior to 2014, earnings from each work arrangement (that is, jobs for an employer, self-employed business owners who indicated they received a salary from their business, incorporated business owners, and other work arrangements that were not self-employed businesses) were aggregated to separate monthly total amounts.³ Starting with the 2014 Panel Wave 1, SIPP now collects and

² Note that while we ask that respondents report gross earnings, it is possible that they report net earnings after taxes and deductions. Adjustments for reporting net income are not made for earnings in this brief.

³ The notable exception is profits from a self-employed business owner. Profit/loss amounts were collected for the entire reference period and were not collected or released on a monthly basis.

releases separate data for several types of pay received, that is, not only for wage and salary payments, but also for commission, tips, overtime, and bonuses, in addition to the monthly total amounts.

The improvements to the 2014 SIPP increases flexibility of the uses of the earnings data. These changes also facilitate research on the causes of earnings volatility, and allow data users to construct earnings in a way that best suits their analyses. For example, previous literature has studied pay for performance and has shown that increasing the ability to monitor performance has increased how often these types of pay are used (with a focus on bonuses and commission payments), and that they have contributed to the rise of wage inequality.⁴

This brief focuses on the following work arrangements: jobs for an employer, self-employed business owners who indicated they received a salary from their business, incorporated business owners, and other work arrangements that were not self-employed businesses.⁵

Payment Arrangements

The most common type of pay arrangement for a job in 2013 was a standard wage or salary only (Table 1 and Table A-1). However, commission only was the most common type of pay arrangement reported among jobs that did not include wage or salary earnings. In 2013, more than 5 million reported

⁴ Thomas Lemieux, W. Bentley MacLeod, and Daniel Parent, "Performance Pay and Wage Inequality," *The Quarterly Journal of Economics*, Oxford University Press, Vol. 124, No. 1 (February 2009), pp. 1–49.

⁵ This brief excludes the following: self-employed business owners for whom their profits are their earnings and any other business earnings not reported as wage and salary, commission, tips, overtime, or bonus payments.

Key Concepts and Definitions

Work arrangements are classified in three ways: (1) **Employer-paid workers** who work for an employer other than themselves for wages, salary, commission, tips, piece-rates, or pay-in-kind. These are definite arrangements performed on a continuing basis and schedules may be regular or irregular. (2) **Self-employed business owners** who work for profit or fees in their own business whether that be a family farm, professional practice, or shop. (3) **Other work arrangement workers** who work on any other work for pay, whether a definite or indefinite arrangement. This could include freelancers, consultants, contractors, or babysitters.

Wages and salaries are payments per a unit of time. They may be reported as weekly, biweekly, monthly, or twice per month amounts, as well as an hourly wage, annual salary, or gross annual amount. Any other payments received are reported as monthly averages.

Extra Earnings in this brief refer to earnings from commissions, tips, bonuses, and overtime.

Commissions are a form of payment based on the amount of services the employee performed. For example, in sales positions, many times the sales employee receives a percentage of the amount the customer paid or a percentage of the profit received by the firm. The Survey of Income and Program Participation (SIPP) also includes as commissions, a broader pay for unit of service, which could include payments more commonly known as piece-rates. Commissions could also include other types of pay schemes like paying painters by the room or truck drivers by the mile. Commission can be in lieu of wage and salary payments (straight commission) or in addition to these payments.

A **bonus** is typically extra pay for good performance. These payments, made by employers to employees, count as supplements to wages and salaries. For example, a bonus could be a one-time payment awarded to an employee based on a percentage of the company's profits or cash from an employer to his/her employees.

Earnings refer to all compensation from a work arrangement and includes wages and salaries, commissions, tips, overtime, and bonuses. It is the remuneration (pay, wages) of a worker for services performed during a specific period. The SIPP focuses on reporting monthly earnings. For purposes of this report, profits are excluded from earnings.

jobs had commission payments only as a payment arrangement.⁶ Other common payment

⁶ Examples of jobs that may not have wage or salary payments are real estate agents paid a percentage of the sales price of a home or truck drivers paid by the mile driven.

arrangements included the combinations of wage or salary and bonus, wage or salary and overtime, wage or salary and tips, and wage or salary and commission.

