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MEASURING EMPLOYMENT AND UNEMPLOYMENT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON ECONOMIC STATISTICS

OF THE

JOINT ECONOMIC COMMITTEE

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MEASURING EMPLOYMENT AND UNEMPLOYMENT

THURSDAY, JUNE 6, 1963

U.S. CONGRESS,
SUBCOMMITTEE ON ECONOMIC STATISTICS
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to call, in room 1114, New Senate Office Building, Senator William Proxmire (chairman of the subcommittee) presiding.

Present: Senators Proxmire, Douglas, and Miller.

Staff members present: James W. Knowles, executive director; Donald A. Webster, minority economist; and Hamilton D. Gewehr, administrative clerk.

Senator PROXMIRE. The Subcommittee on Economic Statistics of the Joint Economic Committee will come to order.

This morning we are going to hear from a panel of experts, members of the President's Committee To Appraise Employment and Unemployment Statistics, and we are very honored to have with us the Chairman, Dr. Robert A. Gordon, professor of economics and chairman of the Department of Economics, University of California, Berkeley; Martin Gainsbrugh, vice president of the National Industrial Conference Board; Albert E. Rees, professor of economics and chairman of the Department of Economics, University of Chicago; and Frederick F. Stephan, professor of social statistics, Princeton University.

There were two other members of the President's Committee but they are unable to be with us today: Dr. Robert Dorfman, professor of economics, Harvard University, and Stanley H. Ruttenberg, who was director of research, AFL–CIO, and is now Special Assistant to the Secretary of Labor. Both have written to me and I would like their letters inserted at this point in the record.

(The letters referred to follow:)

HARVARD UNIVERSITY,
DEPARTMENT OF ECONOMICS,
Cambridge, Mass., May 15, 1963.

Hon. WILLIAM PROXMIRE,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR PROXMIRE: Thank you for your invitation of May 9 to participate in the hearing by the Subcommittee on Economic Statistics of the Joint Economic Committee on the subject of the report of the President's Committee to Appraise Employment and Unemployment Statistics, on which I had the privilege of serving. Unfortunately a prior obligation of equivalent weight prevents me from accepting.

May I take this opportunity to urge upon you the importance of supporting the efforts of the statistical agencies to correct the deficiencies which were my particular province in the work of the Gordon Committee: the adjustment of data to allow for the effects of seasonal variations. This is no mere academic technicality. The data on employment, unemployment,

national income, and so on are issued monthly at great expense in order that Government officials and others may keep currently abreast of economic tendencies. To make month-to-month or quarter-to-quarter comparisons requires some allowance for purely seasonal changes, and such comparisons are essential to appraising the state of the economy even though a single month-to-month change ought not be considered a reliable indication of anything.

There is ample evidence, much of it cited in the report of the President's Committee, that the methods of seasonal adjustment now used by the Federal agencies distort these comparisons significantly although those methods are thoroughly up-to-date and represent the best techniques currently available. In these circumstances, the President's Committee had no specific reforms to recommend—we are certainly no more competent than the men whose work we criticised—but we did recommend very strongly that the agencies devote serious thought and effort to developing seasonal adjustment methods less prone to introduce distortions than those currently known. The response of the agencies to this recommendation has been very encouraging to me personally.

This work requires funds, though not very many as such things go, and, even more, expressions of interest and support from users such as the Joint Economic Committee, so that the agencies will have both the resources and the incentive to face up to the baffling problems of seasonal adjustment. The major critical feeling that my study of the problem induced in me was that the agencies are unduly complacent about their accomplishments in the field of seasonal adjustment. They are proud, and justly, of the success of their efforts to systematize and mechanize their methods, and of the great savings in both money and time-delays that they have achieved. But their success lies merely in applying a deficient method with extreme efficiency. They have now attained a sound interim position. They can hold the fort using current methods while undertaking reconnaissances into more fundamental reforms and problems.

When our committee began its work, very little was being done in this direction, but our informal prodding induced very heartening results. If your committee will add its voice to ours and will assist in providing the necessary resources, I am confident that we shall in the end have the advantage of much more reliable economic indicators than we have at present. I hope that even in my absence you will see fit to do this.

Sincerely yours,

ROBERT DORFMAN,
Professor of Economies.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, May 22, 1963.

HON. WILLIAM PROXMIRE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PROXMIRE: I appreciate your invitation to participate in the Joint Economic Committee's Subcommittee on Economic Statistics to discuss the report of the President's Committee To Appraise Employment and Unemployment Statistics.

I have discussed the problem with Professor Gordon, the Chairman of the President's Committee, and decided that it probably would be advisable for me not to participate in the hearings. As you know, I was director of research of the AFL–CIO while serving as a member of the President's Committee. I have subsequently become Special Assistant to the Secretary of Labor where I have some responsibilities in terms of the problems raised by the report. Under the circumstances, it would be far wiser if I did not appear.

Sincerely,

STANLEY H. RUTTENBERG,
Special Assistant.

Senator PROXMIRE. The Select Subcommittee on Labor of the House Committee on Education and Labor is planning a series of hearings on the general subject of hours of work and employment, to be held in June. As unemployment statistics is one of the topics

they will be considering we have invited the members of the select subcommittee to attend these hearings.

Mr. Gordon, go right ahead. We are happy and grateful that you are here.

STATEMENT OF ROBERT A. GORDON, CHAIRMAN, PRESIDENT'S COMMITTEE TO APPRAISE EMPLOYMENT AND UNEMPLOYMENT STATISTICS, AND PROFESSOR OF ECONOMICS AND CHAIRMAN OF THE DEPARTMENT OF ECONOMICS, UNIVERSITY OF CALIFORNIA, BERKELEY

Mr. GORDON. Thank you, Mr. Chairman.

May I begin by taking this opportunity to introduce also Mr. Murray Wernick, at one end of the table, who was our staff director, and Miss Margaret Martin, our extremely efficient executive secretary, who is on my right.

With your permission, I shall proceed with my prepared statement. I plan to review the general background of our report and comment on several specific sections of the report, and then I have asked other members of the Committee, in their turn, to cover the other sections of the report.

I

The President's Committee To Appraise Employment and Unemployment Statistics was appointed in November 1961. It completed its work and presented its report to the President at the end of September 1962. It is probably fair to say that two sets of factors led to the establishment of the Committee.

The actual timing of the Committee's appointment was, almost certainly, influenced by the publication of an article by James Daniel which appeared in the September 1961 issue of the Reader's Digest. The article was called "Let's Look at Those 'Alarming' Unemployment Figures." You will forgive me if I say that this article represented an egregious example of irresponsible journalism. In effect, it charged that the official data on unemployment were being deliberately manipulated in order to justify larger Government spending and more extensive Government controls.

While this article probably precipitated the decision to set up a committee of outside experts at that particular time, a much more basic set of forces had been at work for a number of years that would almost certainly have led the Federal Government eventually to seek a new appraisal of our labor force statistics.

Public interest in and concern about these statistics are, of course, closely correlated with the level of unemployment that is reported. And the official estimate of the percentage of the labor force unemployed has not averaged as low as 5 percent on an annual basis since the 4.3-percent rate achieved in 1957.

As your subcommittee commented in its report of January 1962, there is "an understandable tendency * * * for the volume of criticism (of the statistics) to rise whenever the unemployment rate rises significantly." Further, the official unemployment rate for the United States has, in recent years, regularly been running much higher than in most other industrial countries. Was this difference real or merely a result of differences in definitions and in the statistical methods used?

These same issues have, of course, been of concern to your subcommittee. Indeed, as I recall, the subcommittee held hearings on this range of problems, among others, just about the time (December 1961) that the President's Committee was organizing itself for the job that it had been asked to do.

I should make clear the terms of reference that were laid down for us. We were instructed to "review the procedures used in collecting and tabulating statistics of employment and unemployment, the concepts used in classifying the labor force, and the analysis and publication of final results."

The directive also requested the Committee to consider, if possible, "the methods used by other countries in developing their statistics of unemployment and to report on the comparability of such statistics with those of the United States."

Our report, therefore, "is devoted to a critical examination of the concepts and measurement of employment and unemployment. The report is not concerned, except very indirectly, with substantive issues raised by recent trends in the level of unemployment. Nor does it suggest why the unemployed do not have jobs and what could or should be done to provide them with jobs."

II

I should perhaps say something about the procedures we used in carrying out our assignment.

First, we were fortunate enough to be able to put together quickly a small but extremely able staff, headed by Mr. Murray Wernick of the Board of Governors of the Federal Reserve System and Miss Margaret Martin of the Bureau of the Budget, both of whom are with us today.

We called in outside experts to look into specific technical problems for us, such as technical sampling questions, the difficult problem of seasonal adjustment, ways of improving State and local data, and so on.

We were in almost continuous contact with the Government departments most involved, all of whom were highly cooperative both in submitting themselves to intensive questioning and in preparing the detailed reports that we asked of them.

In addition, we sought opinions and advice from outside experts and others who make extensive use of these data: in business firms and various organized business groups; labor unions; the Federal Reserve Banks; the universities; other private research groups; and so on. We also sought opinions from selected experts in other countries.

