

# Appendix A: Description of the Consumer Expenditure Survey

**T**he current Consumer Expenditure Survey (CE) program began in 1980. Its principal objective is to collect information on the buying habits of American consumers. Consumer expenditure data are used in various types of research by government, business, labor, and academic analysts. Also, the data are required for periodic revision of the Consumer Price Index (CPI).

The survey, which is conducted by the U.S. Census Bureau for the Bureau of Labor Statistics, consists of two components: a diary or recordkeeping survey completed by participating consumer units for two consecutive 1-week periods, and an interview survey in which expenditures of consumer units are obtained in five interviews conducted at 3-month intervals.

Survey participants record dollar amounts for goods and services purchased during the reporting period, regardless of whether full payment is or is not made at the time of purchase. Expenditure amounts include all sales and excise taxes for all items purchased by the consumer unit for itself or for others. Excluded from both surveys are all business-related expenditures and expenditures for which the consumer unit is reimbursed.

Each component of the CE queries an independent sample of consumer units that is representative of the U.S. population. In the Diary Survey, about

7,000 consumer units are sampled each year. Each consumer unit keeps a diary for two 1-week periods, yielding approximately 14,000 diaries a year. In the Interview Survey, the sample is selected on a rotating panel basis, surveying about 7,000 consumer units each quarter. Each consumer unit is interviewed once per quarter for five consecutive quarters. Data are collected on an ongoing basis in 91 areas of the United States.

The Interview Survey is designed to capture expenditure data that respondents can reasonably recall for a period of 3 months or longer. In general, data captured include relatively large expenditures, such as spending on real property, automobiles, and major appliances, and expenditures that occur on a regular basis, such as spending on rent, utilities, and insurance premiums. Also included are expenditures incurred on leisure trips. Expenditures on nonprescription drugs, household supplies, and personal care items are excluded. The Interview Survey collects detailed data on an estimated 60 percent to 70 percent of total household expenditures. Global estimates—that is, expenditures made over a 3-month period—are obtained for food and other related items, accounting for an additional 20 percent to 25 percent of total expenditures.

The Diary Survey is designed to capture expenditures on small, fre-

quently purchased items that normally are difficult for respondents to recall. Detailed records of expenses are kept for food and beverages—both at home and in eating places—tobacco, housekeeping supplies, nonprescription drugs, and personal care products and services. Expenditures incurred away from home overnight or longer are excluded from the Diary Survey. Although the diary was designed to collect expenditure information that could not be recalled easily over any reasonably lengthy period, respondents are asked to report *all* expenses (except overnight travel expenses) that the consumer unit incurs during the survey week.

Integrated data from the BLS Diary and Interview Surveys provide a complete accounting of consumer expenditures and income that neither survey alone is designed to do. Data on some expenditure items are collected in only one of the surveys. For example, the Diary Survey does not collect data on expenditures for overnight travel or information on third-party reimbursements of consumer expenditures, whereas the Interview Survey does. Examples of expenditures for which reimbursements are excluded are medical care; automobile repair; and construction, repairs, alterations, and maintenance of property.

For items unique to one or the other survey, the choice of which survey to use as the source of data is obvious. However, there is considerable overlap in coverage between the surveys. Because of this overlap, integrating the data presents the problem of determining the appropriate survey component from which to select expenditure items. When data are available from both survey sources, the more reliable of the two (as determined by statistical methods) is selected. As a result, some items are selected from the Interview Survey and others from the Diary Survey. (See Creech and Steinberg's article, pages 17-20, for details on how the appropriate source is selected.)

The population coverage and the

definition of home ownership differ between the CE and the CPI. As regards the former difference, consumer expenditure data cover the total population, whereas the CPI covers only the urban population. As regards the latter, actual expenditures of homeowners are reported in the CE, whereas the CPI uses a rental equivalence approach that attempts to measure the change in the cost of obtaining, in the rental marketplace, services equivalent to those provided by owner-occupied homes.

### Interpreting the data

Expenditures are averages for consumer units with specified characteristics, regardless of whether a particular unit incurred an expense for a specific item during the recordkeeping period. The average expenditure for an item may be considerably lower than the expenditures by those consumer units which actually purchased the item. The less frequently an item is purchased, the greater is the difference between the average for all consumer units and the average for those purchasing the item. Also, an individual consumer unit may spend more or less than the average, depending on its particular characteristics. Factors such as income, the ages of family members, geographic location, taste, and personal preference influence expenditures. Furthermore, even within groups with similar characteristics, the distribution of expenditures varies substantially. These points should be considered in relating reported averages to individual circumstances.

In addition, sample surveys are subject to two types of errors: sampling error and nonsampling error. Sampling errors occur because the data are collected from a representative sample rather than from the entire population. Nonsampling errors result from the inability or unwillingness of respondents to provide correct information, differences in interviewers' abilities, mistakes in recording or coding, and other processing errors. ■

## Glossary

*Consumer unit.* Members of a household related by blood, marriage, adoption, or some other legal arrangement; a single person living alone or sharing a household with others, but who is financially independent; or two or more persons living together who share responsibility for at least two out of three major types of expenses: food, housing, and other expenses. Also, students living in university-sponsored housing are included in the sample as separate consumer units.

*Reference person.* The first member mentioned by the respondent when asked to "Start with the name of the person or one of the persons who owns or rents the home." It is with respect to this person that the relationship of other members of the consumer unit is determined.

*Total expenditures.* The transaction costs, including excise and sales taxes, of goods and services purchased during the 3-month interval over which interviews take place. Estimates include expenditures for gifts and contributions and payments for pensions and personal insurance.

*Income.* The combined income earned by all consumer unit members 14 years or older during the 12 months preceding the interview. The components of income are wages and salaries; self-employment income; Social Security and private and government retirement income; interest, dividends, and rental and other property income; unemployment and workers' compensation and veterans' benefits; public assistance, Supplemental Security Income, and food stamps; rent or meals or both as pay; and regular contributions for support, such as alimony and child support. Missing income is imputed.

*Quintiles of income before taxes.* Consumer units are ranked in ascending order of income value and divided into five equal groups.