Table 1.

Percentage of Jobs With Each Pattern of Earnings by Characteristics of the Job and Job Holder: 2013

Characteristic	Single earnings type			Multiple earnings types				
	Total	Wage/ salary only	Commis- sion only	Total	Wage/ salary + commis- sion	Wage/ salary + tips	Wage/ salary + overtime	Wage/ salary + bonuses
Total	89.5	86.0	3.0	10.5	1.4	1.9	2.7	3.0
Sex								
Men	88.1	84.1	3.6	11.8	1.6	1.5	3.5	3.7
Women	90.9	88.0	2.4	9.0	1.3	2.3	2.0	2.2
Age								
15–24 years	90.2	87.6	1.7	9.7	1.2	5.1	1.5	0.8
25–39 years	88.2	84.9	2.8	11.7	1.6	1.9	3.3	3.3
40–54 years	89.1	85.8	3.0	10.8	1.5	1.1	2.9	3.8
55–64 years	90.7	86.7	3.7	9.2	1.3	0.4	2.8	3.4
65 or more	93.8	86.5	6.5	6.0	1.2	0.7	1.4	1.7
Race and Hispanic Origin								
White alone, not Hispanic	88.3	84.4	3.3	11.7	1.7	1.9	2.8	3.7
Black alone, not Hispanic	93.0	90.1	2.6	6.9	0.8	1.1	2.7	1.3
Other race, not Hispanic	90.7	88.1	2.2	9.2	0.8	1.9	2.7	2.4
Hispanic (any race)	91.4	88.3	2.8	8.6	1.2	2.1	2.5	1.4
Occupation Categories								
Management, business, science, and arts	90.8	88.4	2.1	9.1	1.1	0.2	1.6	5.2
Service	86.7	83.4	2.1	13.2	0.3	8.6	2.5	0.6
Sales and office	88.9	83.7	5.0	11.0	3.7	0.3	2.2	3.0
Natural resources, construction, and maintenance ..	91.0	87.2	3.5	8.9	0.8	0.0	5.4	1.3
Production, transportation, and material moving. . .	89.2	85.3	3.5	10.7	0.5	0.8	6.0	1.1

Note: Jobs include all jobs for an employer, other work arrangements, and self-employment where the owner pays him/herself a salary or is incorporated. Single and multiple earnings types are not a complete list and may not sum to the totals. Those in military specific occupations are excluded from the occupation categories. Federal surveys give respondents the option of reporting more than one race. There are two basic ways of defining a race group. A group such as Black may be defined as those who reported Black and no other race (the race-alone or single-race concept) or as those who reported Black regardless of whether they also reported another race (the race alone-or-in-combination concept). This table shows data using the first approach (race-alone). The use of the single race population does not imply that it is the preferred method of presenting or analyzing data. The U.S. Census Bureau uses a variety of approaches. Data on race and Hispanic origin are collected separately. Persons of Hispanic origin may be of any race. The estimates in this table are based on responses from a sample of the population and may differ from the actual values because of sampling variability and other factors. As a result, apparent differences between the estimates for two or more groups may not be statistically significant. For information on sampling and nonsampling error, see the SIPP Web site at <www.census.gov/programs-surveys/sipp/guidance/users-guide.html>.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel Wave 1.

Not surprisingly, commission payments were more common among sales and office occupations than among natural resources, construction, and maintenance occupations, or production, transportation, and material moving occupations. Jobs held by individuals 65 years or older were more likely to pay commission only than jobs held by younger workers in 2013.