III

Now, as to the substance of our report and our recommendations. Let me dispose of one issue quickly by quoting from page 12 of our report:

> After careful investigation, the Committee has unanimously and categorically concluded that doubt concerning the scientific objectivity of the agencies responsible for collecting, processing, and publishing employment and unemployment statistics is unwarranted. The Committee remains highly impressed by the professional qualifications and the scientific integrity and objectivity of

those responsible for the system of reporting the official data on employment and unemployment. This does not mean that the data cannot be improved. Nor does it mean that the Committee (or any other group of experts) would necessarily agree with the Bureau of Labor Statistics or the Bureau of the Census on the precise handling of one or another conceptual or technical problem. Nevertheless, the Committee fully shares the conclusion recently reached by the Subcommittee on Economic Statistics of the Joint Economic Committee that there is "no basis whatsoever for doubt as to the integrity of the Bureau of Labor Statistics and the other Government agencies involved in planning and carrying out our employment and unemployment statistics programs."

In addition to reviewing systematically and comparing the various types of labor market data published by the Federal Government, the Committee looked intensively into the following issues: the problem of definitions and concepts, the sampling and survey procedures used, the problem of seasonal adjustment, how to develop better regional, State, and local data, the need for better data on vacancies and on occupational classification, whether the manner in which the data are presented to the public can be improved, and, in response to the direct request of the President, how our figures compare with those in other leading industrial countries when the latter are adjusted to the definitions and statistical methods that we use.

In the remainder of my statement I shall talk about our findings and recommendations in three areas: definitions and concepts, methods of presenting the data to the public, and the results of the international comparisons. My colleagues on the Committee will, in their turn, cover the other topics that I have listed.

IV

Let me turn now to the matter of definitions and concepts. This centers particularly around the question: When should a person be counted as unemployed? Our chief conclusion on this and related problems of definition can be summarized as follows.

The concept of unemployment now in official use is a reasonable one and represents a conscientious and well-designed effort over a long period of time to resolve a wide range of difficult issues. The aim has been to limit the concept to those not working who are actively seeking a job.

The Committee approved of this approach. It believed, however, that the present concepts can be sharpened, and it recommended additional research to develop techniques that would lead to this result. In particular it urged that an attempt be made to develop questions in the household survey that would determine more objectively than is now the case whether a person has taken concrete steps to look for a job. We urged that reliance on subjective attitudes and volunteered information be minimized.

We also recommended that the unemployment concept be modified by the placing of a specified time limit—say, 45 days—on the period preceding the time of the monthly household survey in which the jobless person should have taken definite steps to look for work. An implication of these recommendations is that a group which many would consider unemployed, those who had some time ago stopped looking for a job because they believed no work was available, might be excluded from the unemployment totals.

We further recommended that an effort be made to secure information on the number of unemployed who want only part-time work. This recommendation has already been adopted.

The Committee urged that—

> information regarding persons reported as not being in the labor force be greatly expanded. Such data should at least be collected annually, but quarterly compilations would be preferable. Details should be acquired on the circumstances under which those not in the labor force would look for jobs, on their previous work experience, on their education and training, and so on. (P. 15.)

The Committee also considered the problems raised by including teenagers (particularly 14- to 17-year olds) among the unemployed and by including among the employed those who work only a few (say, less than 5) hours a week. In both cases, it seemed best to continue with the present definitions, but we did suggest that these categories might be shown separately, so that those users who wished to exclude them could do so.

I might add, in this connection, that the Committee also recommended that the monthly press releases and the Monthly Report on the Labor Force feature several different unemployment rates, all seasonally adjusted, to serve the various purposes for which the official data might be legitimately used. This suggestion has also already been accepted.

Finally, the Committee urged that the Department of Labor resume the publication of data on "gross flows" into and out of the labor force, and that research be undertaken to remedy the defects in these data which had led some time ago to discontinuance of their publication.

V

Let me turn now to how our data on unemployment compare with those for the other leading industrial countries. This part of our report, based on an intensive study prepared for the Committee by Robert J. Myers and John H. Chandler of the Bureau of Labor Statistics, has attracted wide public comment. The findings are indeed striking.

After adjustments to make the data for a number of other countries as comparable—

> as possible with those of the United States, the statistics reveal that the United States had a higher unemployment rate in 1960 than any of the other countries except Canada.
>
> The U.S. unemployment rate was 5.6 percent, compared to a high of 7 percent in Canada and a low of 1 percent in Germany and Japan. In Great Britain and France the adjusted unemployment rates were 2.4 percent and 1.9 percent, respectively. The same international ranking is obtained if the unemployment rates of only adult males are computed.
>
> The feasibility of making international comparisons of unemployment rates has been enhanced by the fact that most advanced industrial countries now make surveys of the labor force which employ concepts and methods similar to the household survey pioneered in the United States. These sample surveys generally provide estimates of unemployment which are more satisfactory than those obtained from registrations of unemployed workers. Contrary to a common assumption, sample surveys sometimes yield lower rates of unemployment than do estimates based on registrations.
>
> The Committee considers the evidence accumulated by the Bureau of Labor Statistics on comparative international rates of unemployment an important addition to our economic knowledge. Similar studies should be carried out

periodically with the cooperation of the appropriate statistical agencies abroad. (Pp. 24–25.)

Mere inspection of these standardized unemployment rates is, of course, not enough. The Committee urged that intensive studies be made in order to identify and evaluate the range of economic, social, and institutional factors which account for these wide international differences in unemployment rates.

VI

Let me conclude my own presentation by referring briefly to the manner in which the monthly labor-force data are released to the public. The figures are now released in three steps: first, a preliminary release offering a brief summary of the global figures from the household survey; then, about a week later, the Monthly Report on the Labor Force, which provides not only detailed data from the household survey but also summary information from the employer reports on employment, hours, and earnings and also data from the Bureau of Employment Security on insured unemployment by States and major labor market areas; and finally, detailed data from all three sources are published in "Employment and Earnings."

The Committee's recommendations to improve the manner in which the data are released were chiefly the following:

(1) Much greater use should be made of seasonally adjusted data, particularly from the household survey, in current reporting. A start in this direction has been made.

(2) The amount of data in the monthly preliminary release should be expanded considerably. Again, a beginning has been made.

(3) A sharp line should be drawn between the release of the statistics and the technical analysis of the data, on the one hand, and comments on the policy implications of current developments revealed by the data, on the other. A major improvement in this direction was effected early this year.

(4) The presentation of data in the Monthly Report on the Labor Force should be both expanded and reorganized, with heavier emphasis on seasonally adjusted data from the household survey. We also made suggestions for improvement of the text portion of the Monthly Report of the Labor Force. Here, again, substantial improvement has already taken place.

As these comments have already suggested, I am happy to be able to report that already, in the relatively few months since our report was released, the Bureau of Labor Statistics has effected substantial improvements in both the initial release and in the Monthly Report on the Labor Force. I am confident that further improvements will be forthcoming in future months.

Mr. Chairman, this finishes my own prepared statement. I can either call on other members of the Committee to continue with the report, or——

Senator PROXMIRE. Yes, that is a good idea.

It would be well if all of you gentlemen had an opportunity to present your statements before we start the questioning.

Mr. Gainsbrugh, you are up next.

STATEMENT OF MARTIN R. GAINSBRUGH, VICE PRESIDENT, NATIONAL INDUSTRIAL CONFERENCE BOARD

Mr. GAINSBRUGH. In allocating the areas to be reviewed before this committee, I was asked to deal with the strong recommendations made by our Committee for the collection of data on job availabilities and occupational statistics.

These recommendations are contained in chapter VIII of our report.

Before doing so, however, I would like to comment briefly on one facet of unemployment our Committee did not explore, and rightly so, since, as our Chairman forcefully indicated during our discussions, the Committee's charter did not specifically embrace this aspect of the problem.

I refer to the nature, and even more in point the attitude, of the unemployed, an area which your subcommittee last year identified as "the most serious gap in our knowledge of unemployment."

We as a Committee did not address ourselves to the amount and type of labor resources that remain unused because of the choice of the unemployed worker. We may have approached this obliquely, however, in the chapter dealing with international comparisons.

In this sense, my statement follows neatly our chairman's.

We indicated, in the chapter dealing with international comparisons—I am quoting from pages 225 and 226—

> * * * The rate of unemployment is affected by the degree of option a worker can exercise in choosing to remain unemployed rather than to continue to work at unsatisfactory rates of pay or hours. "From this point of view," the Bureau of Labor Statistics observes, "the relatively high wages of American workers facilitate voluntary job changes that may involve a period of unemployment, and permit laid-off workers to hold out for jobs in which they can use acquired skills and maintain their customary wage. The unemployed European worker, whose hourly wage when employed is perhaps one-third to one-fourth that of the American, may be pressed to find a job relatively soon, even if it means abandoning his trade and taking a cut in pay." The Japanese worker often cannot afford to remain unemployed and accordingly continues to lower the supply price for labor until the market is cleared * * *.
>
> * * * * * * *
>
> * * * With high and increasing levels of wages and unemployment insurance come greater options on the part of the displaced worker as to the terms of his reemployment * * *.

Judging from my own personal experience with criticisms that have been leveled at our report by those who do not know how narrow the charter of the report was, American businessmen are still eagerly awaiting information on how much of our unemployment is optional. I would commend this subject for further research by this subcommittee.

