



## Workers at the minimum wage or less: who they are and the jobs they hold

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The current debate over changing the Federal minimum wage—whether it should be increased, by how much, who might benefit or lose from an increase, and what the increase might cost—has raised a large number of questions: How many persons are working at or below the minimum wage? Who are they? What jobs do they hold? How have their numbers changed over the years? How many are earning just above the current minimum?

Answers to many of these questions can be derived from data obtained through the Current Population Survey (CPS), a monthly survey conducted for the Bureau of Labor Statistics by the Bureau of the Census. The CPS provides data on unemployment and the size and makeup of the Nation's labor force. While other surveys conducted by the BLS through employers provide the most accurate and detailed data on average earnings by industry and geographic area, these surveys generally yield no information on the characteristics of individual workers and do not identify workers who might be working at or below the minimum wage. In contrast, the focus of the CPS is on individuals. The survey obtains the hourly earnings rate for each member of the household who is reported as being paid an hourly rate.<sup>1</sup> Thus, the CPS identifies those workers whose wages are at, below, or just above the minimum. In 1986, hourly paid workers represented about three-fifths of the Nation's 96.9 million wage and salary workers, and their median hourly earnings were \$6.33.<sup>2</sup>

### Overview

This report focuses on the 5.1 million workers paid hourly rates (including 3.3 million who usually work part time) identified through the CPS during 1986 as earning the prevailing Federal minimum wage (\$3.35 per hour) or less.<sup>3</sup> The report also looks briefly at workers with wage rates up to \$1 above the minimum.

The current minimum, which has been \$3.35 per hour since January 1981, was established by the 1977 amend-

ments to the Fair Labor Standards Act. In 1986, about 3.5 million workers were reported as earning exactly \$3.35, and 1.6 million were reported as earning less. Together, these wage earners constituted 8.8 percent of all hourly paid workers. In 1981, 7.8 million workers, about 15 percent of the hourly paid workers, received the minimum rate or lower. So, while the minimum wage has remained unchanged for more than 5 years, the number of workers whose earnings were either at or below it has declined considerably.

The presence of a sizable group of hourly paid workers receiving less than \$3.35 does not necessarily indicate widespread violations of the Fair Labor Standards Act, because a number of exemptions to its minimum wage provisions exist. These exemptions include employees in outside saleswork, low-volume retail trade and service firms, and seasonal amusement establishments. Furthermore, tips, which are not part of the stated hourly rate, can partially fulfill the minimum wage requirement.<sup>4</sup>

### Characteristics

For the most part, those workers earning \$3.35 or less in 1986 were young. About 37 percent were teenagers and an additional 23 percent were 20 to 24 years old. Among teenagers alone, the proportion of workers earning \$3.35 or less was 32 percent. This proportion declined with increasing age to 4 percent for the 35- to 44- and 45- to 54-age groups, but then rose to 14 percent for the 65 and over category.

About 12 percent of women earned hourly wages at or below \$3.35, about double the proportion among men. Only among part-time workers (those who usually work less than 35 hours per week) were men slightly more likely than women to be paid at or below the minimum wage; this is because men who are working part time tend to be young, while women are spread more evenly throughout the age range. Overall, part-time workers were nearly six times as likely as full-time workers to be paid \$3.35 or less. While part-time workers made up about one-quarter of all workers paid hourly rates, they accounted for nearly two-thirds of those workers at or below \$3.35. (See table 1.)