Jobs held by men were more likely to pay commission only or wage and salary with bonuses than jobs held by women. In general, men were more likely to receive

multiple types of pay from a job than women were. However, women were more likely to hold jobs that paid a combination of wage or salary and tips than men. Jobs held by White, non-Hispanics were the most likely to have a payment arrangement with multiple types of pay among race and Hispanic origin categories.

Monthly Median Earnings

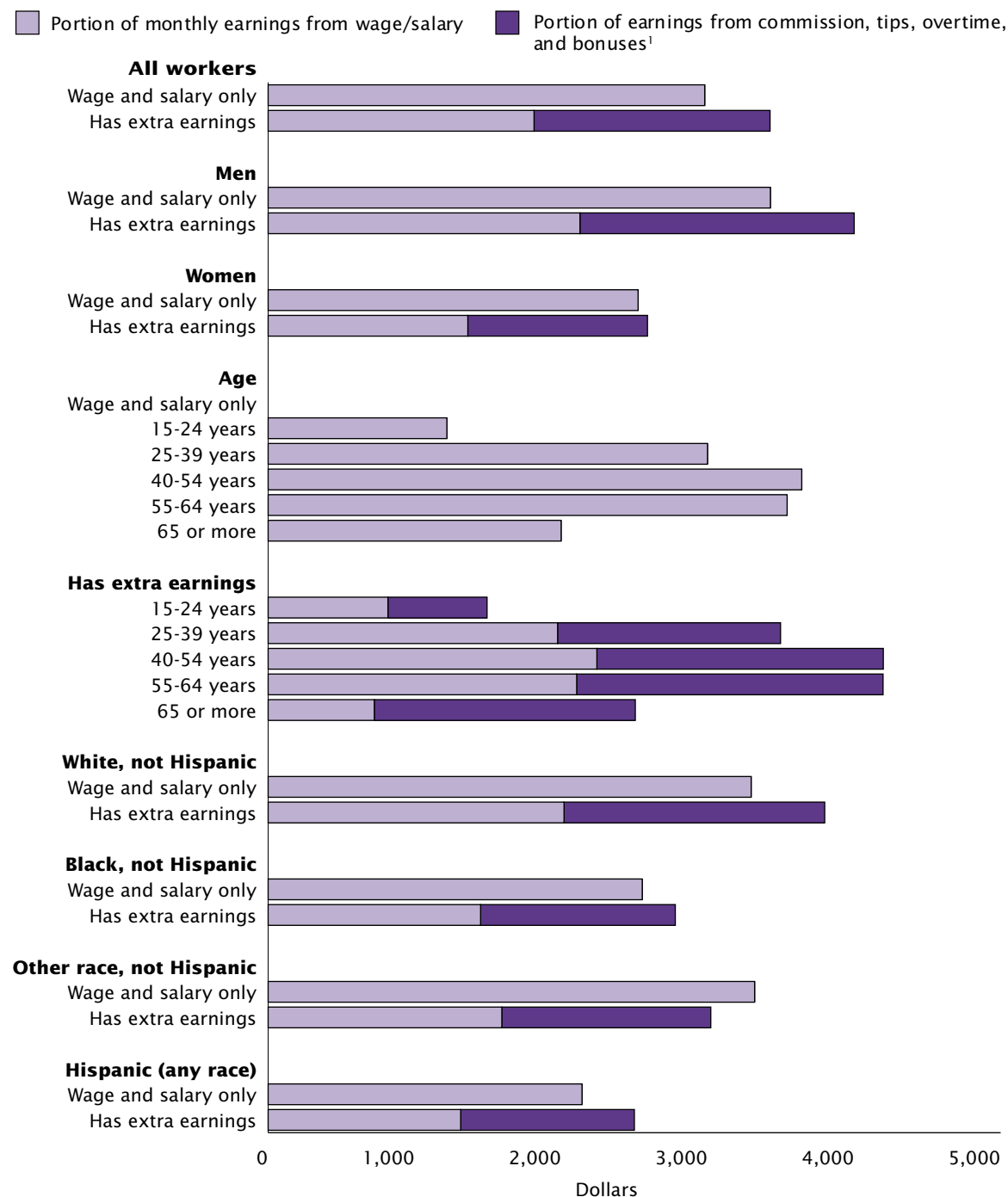
Overall, the monthly median earnings of people who received earnings from wages and salaries including commission, tips,