Now for the part of the report that I was asked to deal with:

Our Committee report emphasized that while broad measures of employment and unemployment may have been sufficient at an earlier time, they are increasingly inadequate in the context of today's rapidity of technological change.

We lack a feedback mechanism whereby the requirements of the new technology are reflected in organized continuous information or knowledge about the demand for specific types of labor in the indus-

tries and geographic areas where technological advance is particullarly pronounced.

As the rate of technological innovation speeds up, we need more knowledge of the job opportunities that are being created, as well as the overemphasized measures of jobs lost.

Your subcommittee noted in the report entitled "Employment and Unemployment" the need for more data to "illuminate the demand side of the labor market in the way the present series measures the supply of labor."

Our Committee built upon this in its recommendation that the Labor Department undertake the development of a program of job vacancies.

Here, again, in my statement I go beyond our chairman's instructions, but hopefully with his implicit agreement.

We are eagerly awaiting the initial results from the proposed research program, and as I will say later, I am sympathetic to the problems the Bureau of Labor Statistics has in setting up this program, but time has run its course since we submitted our report, and I believe little progress has been made.

Meanwhile, it might be of value to take another look at the data on job openings collected by the State employment security agencies, especially after they gain further experience under the Manpower Development and Training Act.

As a contribution in the direction of illuminative trends in labor demand, the Conference Board is currently revising its help wanted advertising index in an attempt to obtain more information on job vacancies from that particular approach.

Initially, when we built up this index, the interest in it centered upon its use as a business indicator. Now, more and more, we are exploring its possibilities of contributing to our understanding of the demand side of the local labor market equation.

At present we obtain help wanted data from newspapers in 33 labor market areas. This we now plan to expand to cover 52 labor market areas—practically all of the areas with a labor force of 150,000 or more.

By expanding the sample in each region, we will obtain vacancy data from areas accounting for about 60 percent of nonfarm employment in the Northwest and West, about 50 percent of nonfarm employment in the North Central region, and about 35 percent of nonfarm employment in the South.

We shall thus have much more information than heretofore on the changes that are developing in the demand for labor locally and can begin to match the local demand pattern against the measures of local labor supply.

From this, knowledge may be derived as to whether unemployment is rising concurrently with greater demand for labor, or the converse. Lacking such measures—and I wish I could put this in caps—we can neither confirm nor deny the contention voiced in some, and I might say more and more, quarters, that the total of available jobs today may match if not exceed the total number of unemployed.

But our system of economic intelligence at the moment simply does not permit an answer to that contention.

Our present sample of 33 areas does provide some insight on this relationship between labor demand and supply, at least locally.

For example, six of the seven surplus labor market areas currently included in our sample show substantially less help wanted advertising than they did in the mid-1950's. One would expect this.

A priori, one would expect that as the labor supply became excessive in an area, the need to advertise for help would diminish. But in the case of Providence, the rate of increase in help wanted ads is well above the national average; but so, too, is its unemployment rate.

Again, the correlation is not too close for the 25 areas which fall in the C category, 3 to 6 percent unemployment rate. Once we have expanded the sample, we can investigate this subject further, to see how much parallel movement there is between unfilled jobs and unemployed workers in the various areas of the United States.

The existing body of data already highlights the fact that severe shortages of certain types of skills can occur even in areas where chronic unemployment is the norm. This further underscores the need for vacancy data on what kinds of jobs are available, as well as where they are.

Our educational authorities, too, if they are to make reasonable long-term plans for training, or retraining, programs, must receive data on labor demand which will permit them to evaluate the impact of automation and of other technological changes and shifts in demand on the occupational structure of the labor force.

The intense pressures upon the Nation's educational plant make it imperative that such plant be utilized as efficiently as possible in terms of the product mix of demand, particularly in the local labor market.

Organized information on present job vacancies would help in this connection—as would expectational measures similar to those developed for capital spending.

In summary, our rapidly changing technology is accelerating change in labor markets, and thus creates a new need for current measures of labor demand. This point is recognized at least implicitly in our prevailing system of economic intelligence, but the emphasis is still primarily upon the negative aspects of the problem, namely, on the unemployment statistics.

Technology's main thrust over the longer run is toward expansion of employment, rather than displacement. Labor market experts can contribute toward easing shortrun disemployment by providing expanded information on present (and potential) employment demand and thereby help maximize the creative impact of technology on our economy.

As an aside, may I mention that at our recent annual meeting, just 2 weeks ago, a question was mooted as to whether comprehensive extension of automation may not create a demand even for employees with little skill.

It was argued that a vast crew may be required to perform routine maintenance and unskilled jobs such as replacing worn out transistors with new ones. Clearly such employees would not require much vocational education.

In closing, sympathetic as one may be, and deeply so, to the problems involved in measuring job vacancies, the present need for knowledge of the dimensions of labor demand calls for more rapid progress toward implementation than has thus far developed.

Now, recognizing that Federal experimentation in this direction may be particularly hazardous—in that such data, even in tentative and preliminary form, may be regarded as "official" and, hence, too readily adopted for national policy purposes—I would venture to suggest experimentation with the collection of data at the local level under private auspices, and hopefully with foundation support.

By way of illustration, a pilot survey might be undertaken, say, in the New York City area—and here you will recognize a muted note of self-interest—to measure the volume and character of unfilled jobs and to relate these measures to the combined index of help wanted advertising and jobs registered with the State employment service for the same area.

This admittedly would be experimental, but, properly conceived, it would also be developmental. Because of its experimental character, such a project could best be carried out by a nongovernmental research organization.

Once its feasibility is demonstrated and satisfactory techniques are established, the survey could then become the responsibility of a Government office.

Such experimental efforts three decades ago contributed toward the subsequent development of the current reporting system on labor supply. The potential yield may be equally high for experimental measures of labor demand and job vacancies.

Senator PROXMIRE. Thank you very much, Mr. Gainsbrugh.

Mr. Rees?

STATEMENT OF ALBERT E. REES, PROFESSOR OF ECONOMICS AND CHAIRMAN OF THE DEPARTMENT OF ECONOMICS, UNIVERSITY OF CHICAGO

Mr. REES. Thank you, Mr. Chairman.

Professor Gordon has asked me to discuss the Committee's recommendations in the area of establishment statistics and State and local data on employment and unemployment.

The establishment statistics on nonagricultural employment have been in existence for a long time, and there has been little controversy concerning the concepts and methods used in obtaining them. Accordingly, the Committee devoted somewhat less attention to establishment than to household statistics. Nevertheless, we did satisfy ourselves that the system of employer reports is relatively strong, and we made a number of recommendations for improvement.

Among these were the recommendations that the quality of estimates for the service industries be improved to permit the publication of monthly series for individual industries. Such series are needed because of the rapid expansion of employment in services.

The Committee also recommended the collection of data on hours of work for nonsupervisory workers in eating and drinking places, finance and real estate, the services, and Government, as well as

collection of data needed to prepare annual or quarterly estimates of the hours of supervisory and other nonproduction workers in all industries.

It is gratifying to note that provision for an annual survey of hours of nonproduction workers in manufacturing was included in the proposed 1964 budget.

The Committee further recommended the more frequent collection of data on hours actually worked, as distinguished from hours paid for. These improvements in hours statistics are essential to the improvement of estimates of output per man-hour, our most widely used measure of productivity.

The farm employment estimates made by the Department of Agriculture can also be viewed as statistics based on establishment or employer reports. The evidence presented to the Committee, including the work of its consultant on agricultural employment statistics, Prof. D. Gale Johnson, suggests that the quality of these estimates is open to serious question. The Committee recommended a major effort to improve the farm employment series.

A major focus of the Committee's work was the study of ways to improve employment and unemployment estimates for State and local areas. The users of employment statistics who replied to our inquiries mentioned the need for better State and local estimates with great frequency and often with great urgency.

Such data are needed by private users such as businesses, labor unions, and research organizations. They are also vital in the research and planning work of State and local governments, Federal Reserve banks, and the Federal Government.

For example, estimated levels of unemployment in local areas are a major criterion for the allocation of Federal funds under the Area Redevelopment Act. Improved local data on employment and unemployment will also be valuable in administering the Manpower Development and Training Act.

Unfortunately, current estimates of unemployment by State and locality are of doubtful quality. The Bureau of Employment Security has exercised great ingenuity in devising methods of estimation that make good use of the information that is available.

However, in too many crucial cases, the data needed for a good estimate simply do not exist. For example, we do not know how the unemployment rate of new entrants to the labor force in depressed areas differs from that in more prosperous areas.

One evidence of our ignorance in these important matters is that the unemployment rates for State and local areas for the spring of 1960 estimated by the Bureau of Employment Security differ by very substantial amounts in many areas from those reported in the census of 1960, even though the overall levels of unemployment for the two sources are consistent on a national basis.

To achieve State and local estimates of unemployment of the same quality as the national estimates would involve a vast expansion of the use of household sample surveys. The Committee was deterred from recommending such a program by its very high cost.

Instead, we made a much more modest recommendation: that the Department of Labor undertake research on ways of improving

the methods used by local labor market analysts, and improving the quantity and quality of data available to them.

Such research would include a program of household surveys designed not to yield current estimates on a regular basis, but as an exploratory tool.