Just under 2 percent of husbands, but 7 percent of wives, earned the prevailing minimum wage or less. Among women maintaining families (without a husband present), the proportion earning the minimum wage or less was about

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**Table 1. Employed wage and salary workers paid hourly rates with earnings at or below the prevailing minimum wage, by selected characteristics, 1986 annual averages**

Characteristic	Number of workers <sup>1</sup> (In thousands)			Percent distribution			Percent of all workers paid hourly rates				
	Total paid hourly rates	At or below \$3.35		Total paid hourly rates	At or below \$3.35		At or below \$3.35				
		Total	At \$3.35		Below \$3.35	Total	At \$3.35	Below \$3.35			
<b>Sex and age</b>											
Total, 16 years and over .....	57,529	5,060	3,461	1,599	100.0	100.0	100.0	100.0	8.8	6.0	2.8
16 to 24 years .....	15,649	3,005	2,146	859	27.2	59.4	62.0	53.7	19.2	13.7	5.5
16 to 19 years .....	5,727	1,848	1,361	487	10.0	36.5	39.3	30.5	32.3	23.8	8.5
25 years and over .....	41,880	2,054	1,314	740	72.8	40.6	38.0	46.3	4.9	3.1	1.8
Men, 16 years and over .....	29,666	1,744	1,336	408	51.6	34.5	38.6	25.5	5.9	4.5	1.4
16 to 24 years .....	8,154	1,229	977	252	14.2	24.3	28.2	15.8	15.1	12.0	3.1
16 to 19 years .....	2,881	792	637	155	5.0	15.7	18.4	9.7	27.5	22.1	5.4
25 years and over .....	21,512	514	358	156	37.4	10.2	10.3	9.8	2.4	1.7	.7
Women, 16 years and over .....	27,863	3,317	2,125	1,192	48.4	65.6	61.4	74.5	11.9	7.6	4.3
16 to 24 years .....	7,495	1,776	1,169	607	13.0	35.1	33.8	38.0	23.7	15.6	8.1
16 to 19 years .....	2,846	1,056	724	332	4.9	20.9	20.9	20.8	37.1	25.4	11.7
25 years and over .....	20,368	1,541	956	585	35.4	30.5	27.6	36.6	7.6	4.7	2.9
<b>Family relationship</b>											
Husbands .....	16,110	283	205	78	28.0	5.6	5.9	4.9	1.8	1.3	.5
Wives .....	13,966	1,019	637	382	24.3	20.1	18.4	23.9	7.3	4.6	2.7
Women who maintain families .....	3,457	337	213	124	6.0	6.7	6.2	7.8	9.7	6.2	3.6
Men who maintain families .....	938	29	20	9	1.6	.6	.6	.6	3.1	2.1	1.0
Other persons in families .....	13,480	2,625	1,925	700	23.4	51.9	55.6	43.8	19.5	14.3	5.2
Persons living alone .....	5,228	359	210	150	9.1	7.1	6.1	9.4	6.9	4.0	2.9
Persons living with nonrelatives <sup>2</sup> .....	4,351	408	252	156	7.6	8.1	7.3	9.8	9.4	5.8	3.6
<b>Race, Hispanic origin, and sex</b>											
White .....	48,713	4,198	2,765	1,433	84.7	83.0	79.9	89.6	8.6	5.7	2.9
Men .....	25,186	1,394	1,044	350	43.8	27.5	30.2	21.9	5.5	4.1	1.4
Women .....	23,527	2,805	1,722	1,083	40.9	55.4	49.8	67.7	11.9	7.3	4.6
Black .....	7,216	741	612	129	12.5	14.6	17.7	8.1	10.3	8.5	1.8
Men .....	3,666	302	254	48	6.4	6.0	7.3	3.0	8.2	6.9	1.3
Women .....	3,550	439	358	81	6.2	8.7	10.3	5.1	12.4	10.1	2.3
Hispanic origin .....	4,715	464	355	129	8.2	9.2	9.7	8.1	9.8	7.1	2.7
Men .....	2,886	216	155	61	5.0	4.3	4.5	3.8	7.5	5.4	2.1
Women .....	1,829	249	180	69	3.2	4.9	5.2	4.3	13.6	9.8	3.8
<b>Full- and part-time status and sex</b>											
Full-time workers .....	42,808	1,737	1,174	563	74.4	34.3	33.9	35.2	4.1	2.7	1.3
Men .....	25,099	668	496	172	43.6	13.2	14.3	10.8	2.7	2.0	.7
Women .....	17,709	1,070	678	392	30.8	21.1	19.6	24.5	6.0	3.8	2.2
Part-time workers .....	14,721	3,323	2,287	1,036	25.6	65.7	66.1	64.8	22.6	15.5	7.0
Men .....	4,567	1,075	839	236	7.9	21.2	24.2	14.8	23.5	18.4	5.2
Women .....	10,153	2,247	1,447	800	17.6	44.4	41.8	50.0	22.1	14.3	7.9