overtime, and/or bonuses were higher than the earnings of individuals who only received wages and salaries in 2013 (Figure 1).⁷ We also found that men with extra earnings had higher median monthly income than men who did not. However, the difference in median earnings for women with wage and salary only and women with extra earnings was not statistically significant.

⁷ For workers who received only wage and salary earnings during a month, the median monthly earnings was \$2,980. For workers who received wage and salary plus commission, tips, overtime, or bonus payments, their median monthly earnings was \$3,426.

Figure 1.

Median Monthly Earnings and Average Composition of Earnings by Selected Characteristics: 2013



¹ This is the portion of earnings contributed on average from these extra sources of income if one's total earnings are equal to the length of the bar. Note: Federal surveys give respondents the option of reporting more than one race. There are two basic ways of defining a race group. A group such as Black may be defined as those who reported Black and no other race (the race-alone or single-race concept) or as those who reported Black regardless of whether they also reported another race (the race alone-or-in-combination concept). This figure shows data using the first approach (race-alone). The use of the single race population does not imply that it is the preferred method of presenting or analyzing data. The U.S. Census Bureau uses a variety of approaches. Data on race and Hispanic origin are collected separately. Persons of Hispanic origin may be of any race. The estimates in this figure are based on responses from a sample of the population and may differ from the actual values because of sampling variability and other factors. As a result, apparent differences between the estimates for two or more groups may not be statistically significant. For information on sampling and nonsampling error, see the SIPP Web site at <www.census.gov/programs-surveys/sipp/guidance/users-guide.html>. Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel Wave 1.

As discussed in the section on payment arrangements, commission only was a more common pay scheme for jobs held by people 65 years or older than for jobs held by younger workers in 2013 (Table 1). For people 65 years or older who received extra earnings, we saw that on average more than half of their earnings came from commission, tips, overtime, or bonus earnings (Figure 1).

For people who received wage and salary payments as well as extra earnings, commission, tips, overtime and/or bonus payments can be a major source of average monthly earnings. In 2013, the monthly median amount reported for overtime payments was \$395,⁸ while the monthly median amount reported for commission payments was \$1,954.⁹

The median amount of total monthly earnings varied by race and Hispanic origin (Table 2). However, for those who received commission, tips, overtime, or bonuses, the average fraction of total earnings that came from extra earnings was not statistically different across race or Hispanic-origin categories.