A provision for carrying out this recommendation by research in at least two local labor markets was included in the 1964 budget of the Bureau of Employment Security. I have been informed that this item of the Labor Department budget was cut in a committee of the House of Representatives, which was the last action taken at the time this statement was prepared.

I feel certain that I speak for all the members of the President's Committee in stating that we regard this as an item of very high priority, and in urging strongly that funds be provided to carry out the recommendation.

If I may add just a word to my prepared statement, on this last point: The Committee is not opinionated about the best way to measure State and local unemployment. We realize this is an extremely difficult problem.

The particular methods of attacking it that we suggest in our report may very well not be the best ones. But we do feel it is urgent to make a start on this problem, to do some exploration. Out of this exploration there may come inventions or innovations that will enable us to get accurate State and local unemployment statistics at a reasonable cost, and if we can do this, it would be a very great step forward.

Senator PROXMIRE. Thank you, Mr. Rees.

Our last witness is Dr. Stephan.

Professor Stephan, we are glad to have you with us this morning.

STATEMENT OF FREDERICK F. STEPHAN, PROFESSOR OF SOCIAL STATISTICS, DEPARTMENT OF SOCIOLOGY AND ANTHROPOLOGY, PRINCETON UNIVERSITY

Mr. STEPHAN. Mr. Chairman, my statement starts with the general recognition that employment and unemployment statistics are only one part, though a very central and important part, of the broader range of economic statistics that are vitally important to our country and to all that are faced with important responsibilities for doing something about the more serious problems we face, and for taking the kind of constructive action that is necessary to make our Nation grow in the way that we all hope it will.

Information about economic conditions and how they are changing is of tremendous importance to Congress, to administrators in the Federal and State Governments, to executives in large and small business enterprises, to labor unions, and to millions of citizens. It is essential to daily decisions and for planning the future. And the need for sound economic information becomes ever greater as our Nation grows and develops.

To meet this growing need, our economic information must be available in great detail about the more important parts of our economy promptly, accurately, and in a form that can readily be understood.

Information about employment and unemployment has become a central part of the body of essential economic information, both as a measure of what is happening to workers in the labor force and as an indicator of what is happening to business, industry, and the entire economy.

Its usefulness and dependability for these purposes increases as the sources of employment and unemployment data are improved. Thirty years ago they were woefully inadequate to meet important needs in the great depression. Since then, great advances have been made through the development of employer reports, household surveys, and the administrative records of the Employment Service, unemployment compensation, and old age insurance agencies, as well as in the decennial censuses.

These advances have produced a system of statistics on employment and unemployment that is basically sound and of great value. Nevertheless, it fails to meet some important needs, and in some respects does not provide information as promptly, as accurately, or as detailed in geographic, occupational, and industrial detail as the more important uses require.

Therefore, further advances should be made during the next 5 years or more in such directions as these:

1. A substantial strengthening of the coverage of employer reporting in certain industrial sectors, such as services and construction.
2. An improvement of the sampling of employers and promptness of employer reporting.
3. A major increase in the size of the household survey.
4. Research on the accuracy of household interviews and improvement of interview procedures and related methods of conducting such surveys.
5. Development of greatly improved sources of data on agricultural employment.
6. Improvement and greater application of seasonal adjustment procedures to clarify the nature of changes in employment and unemployment and sharpen the measurement of their magnitudes.
7. Better understanding by all users of these statistics of the degree of accuracy actually attained, the meanings properly attached to the numbers reported, and the implications of the changes and comparisons that are reported.

These advances are difficult to achieve. They require much more than minor adjustments and small increases in staff time and budgets. Moreover, the extent of advance that would remove the inadequacies of these statistics for present needs will not suffice to make them adequate for the greater needs of the next 5 or 10 years.

The growth of our economy is not as great as it should be, and the chronic problems of unemployment still await solution. Efforts to improve our rate of economic progress require more and better data than were available in the past—specific data about parts of the labor force that present special problems or should be considered separately.

Hence the system of statistical information about employment and unemployment should be improved and expanded in wisely

chosen directions and on the basis of appropriate research studies by a much more rapid rate of advance than we have had to date.

The research studies leading to these advances should be started quickly and supported well so that the improvements based on them that are needed will not be delayed. Other improvements can be started immediately. I urge Congress to authorize and support adequately this accelerated advance in obtaining sound, accurate, prompt, and understandable information on the labor force and its participation in economic growth and progress.

There are many matters of a technical nature that I might have discussed with you, but I would prefer to have you raise questions, and to answer such items as you feel to be important, rather than take your time with details that are not essential to your deliberations.

I think that I should say, however, that we have the same opportunities for improvement of our basic information and thereby the soundness of our national and local decisions in this field of information that we have in the field of military equipment, that we have in the field of industrial processes and production methods. It is not quite so easy to see them, but they are there, and it will pay off very well if we devote a very substantial amount of resources to improving the accuracy and the richness of information that we need in order to make decisions in a proper and effective way.

Senator PROXMIRE. Thank you very much.

Professor Gordon, you frankly state that this study was an outgrowth, to some extent, at least, of this article in Reader's Digest by Mr. Daniel, which concerned this committee very much, and on which we held some inquiry and had some hearings, but then you go on to indicate a far more substantial basis for this.

And yet I am wondering: In your statement, you say:

> The report is not concerned, except very indirectly, with substantive issues raised by recent trends in the level of unemployment. Nor does it suggest why the unemployed do not have jobs and what could or should be done to provide them with jobs.

Now, other members of the panel indicated some concern about the attitude of the unemployed, and also there was a remarkable analysis in your presentation of the demand for labor.

I am wondering if our unemployment statistics can really ever be evaluated unless we keep in mind what to me must be the No. 1 criterion of any statistics, and that is the use to which you are going to put them.

How useful are they going to be to help us find constructive jobs, to help us increase the growth of the economy, to help us dovetail the human beings with the need for skilled persons to do the kind of work we need, or semiskilled or unskilled?

I am just wondering how you can really make an analysis without having those policy issues paramount in your mind all the time, all the way through?

Mr. GORDON. I agree with your general point, Mr. Chairman, if I may perhaps put the emphasis a little bit differently.

It is precisely for the reasons you suggest that the committee emphasized so heavily the need for detailed breakdowns as accurately as we could get them, and why we tended a bit to play down the

significance of the overall rate, and to urge the Department of Labor to publish in its monthly press release and in its Monthly Report on the Labor Force as large a number as possible of differential partial unemployment rates.

These categories can be selected for emphasis in line with what are considered to be the important questions of policy that private users as well as Government users will want.

I myself am very reluctant to suggest that the statistics should be compiled, the methods used developed, with too much preoccupation with a single range, even a broad range, of policy issues in mind.

The policy questions that look so important today may be a bit different from the policy questions that look so important tomorrow or next year.

The questions which one or another Federal Government agency or State agency may wish to ask of the statistics may be different from the questions that one or another private group may want to ask of the statistics.

It seems to me that the function and responsibility of the Government compiling agencies should be primarily to develop a statistical reporting system as accurate as possible, as detailed as possible, in order to meet this wide range of needs.

There is, as we emphasized in our report, no single definition of unemployment that will serve all purposes and meet all policy needs Let the data be available in as much detail as is necessary to meet at least the more important public and private needs for these figures.

Senator PROXMIRE. Let me be a bit more specific.

The No. 1 economic problem in the minds of many people in this country is unemployment, or putting it another way, the lack of utilization of our human resources, an adequate use of them.

Certainly the proposal that the President has called his major proposal this year, a tax reduction proposal, is directly related to, or at least justified in terms of, unemployment.

The size of the budget is argued constantly on the floor of the Senate, in committees, and everywhere, in terms of whether or not you can justify this kind of policy, in view of the fact that we have idle men and idle factories and so on.

So it seems to me these statistics are of very, very vital importance to us. And yet, as was indicated by another member of the panel, we are having great difficulty getting the money we need to get the statistics to find out what the score really is, so that we are in a position to make intelligent decisions that are effective and efficient and economical and low-cost in terms of achieving our objectives.

For example, the Secretary of Labor has testified before this committee that unemployment is much heavier in areas of minorities, racial minorities, in areas of people who are young, minorities, and people who have a low level of skill. He has indicated unemployment is about twice as high on each of the categories as the average in the country.

Now, I do not know how reliable these estimates are. I have seen that President Conant, a very responsible man, has made an estimate that in many areas of the country, when you have a combination of the unskilled Negro youth, you have unemployment rates that

are as high as 50, 60, or 70 percent. These are statistics that are of enormous importance to us.

It seems to me that the impact on Federal policy, the direct action of Congress that you can anticipate, if you can get reliable statistics of this kind before the country, would be very, very great.

And yet we do not seem to be able to move in with much assurance or decision in getting this kind of information.

Mr. GORDON. If you will forgive me, Mr. Chairman, I am not sure who "we" are, in this particular context.

Senator PROXMIRE. Well, Congress does not seem to be able to act. I am not blaming you gentlemen.

Mr. GORDON. I am pleased and relieved to have you identify the guilty party.

I could not agree with you more.

If I may cite a personal experience bearing specifically on the point that you just raised: In my own private research, I have been trying to interpret the trend of the overall unemployment figures over the last decade and a half, in terms of unemployment differentials by age, sex, and color. Going far beyond what the President's Committee was trying to do, I have been trying in my own individual work to get at some of the causal factors at work and also what some of the policy implications are.