<sup>1</sup> Excludes the incorporated self-employed.

<sup>2</sup> Also includes persons in families where the husband, wife, or other person maintaining the family is in the Armed Forces, and persons in unrelated subfamilies.

NOTE: Persons of Hispanic origin may be of any race; thus, they are included among the numbers for whites and blacks.

10 percent. Other family members, primarily sons and daughters, were far more likely to earn \$3.35 or less, with an incidence of almost 20 percent; this group accounts for just over half of all minimum wage workers.

A look at minimum wage workers by race and ethnicity shows that only a slightly higher proportion of blacks and Hispanics than whites earned \$3.35 or less—about 10 percent versus 8.6 percent. Unlike white and Hispanic women, who were about twice as likely as men to be paid at or below the minimum wage, black women were only half again as likely as black men to receive this amount.

Not surprisingly, the highest proportion of workers with hourly earnings at or below \$3.35 was found among those workers with the fewest years of schooling completed. For

example, 10 percent of workers age 25 and over with only 8 or fewer years of education earned \$3.35 or less, as did 5 percent of those finishing high school but no college; however, only 2 percent of those workers finishing at least 5 years of college earned the minimum wage or below. Altogether, workers who had not completed high school accounted for almost two-fifths of those workers age 25 years and over whose hourly wage was \$3.35 or less.

Among the four broad census geographic regions, the Northeast had the lowest proportion of hourly workers at or below \$3.35 (6.7 percent), and the South had the highest (10.7 percent). At the narrower geographic division level, the proportions ranged from 4.2 percent in the New England States to 13.3 percent in the East South Central States.<sup>5</sup>

**Table 2. Employed wage and salary workers paid hourly rates with earnings at or below the prevailing minimum wage, by occupation, 1986 annual averages**