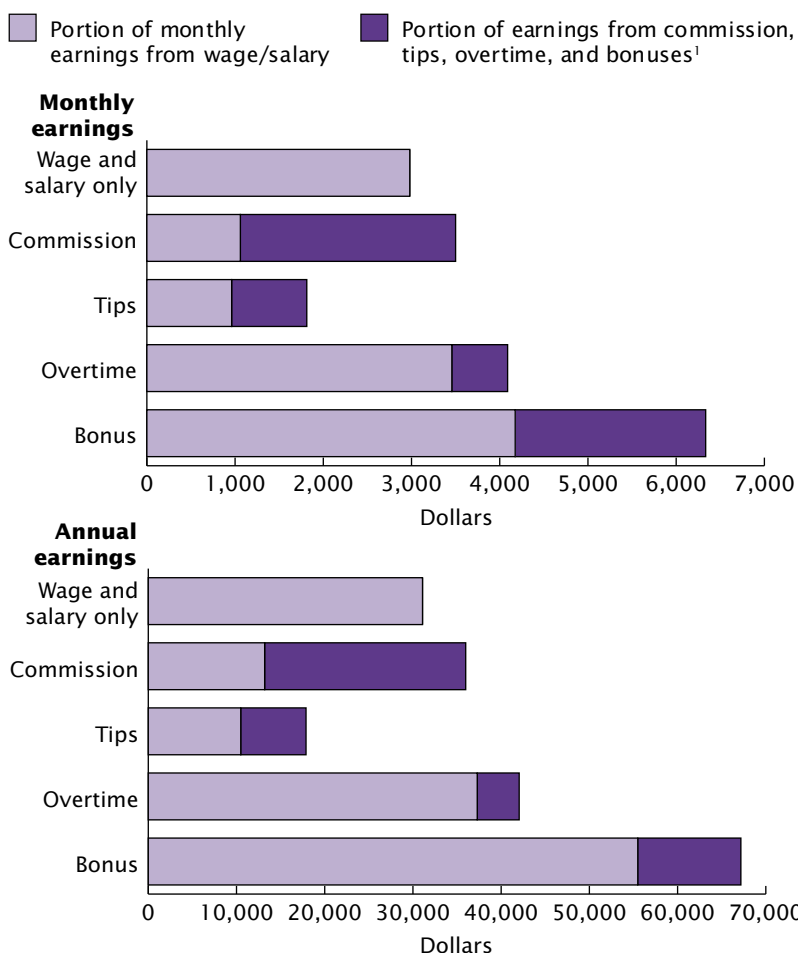
While bonuses are not usually received every month, they could be a significant contribution to the well-being of individuals in the months received (Figure 2 and Table 3). In addition, people who earned bonuses in 2013 also had higher monthly median wage and salary earnings than the general population.¹⁰ However, bonus payments were a smaller proportion

⁸ The standard error for the monthly median amount of overtime payments was 34.

⁹ The standard error for the monthly median amount of commission payments was 157.

¹⁰ In 2013, the monthly median for wage and salary earnings of people reporting bonuses was \$4,496. The monthly median for wage and salary earnings of all workers reporting extra earnings was \$1,895.

Figure 2.
Median Earnings and Average Composition of Earnings by Type of Earnings: 2013



¹ This is the portion of earnings contributed on average from these extra sources of income if one's total earnings are equal to the length of the bar.

Note: The estimates in this figure are based on responses from a sample of the population and may differ from the actual values because of sampling variability and other factors.

As a result, apparent differences between the estimates for two or more groups may not be statistically significant. For information on sampling and nonsampling error, see the SIPP Web site at <www.census.gov/programs-surveys/sipp/guidance/users-guide.html>.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel Wave 1.

of annual earnings than of monthly earnings in the months received.

In contrast, individuals who earned tips had much lower monthly median wage and salary earnings than the general population, although the tips were a substantial portion of their earnings for the month.¹¹ For people who earned

¹¹ On average, for individuals who earned tips, extra earnings were 47 percent of their total monthly earnings in 2013. The monthly median for wage and salary earnings of people reporting tips was \$906.

commission in a given month, extra earnings were about 70 percent of their total earnings during that month on average. Similarly, we find for individuals who received commission payments at any time during the year, commission payments constituted more than half of annual earnings on average (Figure 2).

Table 2.

Median of Total Monthly Earnings by Sex, Age, and Race: 2013

Characteristic	Median (dollars)	Standard error
All Workers		
Wage and salary only	2,980	19
Has extra earnings	3,426	77
Men		
Wage and salary only	3,428	16
Has extra earnings	4,000	39
Women		
Wage and salary only	2,525	34
Has extra earnings	2,589	79
Age		
Wage and salary only		
15–24 years	1,220	20
25–39 years	2,999	19
40–54 years	3,642	60
55–64 years	3,542	53
65 or more	2,000	73
Has extra earnings		
15–24 years	1,494	69
25–39 years	3,498	112
40–54 years	4,199	145
55–64 years	4,197	222
65 or more	2,506	478
White alone, not Hispanic		
Wage and salary only	3,297	25
Has extra earnings	3,799	108
Black alone, not Hispanic		
Wage and salary only	2,554	37
Has extra earnings	2,779	207
Other race, not Hispanic		
Wage and salary only	3,321	104
Has extra earnings	3,021	212
Hispanic (any race)		
Wage and salary only	2,142	32
Has extra earnings	2,500	120