And in trying to work with detailed unemployment rates by age, sex, color, and so on, I find that, first of all, the sample is not really large enough to support a very detailed breakdown, so that I can have complete confidence in the individual rate, say, for Negro female teenagers. Indeed, some of these detailed figures are not even published, because the Bureau of Labor Statistics does not feel they are reliable enough in that detail.

This is a part of the emphasis we put, in our report, on the changing character of the needs, from a policy point of view, for unemployment statistics, and hence on the need for building up the sample gradually over the next few years.

It is not for us to say what the policy questions are, or to define an unemployment rate in terms of one policy objective rather than another, but we did try to look ahead, as well as around us today, to get an idea of the wide variety of public and private policy questions on which these data bear, and then to suggest ways of improving the statistics so that there would be not merely one figure, the overall unemployment rate, but a variety of figures which could be used for different purposes by the various public and private users of these data.

Senator PROXMIRE. Let me ask you one other question. Your last point, point 3, you say:

> A sharp line should be drawn between the release of the statistics and the technical analysis of the data, on the one hand, and comments on the policy implications of current developments revealed by the data, on the other. A major improvement in this direction was effected early this year.

What major improvement?

Mr. GORDON. I will have to speak from a memory of events observed at a distance of 3,000 miles, and perhaps someone from closer at hand can speak in a more informed fashion about this.

The Secretary of Labor made a public statement, the end of January, announcing the identity of the officials, the technical people involved, who would be in charge of the press conference at which the monthly unemployment figure was released, and said that any comments that the Department of Labor might have to make about the implications of these figures would be made separately through his office.

I hope I have the statement accurately summarized.

There had been, on some previous occasions, and I believe my opinion is shared by the other members of the Committee, some confusion between merely reporting the statistics, on the one hand, and commenting upon their policy implications, on the other, in the same press conference.

We urged that these two activities be sharply separated, and there has now been a public statement by the Department of Labor that the monthly release has been organized so that this separation will be achieved.

And so far as I know from observing the press releases of the last 3 months, this improvement has been made and adhered to.

Senator PROXMIRE. You would distinguish between commenting on the policy implications and explaining the statistics. In other words, you often get a situation where, because of some strike or some development, maybe a policy development, you have to explain what is going on?

Mr. GORDON. The technicians would report the statistics and comment on the amount of change from the preceding month. To the extent that that change called for what might be termed analytical explanation, which would take into account that this was, for example, a month in which children started looking for summer jobs, or that there was a strike last month, this is a part of the technical report.

But an assertion that the change that has occurred demonstrates that this or that action that the administration wants to put through as necessary is a policy statement, and this should be sharply separated from the statistical report.

Senator PROXMIRE. You feel this has been followed pretty well in the last 3 months or so?

Mr. GORDON. Since January, yes.

Senator PROXMIRE. Senator Miller?

Senator MILLER. Professor Gordon, I am reassured by your statement that the investigations of the Committee indicate that the reporting service's integrity is good.

The reason I raised this point is because there have been misgivings expressed occasionally over the qualification of some areas for area redevelopment assistance, and particularly for the immediate action public works projects.

Where an area gets down very close to the qualifying level, where there is some discretion that may be permitted, or at least there may be some discretion that can be exercised by some of the samples, which in a given situation could push the area into the eligible class, granted that there is the integrity, could you detect any deficiencies in the amount of discretion that can be exercised by the samplings in this particular type of an area?

Mr. GORDON. If I understand your question correctly, Senator, you are raising issues beyond the competence of this Committee, and which we did not investigate. I can only speak of the technical and statistical aspects of the problem.

Senator MILLER. Let me make my question clear.

You yourself brought in the integrity of the collectors. Now, I am merely asking you whether or not there is discretion permissible in which reasonable people can disagree from one area to the other, which might permit a qualifying area in one case, whereas a similar amount of discretion not being exercised might result in another area not being qualified.

I am talking now not about integrity, but about the scope of discretion within our statistics gathering groups.

Mr. GORDON. We have said in our report, and Professor Rees said again this morning, that we are not satisfied with the reliability of State and local estimates of unemployment. We think there is a wide margin of error in them, and it is entirely conceivable that decisions might be made under area redevelopment on the basis of an official unemployment figure for a particular area, which, if checked by a detailed survey for that area, might prove to be unwarranted.

But if I may, let me go on and make clear the division of responsibility and a little bit about procedures, here.

The local estimates are made by local authorities under the State employment programs. The Bureau of Employment Security lays out an overall plan for building up from insured unemployment to an overall estimate of unemployment that will take account of new entrants to the labor force not covered by unemployment insurance who have to be added in, those who have exhausted their unemployment coverage, and have to be added back in, and others not eligible for unemployment insurance. The proportions of these different components of the total number of unemployed varies from locality to locality and from State to State.

The BES has tried hard to improve the procedures used and to insure that the recommended procedures are followed. But the information does not exist for constructing estimates on a tailormade basis for each different locality that takes account of its own peculiarities.

Further, to be perfectly frank about it, the training, the technical proficiency, as hard as they try, of some of the people at the State and local level is not all that is to be desired.

For a variety of reasons, the skills are scarce, rates of compensation for people of this sort at the State and local level being not all that is to be desired. Jobs in private industry and in the Federal Government for a really well-trained man are more attractive.

I have heard, both as a member of this Committee and in other capacities, very sad stories and complaints from State and local people about shortage of staff, lack of training of staff, and so on.

I have nothing but admiration for the attempts BES is making on a national level to train on the job, so to speak, and to provide all sorts of ground rules. But even with the best of intentions, given all the difficulties and the lack of necessary data on this highly differentiated State and local level to which we have called the President's

and now your subcommittee's attention, it is inevitable that there is going to be a wide margin of error in these local estimates.

Now, given the figure at, say, 6 percent or 8 percent unemployment for a specific labor market area—and that is on the margin of making decisions about putting funds into that area—if that figure is off by a couple of percent, and the couple of percent is one way, you are making a mistake by putting money into that area. If it is off a couple of percent the other way, you have a wide safety factor in putting money into that area.

And at the moment, there is nobody that I know of who can tell you just what the margin of error for that specific figure and that specific area is until we get more of the detailed sample surveys such as we have recommended.

Senator MILLER. Thank you very much. I appreciate that very responsive answer.

And let me just follow on with this question. To what extent do we now utilize an information system out of BES to isolate these areas of error that you referred to?

Mr. GORDON. I wonder whether any member of the Committee or the staff could comment on that more informedly than I.

I know that there is extensive contact, close cooperation, between BES and the State and local agencies on this. A variety of conferences are held out in the field. There is a constant stream of instructions and manuals.

But I am afraid from my own personal experience I cannot answer the question in greater detail than that.

Senator MILLER. May I say that any question I might direct to you—and I am sure this is true with Senator Proxmire—any question I might direct to you or any of the other members, if any of the other members wish to come in—this is certainly what we would like to have you do.

But I am concerned about this. Maybe I should not be, and maybe I am concerned because I just am not familiar enough with the situation.

But I am concerned about the possibility of these errors occurring out on the State and local level, without some effort being made through an inspecting system, if you want to call it that, on the part of BES, as long as Federal money, particularly, is going to come into an area, depending upon the results, to determine whether there are errors and whether or not those should be adjusted out.

I do not know whether the Area Redevelopment Administration, for example, makes a check on these figures, or whether they just take without any check at all the figures received from State and local agencies.

If they do, from your testimony, we can come to the conclusion that they may be making some errors, because they have accepted data without inspecting them.

This is the problem I have at this point.

Mr. GORDON. I would like to make just one brief comment and then call on Professor Rees, if I may, Senator Miller.

The inspection problem has several different dimensions to it. It is not a question so much of sending a high powered expert from

Washington out to a local area to find that certain people have been counted as unemployed that should not have been, or the reverse.

The basic figure is the most accurate unemployment figure we have. It is the number of insured unemployed in that town or county or labor market area.

But then the question comes: How do you build on that to get those unemployed not covered by unemployment insurance?

Now, without an actual count, you cannot be sure of that.

What BES says is: Here is a standard way of building up such a figure. And they keep close tabs on the local and State offices in providing help, technical guidance, and building the figure up that way.

But if this, the labor market area, does not conform pretty closely to the national average, that standardized way of building up the estimate is going to be off to some unknown degree, and a man from Washington there will not be able to tell you how much, because the information does not exist.

Now, Professor Rees may want to challenge my interpretation. I do not know.

Mr. REES. No; Professor Gordon said just about what I intended to say, Senator.

This is not an auditing problem, essentially. I think BES does make certain that the formulas it has devised are followed in the State and local areas. But even if every instruction in the manual is carried out, that still does not insure good estimates, because the underlying data that go into this formula are not the kind of data that you would need to get a good estimate.

For example, they assume many times that in a particular group the unemployment rate in a depressed area will be the same as in a more prosperous area, or that in a particular group the unemployment rate in a recession period will be the same as it is in a more prosperous period.

Many of the elements in this formula are just standardized figures that get plugged in at a particular point, whereas if we had more precise information, we could vary those figures according to the circumstances of the locality and according to the phase of the business cycle.