Occupation	Number of workers <sup>1</sup> (In thousands)				Percent distribution				Percent of all workers paid hourly rates		
	Total paid hourly rates	At or below \$3.35			Total paid hourly rates	At or below \$3.35			At or below \$3.35		
		Total	At \$3.35	Below \$3.35		Total	At \$3.35	Below \$3.35	Total	At \$3.35	Below \$3.35
Total, 16 years and over .....	57,529	5,060	3,461	1,599	100.0	100.0	100.0	100.0	8.8	6.0	2.8
Managerial and professional specialty .....	5,355	111	78	33	9.3	2.2	2.3	2.1	2.1	1.5	.6
Executive, administrative, and managerial .....	2,035	23	14	9	3.5	.5	.4	.6	1.1	.7	.4
Professional specialty .....	3,320	89	64	25	5.8	1.8	1.8	1.6	2.7	1.9	.8
Technical, sales, and administrative support .....	17,856	1,205	1,057	148	31.0	23.8	30.5	9.3	6.7	5.9	.8
Technicians and related support .....	1,911	22	17	5	3.3	.4	.5	.3	1.2	.9	.3
Sales occupations .....	5,549	775	683	92	9.6	15.3	19.7	5.8	14.0	12.3	1.7
Administrative support, including clerical .....	10,396	408	357	51	18.1	8.1	10.3	3.2	3.9	3.4	.5
Service occupations .....	10,390	2,623	1,422	1,201	18.1	51.8	41.1	75.1	25.2	13.7	11.6
Private household .....	483	256	52	204	.8	5.1	1.5	12.8	53.0	10.8	42.2
Protective service .....	1,005	54	49	5	1.7	1.1	1.4	.3	5.4	4.9	.5
Service, except private household and protective .....	8,902	2,313	1,321	992	15.5	45.7	38.2	62.0	26.0	14.8	11.1
Precision production, craft, and repair .....	8,757	122	86	36	15.2	2.4	2.5	2.3	1.4	1.0	.4
Mechanics and repairers .....	2,871	37	27	10	5.0	.7	.8	.6	1.3	.9	.3
Construction trades .....	3,118	40	25	15	5.4	.8	.7	.9	1.3	.8	.5
Other precision production, craft, and repair .....	2,768	44	34	10	4.8	.9	1.0	.6	1.6	1.2	.4
Operators, fabricators, and laborers .....	14,118	804	692	112	24.5	15.9	20.0	7.0	5.7	4.9	.8
Machine operators, assemblers, and inspectors .....	7,000	310	268	42	12.2	6.1	7.7	2.6	4.4	3.8	.6
Transportation and material moving .....	2,957	102	92	10	5.1	2.0	2.7	.6	3.4	3.1	.3
Handlers, equipment cleaners, helpers and laborers .....	4,162	392	332	60	7.2	7.7	9.6	3.8	9.4	8.0	1.4
Farming, forestry, and fishing .....	1,052	194	125	69	1.8	3.8	3.6	4.3	18.4	11.9	6.6

<sup>1</sup> Excludes the incorporated self-employed.

**Table 3. Employed wage and salary workers paid hourly rates with earnings at or below the prevailing minimum wage, by industry, 1986 annual averages**

Industry	Number of workers <sup>1</sup> (In thousands)				Percent distribution				Percent of all workers paid hourly rates		
	Total paid hourly rates	At or below \$3.35			Total paid hourly rates	At or below \$3.35			At or below \$3.35		
		Total	At \$3.35	Below \$3.35		Total	At \$3.35	Below \$3.35	Total	At \$3.35	Below \$3.35
Total, 16 years and over .....	57,529	5,060	3,461	1,599	100.0	100.0	100.0	100.0	8.8	6.0	2.8
Private sector .....	50,391	4,657	3,124	1,533	87.6	92.0	90.3	95.9	9.2	6.2	3.0
Goods-producing industries .....	18,861	607	481	126	32.8	12.0	13.9	7.9	3.2	2.6	.7
Agriculture .....	832	147	92	55	1.4	2.9	2.7	3.4	17.7	11.1	6.6
Mining .....	459	1	1	-	.8	-	-	-	.2	.2	-
Construction .....	3,881	63	42	21	6.7	1.2	1.2	1.3	1.6	1.1	.5
Manufacturing .....	13,688	396	346	50	23.8	7.8	10.0	3.1	2.9	2.5	.4
Durable goods .....	8,208	114	88	26	14.3	2.2	2.5	1.6	1.4	1.1	.3
Nondurable goods .....	5,481	281	257	24	9.5	5.6	7.4	1.5	5.1	4.7	.4
Service-producing industries .....	31,530	4,050	2,643	1,407	54.8	80.0	76.4	88.0	12.8	8.4	4.5
Transportation and public utilities .....	3,154	45	32	13	5.5	.9	.9	.8	1.4	1.0	.4
Wholesale trade .....	1,748	67	61	6	3.0	1.3	1.8	.4	3.8	3.5	.3
Retail trade .....	12,233	2,647	1,729	918	21.3	52.3	50.0	57.4	21.6	14.1	7.5
Finance, insurance, and real estate .....	2,036	61	53	8	3.5	1.2	1.5	.5	3.0	2.6	.4
Services .....	12,358	1,230	768	462	21.5	24.3	22.2	28.9	10.0	6.2	3.7
Private households .....	604	288	64	224	1.0	5.7	1.9	14.0	47.7	10.6	37.1
Other services industries .....	11,754	943	704	239	20.4	18.6	20.3	14.9	8.0	6.0	2.0
Business and repair services .....	2,668	169	144	25	4.6	3.3	4.2	1.6	6.3	5.4	.9
Personal services .....	1,374	225	141	84	2.4	4.4	4.1	5.3	16.4	10.3	6.1
Entertainment and recreation services .....	569	110	85	25	1.0	2.2	2.5	1.6	19.3	14.9	4.4
Professional services .....	7,123	437	333	104	12.4	8.6	9.6	6.5	6.1	4.7	1.5
Forestry and fisheries .....	20	-	-	-	-	-	-	-	(2)	(2)	(2)
Public sector .....	7,138	404	337	67	12.4	8.0	9.7	4.2	5.7	4.7	.9
Federal .....	1,972	39	31	8	3.4	.8	.9	.5	2.0	1.6	.4
State .....	1,580	155	132	23	2.7	3.1	3.8	1.4	9.8	8.4	1.5
Local .....	3,586	210	175	35	6.2	4.2	5.1	2.2	5.9	4.9	1.0