Note: Federal surveys give respondents the option of reporting more than one race. There are two basic ways of defining a race group. A group such as Black may be defined as those who reported Black and no other race (the race-alone or single-race concept) or as those who reported Black regardless of whether they also reported another race (the race-alone-or-in-combination concept). This table shows data using the first approach (race-alone). The use of the single-race population does not imply that it is the preferred method of presenting or analyzing data. The U.S. Census Bureau uses a variety of approaches. Data on race and Hispanic origin are collected separately. Persons of Hispanic origin may be of any race. The estimates in this table are based on responses from a sample of the population and may differ from the actual values because of sampling variability and other factors. As a result, apparent differences between the estimates for two or more groups may not be statistically significant. For information on sampling and nonsampling error, see the SIPP Web site at <www.census.gov/programs-surveys/sipp/guidance/users-guide.html>.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel Wave 1.

The SIPP is a unique and important survey for studying the dynamics of economic well-being. This brief demonstrates that types of compensation vary with characteristics of the job holder such as age, sex, race, and Hispanic origin, and that they are associated with differences in monthly earnings. With the new and more detailed data available, the SIPP is well suited for studying earnings volatility and its causes.

Source and Accuracy

Statistics from surveys are subject to sampling and nonsampling error. All comparisons presented in this brief have taken sampling error into account and are significant at the 90 percent confidence level unless otherwise noted. This means the 90 percent confidence interval for the difference between the estimates being compared does not include zero. Nonsampling errors in surveys may be attributed to a variety of sources, such as how the survey was designed, how respondents interpret questions, how able and willing respondents are to provide correct answers, and how accurately the answers are coded and classified. To minimize these errors, the Census Bureau employs quality control procedures throughout the production process, including the overall design of surveys, wording of questions, review of the work of interviewers and coders, and the statistical review of reports.

Table 3.

Median of Total Earnings by Type of Pay: 2013

Characteristic	Median (dollars)	Standard error
Monthly Earnings		
Wage and salary only	2,980	19
Commission	3,500	146
Tips	1,813	66
Overtime	4,089	79
Bonus	6,334	364
Annual Earnings		
Wage and salary only	31,085	171
Commission	35,982	1,284
Tips	17,881	649
Overtime	42,044	1,032
Bonus	67,173	1,900

Note: Monthly earnings are classified based on the type of earnings received in a particular month. Annual earnings are classified based on whether a type of earnings was received at any point during the year. The estimates in this table are based on responses from a sample of the population and may differ from the actual values because of sampling variability and other factors. As a result, apparent differences between the estimates for two or more groups may not be statistically significant. For information on sampling and nonsampling error, see the SIPP Web site at <www.census.gov/programs-surveys/sipp/guidance/users-guide.html>.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel Wave 1.

Some estimates in this brief have response rates below 70 percent. To see the nonresponse bias study, please visit <www.census.gov/programs-surveys/sipp/tech-documentation/nonresponse-reports/2014nonresponse-reports.html>.

For further information on the source of the data and accuracy of

the estimates including standard errors and confidence intervals, go to <www.census.gov/programs-surveys/sipp/tech-documentation/source-accuracy-statements/2014/sipp-2014-source-and-accuracy-statement.pdf>, or contact Mahdi S. Sundukchi of the Census Bureau's Demographic Statistical Methods Division at <mahdi.s.sundukchi@census.gov>.