As far as I am aware, the Area Redevelopment Administration does not enter into the preparation or the supervision of these estimates. They accept the estimates as they are prepared in the State and local offices under the direction of the Bureau of Employment Security.

Just how the estimates themselves enter into the decisionmaking process in the Area Redevelopment Administration is something that this Committee did not inquire into.

Professor Gordon can indicate if he thinks that is beyond the charge that the President gave us.

Senator MILLER. You indicated at the outset that BES makes certain that formulas are followed. Was that not your statement?

Mr. REES. You could probably inquire tomorrow from some of the Government witnesses who would be able to give you more accurate

answers to this than we could. Maybe there are some who are present.

Senator MILLER. I was just wondering, when you said they make certain, how they make certain.

Mr. REES. I am sorry, Senator. I am not really able to answer that. But tomorrow there will be witnesses from the Department of Labor who certainly should be able to answer it for you.

Mr. GORDON. I can add, Senator, that from my personal knowledge I know they send investigators out into the field to check in at the offices. They hold State and regional meetings of the people in the State and local employment offices, where this sort of thing is discussed extensively.

So that from that point of view, there is continuous communication from Washington out into the field, and an attempt made to see that these standardized methods are followed.

Our concern was that standardized methods are not good enough for this problem.

Senator MILLER. Thank you, Professor.

Now, I have one more question I would like to ask, and with a view to laying the foundation for it, let me give you an example, and how I am reacting to it, and then I would appreciate your comments.

Let's take two communities, each with 100 families, one in one part of the country, and one in another part of the country. Now, the heads of these families, we will say, in one community, community A, earned $5,000 a year, but they earned that in a 3-month period. It is one of these quick seasonal deals.

In the other community—we will call it community B—the heads of the families are employed continuously throughout the year, but they only bring in $3,000.

Now, as I understand it, community A would be considered a depressed area, at least during a good part of the year. But they would add $500,000 during the year as income to that community, whereas community B, which would have no unemployment at all, would have an income of only $300,000.

Now, if this is so, I think that we are missing an area that we ought to isolate in our unemployment statistics, possibly on the basis of family income. If our intention is to try to do something about family income, community viability, is it feasible to yank into our unemployment statistics something relating to family income per year, and use that, perhaps, as even a major basis for our activities in Congress, rather than the mere fact that somebody might be unemployed over a period of time, when, in the face of the example I gave you, their income for the entire year is much better than that of someone else?

Mr. GORDON. Senator, I hope you will forgive me if I sound very academic for about 2 minutes.

I think your question is a good illustration of a problem that the Committee faced, and about which we have tried to utter some warnings, to ourselves as well as to our readers.

It was not our job, as we conceived it, to select one criterion of welfare on the basis of which to define who is an unemployed person

in a particular month of the year. It was not our job to say that a person, because he earns during the course of an entire year a sum above some minimum, which we arbitrarily fix, must not be considered unemployed in any month of the year in which he does not work. That was not our job.

Our job was to suggest as accurate compiling as possible of as wide a variety of statistics in this general area as would meet the wide variety of policy questions we saw around us and that might develop in the future.

That is one aspect of your question.

Now, to get down to the matter of detailed interpretation of the figures in the specific case you cite. This is in part a problem of seasonal adjustment. If you had, by conventional standards and definitions, the unemployment rate in each of your two areas seasonally adjusted, the way seasonal adjustment is normally done, community A would show the same adjusted unemployment rate through the year.

In the extreme case of the community in which people work only 3 months a year, there would be a seasonal adjustment factor, which would show a hundred percent of the labor force working 3 months, a zero percent of the labor force working the other 9 months. I am assuming that in these 9 months they would be in the labor force and reported as unemployed.

You would divide the actual figures by the seasonal index in each of the 12 months, and get the same answer. (In this particular case we have a little problem of how to divide by zero.) There is no change in employment, according to the usual seasonal pattern in that town, and you would have a basis for whatever policy measures you were considering. But it is true that the adjusted unemployment rate would be higher than in the other town.

Now, one thing that disturbs us is that the detailed information for these seasonal adjustments does not exist today on a local basis, and the seasonal adjustments on a local basis, it is my understanding, are not being made.

We urged that the BES institute a program.

Senator PROXMIRE. Did you say "the seasonal adjustments on a local basis"?

Mr. GORDON. They are not being made, in my understanding.

Let me put it this way. It is my understanding that comprehensively, across the Nation, for all the labor market areas, approved seasonal adjustment methods are not being applied to the local figures. This is done, I believe, on an ad hoc basis. Some areas are doing it, and some are not.

I cannot answer, from my own knowledge, whether the official area unemployment rates, which are the basis for the kinds of Government programs you are describing——

Senator MILLER. Do you have information on this point?

Mr. GORDON. We do urge a more consistent national utilization of State and local data.

Mr. GAINSBRUGH. May I add a note to what has been said, using Senator Miller's illustration?

If through redevelopment and training in the area you first refer to, employment can be spread or increased over the year, in addition to the 3 months from which the $5,000 average is derived, I would view that as constructive.

Senator MILLER. Sir?

Mr. GAINSBRUGH. I would view that as constructive.

Senator MILLER. I would not for one minute suggest that it was not. But when you have a great many areas to concern yourself with, I am sure you will agree that we have to arrive at a scheme of priorities.

And I would hope that you would agree that if we had another area that had, let's say, a similar amount of unemployment for 9 months of the year, with only, let's say, a $2,000 income, you would designate that ahead of this other.

What I am getting at, though, is that I would agree that it would be constructive, but there is a limit to the resources, and I am trying to isolate some problem areas, here, which you people have been very helpful on, so that we might go on to try to improve these statistics and in turn try to improve the administration of our programs.

Mr. GORDON. May I say that this has been called to my attention. You will forgive me that I do not remember every page and every paragraph in the report.

Senator MILLER. We understand that.

Mr. GORDON. Page 196 of our report, where the area classification is referred to, page 196, the lower half of the page. After citing the area classification, we then quote from the official document of the Bureau of Employment Security, which describes the criteria used in classifying areas, and it reads as follows:

> The extent of unemployment in a particular area is, of course, a key factor in determining the appropriate area classification assigned to each locality. It is not the sole criterion used in classification, however. Consideration is also given to the area's employment outlook, as reflected by local employer estimates of their manpower requirements; to the relationship between labor supply and demand; to the seasonal pattern of employment and unemployment fluctuations; and to several other factors.

Then we go on:

> Thus, the uncertainties indicated earlier in the use of the area estimates of unemployment are here compounded by the "judgment" factors which are often necessary in determining an area classification. The classification is expressed in terms which allow for a fairly wide margin of error—that is, in bands of 3 percentage points except for the A and B groups, which are each 1½ points wide. The upshot is that, although the area classification has several operational uses, its usefulness for analytical purposes is limited.
>
> One specific improvement badly needed in the area-classification procedure relates to seasonal adjustment. According to the description of the criteria for classifying areas in Area Labor Market Trends, seasonal movements can result in changing an area's classification from B to C or vice versa, or in shifts among groups D, E, and F, the three classifications together described as denoting "relatively substantial unemployment," but there can be no other changes in classification from seasonal movements. As it is, such an arbitrary weaving of seasonal adjustments in and out of the classifications is confusing and appears illogical.

Therefore we recommend that:

> Allowance for seasonal changes should be made in all the classifications. Probably the best procedure would be to make explicit seasonal adjustments

of the estimates of local unemployment rates, since these are the primary determinants in area classification.

Senator MILLER. Thank you, Professor. That is precisely what I want.

Senator PROXMIRE. Could I at this point suggest that on pages 68–70 of the April 1963 supplement to Area Labor Market Trends, a publication of the U.S. Department of Labor, there is an explanation of area classification, and groups D, E, and F are the precisely similar references to the weight that is given to the seasonal factor in evaluating the level of unemployment. And the term that is used in each case is, "The current or anticipated labor surplus not due primarily to seasonal or temporary factors."

The explanation of this, it is short—I ask unanimous consent that that be put in the record at this point.

(The pages referred to follow:)

EXPLANATION OF AREA CLASSIFICATIONS

One of the six overall objectives of the Federal-State employment security program is "to develop and disseminate employment, unemployment, and labor market information in order to assist in achieving economic stabilization and growth, and to meet the informational needs of labor, management, and the public." Among the major measures established to carry out this objective is the Bureau of Employment Security program of classifying areas according to relative adequacy of labor supply. These area classifications are intended to provide a quick, convenient tool to measure comparative differences in the availability of labor in the Nation's major production and employment centers. These condensed, summary indicators of area labor market conditions have been widely used by Government agencies and private organizations in the planning, administration, and evaluation of manpower programs and policies ever since the area classification program was first initiated in the early days of World War II.

Area classifications represent a synthesis of a number of key elements which reflect the nature and the character of an area's present labor market. The area classification for each area blends together pertinent data on the current level of unemployment in relation to the size of its labor force, on changes in employment and unemployment in comparison with several recent periods, on the area's employment and unemployment outlook, as reflected by employer estimates of their manpower requirements, on the size of the area's labor demand in comparison with available labor supply, and on the seasonal pattern of local employment and unemployment fluctuations, into a single symbol which characterizes the status of that area's labor market in comparison with those of other areas throughout the country. Area classifications thus permit general comparisons to be made between areas, comparisons which are not feasible through the use of any other single statistic.