<sup>1</sup> Excludes the incorporated self-employed.

<sup>2</sup> Percent not shown where base is less than 50,000.

NOTE: Dash represents zero or rounds to zero.

## Occupational and industrial groups

Among the major occupational groups, the proportion of workers whose earnings were at or below \$3.35 was as high as 25 percent for service workers overall, and 53 percent for private household workers. Just over half of all employees with earnings at the minimum wage or below were in service jobs, a field that accounted for three-quarters of the workers with wages below \$3.35. At the other extreme, only about 1 percent of the executive, administrative, and managerial workers; technicians; and precision production, craft, and repair workers were in this low-earning category. (See table 2.)

A look at more detailed occupational data shows that 39 percent of the 4.5 million hourly workers employed in food service jobs earned \$3.35 or less; about half of these workers had stated hourly rates below \$3.35. Retail and personal service salesworkers also had a high incidence of minimum wage earnings, 16.5 percent. The 2.5 million employed as food service workers and as retail and personal service salesworkers alone accounted for half of all minimum wage workers. However, many people working in these occupations receive tips and commissions which supplement (to varying degrees) the hourly wages received.

The proportion of workers with earnings at or below the minimum wage was greater in the private than in the public sector. In the private sector, the proportion was 9 percent: 3 percent in goods-producing industries and 13 percent in service-producing industries. In the public sector, the incidence was 6 percent. (See table 3.)

Among the major industrial groups, the proportion of workers at \$3.35 or less was highest in private households (48 percent), retail trade (22 percent), entertainment and recreation (19 percent), and agriculture (18 percent). Retail trade alone accounted for more than half of all minimum wage workers, but as noted before, this industry employs many food service workers and salesworkers, some of whose earnings are supplemented by tips or commissions. However, in many industries, the proportion of workers with hourly rates at or below the \$3.35 minimum did not exceed 2 percent. These industries included mining; construction; durable goods manufacturing; transportation, communications, and public utilities; hospitals; and the Federal Government.

### Earning just above \$3.35

Another area of current interest, particularly in any discussion of a possible increase in the minimum wage, is the number of workers whose wages were just above the \$3.35 rate. The \$4.35 boundary is noteworthy because it is close to the current minimum adjusted for the change in consumer prices since January 1981. The 1986 data show that about 600,000 persons earned \$3.36–\$3.49 an hour, 2.9 million earned \$3.50–\$3.74, 1.5 million earned \$3.75–\$3.99, and 4.6 million earned \$4–\$4.35. Altogether, these 9.6 million

workers, 17 percent of all those paid by the hour, reported hourly earnings up to \$1 above the current minimum wage. The number of these workers who would be directly affected by a minimum wage increase would, of course, depend largely on the level at which a new rate would be set, and on the extent to which employers might continue to pay some groups of workers above the minimum wage.