Additional information on the SIPP can be found at the following Web sites: <www.census.gov/sipp/> (main SIPP Web site), <www.census.gov/sipp/workpaper/wp230.pdf> (SIPP Quality Profile), and <www.census.gov/content/dam/Census/programs-surveys/sipp/methodology/2014-SIPP-Panel-Users-Guide.pdf> (SIPP Users' Guide).

Contacts

Additional information on labor force statistics can be found by contacting the SIPP survey team at <census.sipp@census.gov> or 1-888-245-3076. For further information on the content of this brief, contact Rebecca Chenevert of the Census Bureau's Social, Economic, and Housing Statistics Division at <Rebecca.L.Chenevert@census.gov> or 301-763-3230.

Suggested Citation

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Table A-1.

Standard Error of Percentage of Jobs With Each Pattern of Earnings by Characteristics of the Job and Job Holder: 2013

Characteristic	Single earnings type			Multiple earnings types				
	Total	Wage/ salary only	Commis- sion only	Total	Wage/ salary + commis- sion	Wage/ salary + tips	Wage/ salary + overtime	Wage/ salary + bonuses
Total	0.21	0.22	0.11	0.22	0.07	0.10	0.11	0.11
Sex								
Men	0.31	0.31	0.17	0.31	0.10	0.12	0.16	0.19
Women	0.25	0.28	0.13	0.26	0.10	0.14	0.11	0.12
Age								
15–24 years	0.49	0.55	0.20	0.50	0.16	0.43	0.18	0.16
25–39 years	0.38	0.39	0.18	0.39	0.15	0.14	0.20	0.19
40–54 years	0.36	0.40	0.20	0.36	0.11	0.11	0.20	0.22
55–64 years	0.41	0.51	0.28	0.41	0.17	0.13	0.25	0.28
65 or more	0.68	1.01	0.68	0.68	0.30	0.23	0.28	0.34
Race and Hispanic Origin								
White alone, not Hispanic	0.27	0.29	0.13	0.28	0.09	0.12	0.13	0.16
Black alone, not Hispanic	0.43	0.53	0.29	0.42	0.16	0.23	0.27	0.22
Other race, not Hispanic	0.66	0.75	0.33	0.65	0.16	0.30	0.34	0.40
Hispanic (any race)	0.53	0.49	0.30	0.52	0.17	0.31	0.20	0.17
Occupation Categories								
Management, business, science, and arts	0.27	0.30	0.16	0.27	0.08	0.05	0.12	0.24
Service	0.55	0.57	0.18	0.56	0.07	0.48	0.22	0.11
Sales and office	0.42	0.53	0.29	0.41	0.24	0.07	0.16	0.24
Natural resources, construction, and maintenance ..	0.55	0.65	0.39	0.54	0.16	0.00	0.45	0.23
Production, transportation, and material moving . . .	0.50	0.58	0.36	0.49	0.12	0.13	0.39	0.16

Note: Jobs include all jobs for an employer, other work arrangements, and self-employment where the owner pays him/herself a salary or is incorporated. Single and multiple earnings types are not a complete list and may not sum to the totals. Those in military specific occupations are excluded from the occupation categories. Federal surveys give respondents the option of reporting more than one race. There are two basic ways of defining a race group. A group such as Black may be defined as those who reported Black and no other race (the race-alone or single-race concept) or as those who reported Black regardless of whether they also reported another race (the race alone-or-in-combination concept). This table shows data using the first approach (race-alone). The use of the single race population does not imply that it is the preferred method of presenting or analyzing data. The U.S. Census Bureau uses a variety of approaches. Data on race and Hispanic origin are collected separately. Persons of Hispanic origin may be of any race. The estimates in this table are based on responses from a sample of the population and may differ from the actual values because of sampling variability and other factors. As a result, apparent differences between the estimates for two or more groups may not be statistically significant. For information on sampling and nonsampling error, see the SIPP Web site at <www.census.gov/programs-surveys/sipp/guidance/users-guide.html>.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel Wave 1.