The present classification criteria, which have been in effect since May 1955, group the areas into six major supply categories. Classification groupings are designated by letters ranging from A to F, with group A reflecting the overall labor shortages and group F the relatively greatest unemployment.

Areas classified in categories D, E, F are regarded as meeting the requirements for designation as "areas of substantial labor surplus," or "areas of substantial unemployment" for the purposes of Defense Manpower Policy No. 4 (revised), Executive Order 10582, implementing the "Buy American Act," and Small Business Administration loan and related programs extending preferential treatment to areas with substantial unemployment. Areas designated as "areas of substantial and persistent unemployment" are eligible for first preference in the award of Government procurement contracts placed under the provisions of Defense Manpower Policy No. 4 (revised).

A summary of the criteria used for each of the individual classification groups is listed on the following page.

Area classification criteria

1. CURRENT LABOR SUPPLY-DEMAND SITUATION

Group A	Group B	Group C	Group D	Group E	Group F
Current overall labor shortage; expected to continue at least through next few months.	Job opportunities for local workers nearly in balance with number; this situation expected to continue over next few months.	Job seekers moderately in excess of job openings; this situation expected to continue over next few months.	Job seekers substantially in excess of job openings; this situation expected to continue over next few months.	Job seekers substantially in excess of job openings; this situation expected to continue over next few months.	Job seekers substantially in excess of job openings; this situation expected to continue over next few months.

2. RATIO OF UNEMPLOYMENT TO TOTAL LABOR FORCE

Less than 1.5 percent.	1.5 to 2.9 percent.	3.0 to 5.9 percent.	6.0 to 8.9 percent.	9.0 to 11.9 percent.	12.0 percent or more.

3. LABOR MARKET OUTLOOK OVER NEXT FEW MONTHS INDICATES

Continuing sizable labor demands.	Employment outlook favorable; unemployment likely to remain low.	No significant changes in employment or unemployment.	Declining employment or no significant increase.	Declining employment or no significant increase.	Declining employment or no significant increase.

4. EFFECTS OF SEASONAL OR TEMPORARY FACTORS

The current and anticipated labor shortage not primarily due to seasonal or temporary factors.	Reflects significant seasonal fluctuations in employment and unemployment.	Reflects significant seasonal fluctuations.	The current or anticipated labor surplus not due primarily to seasonal or temporary factors.	The current or anticipated labor surplus not due primarily to seasonal or temporary factors.	The current or anticipated substantial labor surplus not due primarily to seasonal or temporary factors.

Areas may also shift between groups D, E, and F in response to significant seasonal changes in employment and unemployment, but will not be moved in or out of group A or betweeen groups C and D as a result of primarily seasonal or temporary fluctuations.

Area classifications are issued at monthly intervals by the Bureau of Employment Security of the Department of Labor. A total of 150 of the Nation's major labor markets are regularly classified into the 6 labor supply groupings. The 150 major labor market areas regularly classified by the Bureau of Employment Security according to relative adequacy of labor supply account for about 34 million nonagricultural wage and salary workers. This represents nearly 70 percent of the Nation's total.

In addition to the 150 major areas, the Bureau of Employment Security also classifies smaller areas (ranging in size down to those with a work force of 15,000) when they have relatively substantial unemployment. Such areas are designated as "smaller areas of substantial unemployment," but are not placed in a specific classification category. Very small areas—those with a work force below 15,000—are also classified if they have substantial and persistent unemployment and are recommended to the Department of Commerce for consideration under the Area Redevelopment Act. From the standpoint of Government contract awards under Defense Manpower Policy No. 4, it makes no difference whether an area is classified in groups D, E, or F, or as a smaller or very small area of substantial unemployment. Each is regarded as a substantial unemployment area and each receives equal treatment under existing programs to assist such areas. Areas with persistent unemployment in any size category receive first preference.

The area classifications are assigned on a "labor market area" basis rather than to individual cities or communities. A labor market area consists of a central city or cities and the surrounding territory within a reasonable commuting distance. It may be thought of as an economically and socially integrated, primarily urban, geographical unit within which workers may readily change their jobs without changing their places of residence. A labor market area takes its name from the central city or cities, but may have many other communities within its boundaries. Major labor market areas usually have at least one central city with a population of 50,000 or more, according to the 1960 census. In most instances, boundaries of major labor market areas coincide with those of standard metropolitan areas, as determined by a Federal interagency committee chaired by the Budget Bureau.

Definitions of all classified areas are listed in a Bureau of Employment Security publication entitled "Directory of Important Labor Market Areas." This publication also lists all major communities located within the boundaries of the defined labor market areas.

The area classifications are assigned according to uniformly applied criteria. They are based on labor market information—both narrative and statistical—submitted to the Bureau of Employment Security by affiliated State employment security agencies under a regular labor market reporting program. These reports are prepared locally, drawing on the vast amount of information available in local public employment offices, according to standard outlines, methods, and techniques. The usefulness of the area classifications is thus enhanced by their comparability and uniformity.

The extent of unemployment in a particular area is, of course, a key factor in determining the appropriate area classification assigned to each locality. It is not the sole criterion used in classification, however. Consideration is also given to the area's employment outlook, as reflected by local employer estimates of their manpower requirements; to the relationship between labor supply and demand; to the seasonal pattern of employment and unemployment fluctuations: and to several other factors.

Senator PROXMIRE. And it seems to me that, under these circumstances, the possibilities of a particular area being classified as depressed simply because a seasonal factor temporarily put people out of work when it was clear they would be likely to be employed somewhat later, was minimized. That is, if properly administered, it could not be classified as a depressed area.

Mr. GORDON. As I understand it, according to the same source you are citing, the seasonal factor could not lead to a shift into or out of the combined group, D, E, and F, but might lead to shifts within D, E, and F. But all three together are considered.

Senator PROXMIRE. The seasonal factor—Senator Miller has raised a very, very important point—the seasonal factor is enormously important in explaining unemployment. As a matter of fact, we made a study, in which we asked a question similar to the one Senator Miller has asked.

We asked the extent to which seasonal factors cause and explain unemployment. And their total overall figure was 21 percent, which is a substantial proportion. In agriculture, it is 37 percent, and in construction 38 percent. And it is very high in all categories. So it is a matter of great importance.

Of course, the interpretation of it and the administration under the interpretation is important, and if, as you said earlier, the statistics are not available on a reliable basis, or are not used regionally or locally, or it would have to be inferred by some administrative judgment not very well supported by a precise statistical study, I can see how there could be mistakes made and misallocation and policy decisions that may be in error.

Senator Miller wants to ask another question.

Senator MILLER. I would like to follow along on that last statement that you quoted from, Professor. Is it feasible to have, in addition to the recommendation that you made, some kind of an inspection system cranked into this program, at least so that there would be a spot-checking procedure to isolate these areas?

Mr. GORDON. I think, Senator—I do not know whether I can speak for all the members of the committee, but my own personal view is that what we need first is a better factual basis for understanding the differences among areas, among local areas, which we do not have, from what we now have.

Now, to apply the techniques of the National Household Survey to every labor market area in the country would be prohibitively expensive. Therefore, we urgently recommended in our report that the Bureau of Employment Security begin with some experiments, taking two or three sample areas, and running a household survey in those, doing this for a year or two, and then going on to another couple of areas, so that—and this may make you impatient—so that over, say, a decade we build up detailed information in what might be called prototype areas all over the country, samples of different kinds of situations, where we would have detailed information on who are the unemployed other than those who are covered by unemployment insurance, and what is their seasonal pattern, and all sorts of things that you are now asking about.

If we had that kind of program, after some period of years—and they would not give you an answer tomorrow, it would depend partly on how much we were prepared to spend on it—we would have this kind of detailed information. And then these classifications could be made on a much more substantiated basis.

Perhaps the members of the committee would care to speak to that.

Senator PROXMIRE. As I understand it, you are talking in the area of $200 to $300 million. I understand that a household survey for all areas——

Mr. GORDON. It would be a fantastic figure, and we did not even think of suggesting it. That is why we were suggesting this sort of painful long-run program of building up samples of the geographical pattern around the country, doing perhaps a couple of areas a year. And I believe that BES put in for a request that would have permitted them to start on two areas.

Senator PROXMIRE. Mr. Stephan wanted to make a comment.

Mr. STEPHAN. I wanted to make the observation that we not only do not have enough data or information about local areas, but we do not know enough about how to get good, dependable estimates of their condition at various times and under various circumstances. Therefore, the purpose of these experiments is not merely to accumulate data, which certainly will be worthwhile, for application to other situations that are similar, but also to discover and invent and develop and perfect methods that we do not yet know about and that we will discover by conducting research and making the attempt to find better ways.

The Household Survey itself came late in the great depression. If we had had it early in the great depression, it would have been a wonderful help to us. But we did not make the attempt soon enough.

It is exceptionally important for us to recognize that while the unemployment rate has been fairly stable in recent months, every once in a while we get a great surprise. A year ago, the stock market took a great dip. And if unemployment had taken a similar dip, we would be tearing our hair trying to find out what was happening, in detail, and with all the variety of information we would need locally and nationally.