Of the 9.6 million workers, exactly one-quarter were teenagers, and another quarter were young adults age 20 to 24 years. Women age 25 years and over accounted for an additional 35 percent of this population. (See table 4.) In general, the groups with relatively high proportions of workers earning \$3.35 or less also had relatively high proportions of workers earning \$3.36 to \$4.35; for example, about 42 percent of teenagers, 24 percent of young adults, 17 percent of wives, and 19 percent of women maintaining families were in this category. In contrast, only 5 percent of husbands were in this \$3.36–\$4.35 category. Women were

**Table 4. Employed wage and salary workers paid hourly rates with earnings between \$3.36 and \$4.35 per hour, by selected characteristics, 1986 annual averages**

Characteristic	Number of workers <sup>1</sup> (In thousands)	Percent distribution	Percent of all workers paid hourly rates
<b>Sex and age</b>			
Total, 16 years and over .....	9,601	100.0	16.7
16 to 24 years .....	4,799	50.0	30.7
16 to 19 years .....	2,398	25.0	41.9
25 years and over .....	4,803	50.0	11.5
Men, 16 years and over .....	3,668	38.2	12.4
16 to 24 years .....	2,275	23.7	27.9
16 to 19 years .....	1,182	12.3	41.0
25 years and over .....	1,392	14.5	6.5
Women, 16 years and over .....	5,934	61.8	21.3
16 to 24 years .....	2,524	26.3	33.7
16 to 19 years .....	1,215	12.7	42.7
25 years and over .....	3,410	35.5	16.7
<b>Family relationship</b>			
Husbands .....	864	9.0	5.4
Wives .....	2,405	25.0	17.2
Women who maintain families .....	662	6.9	19.1
Men who maintain families .....	100	1.0	10.7
Other persons in families .....	4,087	42.6	30.3
Persons living alone .....	669	7.0	12.8
Persons living with relatives <sup>2</sup> .....	815	8.5	18.7
<b>Race, Hispanic origin, and sex</b>			
White .....	7,936	82.7	16.3
Men .....	3,006	31.3	11.9
Women .....	4,931	51.4	21.0
Black .....	1,384	14.4	19.2
Men .....	546	5.7	14.9
Women .....	837	8.7	23.6
Hispanic origin .....	897	9.3	19.0
Men .....	450	4.7	15.6
Women .....	447	4.7	24.4

<sup>1</sup> Excludes the incorporated self-employed.

<sup>2</sup> Also includes persons in families where the husband, wife, or other person maintaining the family is in the Armed Forces, and persons in unrelated subfamilies.

NOTE: Persons of Hispanic origin may be of any race; thus, they are included among the numbers for whites and blacks.

nearly twice as likely as men (21 versus 12 percent) to earn in the \$3.36–\$4.35 range, while blacks and Hispanics (both about 19 percent) had only slightly higher proportions than whites (16 percent) in this earnings category.

IN SUMMARY, the 5.1 million workers with earnings at the minimum wage or below consisted largely of young persons and women. The majority were part-time workers and mostly in service and sales occupations. Because many of these workers have earnings from tips and commissions supplementing their hourly wage, the proportion actually earning \$3.35 or less among workers *paid hourly rates* may be overstated by the numbers presented here. However, among workers not paid an hourly rate—for example, salaried workers or those paid at daily rates or piece rates—there may be some who have average hourly earnings of \$3.35 or less; their numbers cannot be reliably estimated from the survey data.<sup>6</sup> About 9.6 million workers paid at hourly rates were reported as earning between \$3.36 and \$4.35 per hour (that is, up to \$1 above the current minimum wage); their demographic characteristics were very similar to those of workers earning the minimum wage or below. □

—FOOTNOTES—

<sup>1</sup> See *BLS Measures of Compensation*, Bulletin 2239 (Bureau of Labor Statistics, 1986) for a complete description of the earnings series available from the Current Population Survey as well as from other BLS surveys such as the Current Employment Statistics Survey, Area Wage Surveys, and Industry Wage Surveys.

<sup>2</sup> Information for 1984 was published in Earl F. Mellor and Steven E. Haugen, "Hourly paid workers: who they are and what they earn," *Monthly Labor Review*, February 1986, pp. 20–26.

<sup>3</sup> Some States and the District of Columbia have minimums different from the Federal level. For example, four of the New England States had minimums of \$3.45–\$3.55 during part or all of 1986. The District of Columbia has minimums which differ by occupation and industry, such as a \$4.50 rate in beauty culture occupations in 1986. Many States have minimums at or below \$3.35. In cases where an employee is covered by both State and Federal minimums, and the rates differ, he or she is entitled to the higher wage.

<sup>4</sup> See *Report of the Minimum Wage Study Commission*, vol. I, p. 107, for a more complete list of full and partial exemptions.

<sup>5</sup> The Northeast region includes the New England States: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont; and the Middle Atlantic States: New Jersey, New York, and Pennsylvania. The South includes the South Atlantic States: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia; the East South Central States: Alabama, Kentucky, Mississippi, and Tennessee; and the West South Central States: Arkansas, Louisiana, Oklahoma, and Texas.

<sup>6</sup> Crude estimates of the hourly earnings of all wage and salary workers can be made by dividing usual weekly earnings by usual weekly hours. However, an error of as little as \$1 or 1 hour in the reported numbers can result in an "above minimum wage" earner estimated as earning below, or vice versa. In a situation where a small error can make a large analytical difference, hourly earnings estimated by a procedure requiring precise responses to *two* separate questions may not be reliable. For information on a test to gauge the accuracy in reporting of earnings data, see Larry Carstensen and Henry Woltman, "Comparing Earnings Data from the CPS and Employer Records," *Proceedings of the Social Statistics Section* (American Statistical Association, 1979), pp. 168–73.

## Revisions of State and local area labor force statistics

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With the release of January 1987 data, the Bureau of Labor Statistics introduced its annual revision of labor force, employment, and unemployment data for States and local areas. These revisions incorporate more current and comprehensive data that become available after initial estimates are made. This report presents, for the first time, detail on the revision procedure and a brief analysis of the differences between preliminary and revised estimates.

### Background

The Local Area Unemployment Statistics program produces civilian labor force data for all States, metropolitan areas, counties, and cities with a population of 25,000 or more. In addition to their variety of uses by private industry and individuals, the data constitute one of the bases for the allocation of Federal funds to States and local areas under a variety of programs administered by the Department of Housing and Urban Development, the Department of Labor, and others.

The underlying concepts and definitions of all labor force data published from the Local Area Unemployment Statistics program are consistent with those of the Current Population Survey (CPS), a survey of about 59,500 households conducted monthly by the Bureau of the Census for the Bureau of Labor Statistics. All annual average data for States are drawn directly from the CPS. Monthly CPS data are used directly as the official labor force levels only for the 11 largest States and two large areas.<sup>1</sup> These States and areas have a sufficiently large sample in the CPS to yield monthly estimates that meet BLS standards of reliability.

For the remaining 39 States and the District of Columbia, as well as for all areas, monthly estimates are developed by State employment security agencies, using the prescribed methodology from the Local Area Unemployment Statistics program. This methodology, commonly referred to as the "Handbook" methodology, uses establishment data derived from the Current Employment Statistics program and administrative data on State unemployment insurance claimants to develop the labor force estimates for these States and areas.<sup>2</sup> These derived Handbook estimates are adjusted by incorporating statewide monthly CPS data to arrive at the official preliminary estimates.

### Revision process

The annual revision process, also called benchmarking, adjusts preliminary monthly estimates and historical

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