So that we have a situation here in which we have to meet not only the needs of the current situation, but be prepared for emergencies and crises and unexpected developments.

And these will happen in local areas, where a change may occur that is quite unlike what is happening elsewhere in the country, just as much as they may happen nationally, or even more so.

It is for this reason that we need to go to work to find better ways of preparing these local and State estimates, as well as accumulating the kind of data that has to be put into them.

Senator PROXMIRE. You think it would be advisable to test smaller samples than the enormous sample that we get?

Mr. STEPHAN. In the field of sampling there are many developments that can improve the yield from the small samples.

It is remarkable that we know about the whole country from a sample of only 35,000 households.

Senator PROXMIRE. I can remember that up until the 1948 election Gallup said it was remarkable that we could find out about the whole country with a sample of a couple of thousand people.

Mr. STEPHAN. There are many differences between samples. And the sample he was using then was a relatively primitive method of sampling. He could not possibly get by on 35,000 or 350,000 families with the methods he was then using.

But in the various Government agencies engaged in developing these statistical surveys, remarkable inventions and developments have occurred which have subsequently been used by private business and other governments around the world to give us accurate data from samples of modest size.

We can do still better, although it is not clear at the moment as to how the additional improvements can be made.

But in the case of the local and State area estimates, this type of approach has not been tried out thoroughly, and that is why it is very important that we get some experiments going and that we have imaginative and creative and wise people observing and conducting these experiments and learning from them how to do a much better job than we are now doing.

The consequences of that will be greater equity in the allocation of the funds that are devoted to the areas that need them, and better yield on the expenditures that the Federal and State and local governments may make in this field.

Senator PROXMIRE. Thank you very much.

Mr. GORDON. Mr. Chairman, may I just add a few words there?

While from some points of view the national sample of 35,000 households may sound to some large, and undoubtedly costs a substantial sum of money, it is not large enough to provide a statistically reliable estimate of unemployment in a single State in the United States, when you start breaking it down by States, much less labor market areas in local communities.

Senator PROXMIRE. Now I would like to ask Mr. Gainsbrugh: First, this is one of the very few analyses I have seen, and a very fine one, on labor demand. This is a simple analysis, but useful and helpful. I am happy to see it, because, as you say, there has been a growing feeling on the part of many people that the jobs are available if we can train people for them, and move them and put them in the right place, but whether this is true or not is something that we just do not know.

I am wondering how far we can really go on this help wanted data, however. The experience I have had, as an employer: When we needed somebody, we never put in a help wanted ad. We would inquire in the trade. This is in the printing business.

In many businesses, large businesses, this is true. If you have a union, you inquire in the union shop, or if you have people in the trade, you inquire, and you get in touch with people who have been employed before and who may have gone into something else.

I wonder if any studies have been made to indicate what the proportion is relatively, or if any estimate can be made reliably, between the help wanted ads and the actual need for people to go to work.

Mr. GAINSBRUGH. We do not know of any, Senator.

I think one way to find the answer is to go out and ask employers what courses of action they pursue in connection with hiring. Such a pilot survey would be rather revealing.

Your question certainly underscores the need for further exploration of additional avenues of information relative to the hiring process over and beyond help wanted ads.

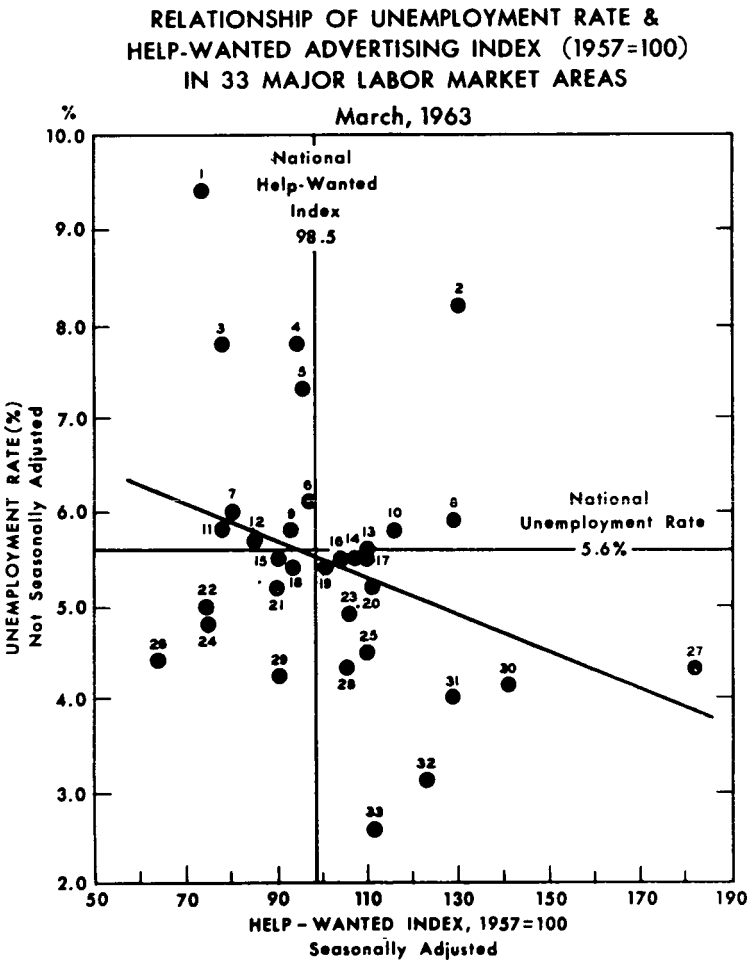
But it is surprising, with the limited degree of information we already have at our command, how the performance of the help wanted ad falls into line with a priori expectations or with theoretical considerations.

I would like to submit for the record—I am sorry that we have not completed the diagram so that all of you could see this—the relationship between employment trends in demand as reflected by help wanted ads and unemployment for each of the 33 areas.

Senator PROXMIRE. That is on one page?

We will certainly put that in. Very happy to have it in the hearings.

(Diagram material follows:)



Comparison of unemployment and help-wanted advertising, 33 selected areas, March 1963

Cities	Labor market category	Unemployment rate (in order of severity)	Help-wanted index 1957=100
Pittsburgh	E	9.4	74.2
Providence	D	8.2	130.9
Youngstown	D	7.8	78.7
San Diego	D	7.8	95.4
Philadelphia	D	7.3	96.1
Kansas City	C	6.1	97.6
Detroit	D	6.0	80.7
Los Angeles	C	5.9	129.9
Baltimore	C	5.8	93.5
New York	C	5.8	116.6
New Orleans	D	5.8	78.2
Seattle	C	5.7	85.3
San Francisco	C	5.6	110.0
Albany	C	5.5	107.6
Cleveland	C	5.5	90.4
Louisville	C	5.5	104.2
San Antonio	C	5.5	110.0
Birmingham	D	5.4	93.8
St. Louis	C	5.4	101.1
Boston	C	5.2	111.6
Knoxville	C	5.2	90.0
Chicago	C	5.0	75.2
Memphis	C	4.9	105.8
Cincinnati	C	4.8	75.2
Houston	C	4.5	110.0
Milwaukee	C	4.4	64.3
Salt Lake City	C	4.3	182.2
Indianapolis	C	4.3	105.2
Minneapolis	C	4.2	90.2
Nashville	C	4.1	141.7
Dallas	C	4.0	128.8
Atlanta	C	3.1	123.1
Washington, D.C.	B	2.6	111.2

Source: Bureau of Employment Security; the Conference Board.

Mr. GAINSBRUGH. There you will find, I think, some degree of support for the belief that even if you cannot measure the total availability of jobs, there is much of value to be gained from observing trends in job vacancies through help wanted ads.

Senator PROXMIRE. You have this Providence exception?

Mr. GAINSBRUGH. Yes; it stands out immediately on the chart. We have drawn four quadrants with the national averages of unemployment and help wanted advertising marking off the quadrants, you can observe, for example, whether there are any areas in the country in which we have high unemployment and high help wanted ads. There is only one—Providence. You will find other instances in which we have high unemployment and low help wanted ads. There are many of the latter in that particular quadrant.

I think all of this suggests a consistency in pattern.

Senator PROXMIRE. It would seem to be fairly simple to make an analysis of help wanted ads in terms of degree of skills and the kind of skills that are usually asked for.

For example, the help wanted ads for stenographers and for various technically trained people, I would think, in proportion to the jobs available, would run fairly high, but in many, many other areas, I should think there would be almost no help wanted ads, although employers might need help.

Mr. GAINSBRUGH. Your comment on skill leads me to volunteer another consideration. I remained silent when you questioned our

Chairman about the adequacy of our statistics as they relate to the whole broad field of unemployment.

In that connection, our whole Committee was interested in the special survey that was undertaken in April of 1962, relating to a detailed nationwide survey of persons unemployed. We have been eagerly awaiting the results. These have now appeared in the March 1963, Monthly Report on the Labor Force.

Relative to your comment on the occupational consist of the unemployed as against the demand for workers, I read you the closing paragraph of this survey:

> The occupational distributions of these jobs points up one aspect of the unemployment problem. Only 22 percent of the 9.6 million workers covered by the survey reported a white-collar occupation even for their best job, whereas over 40 percent of all employed workers in each year from 1957 to 1962 were in white collar occupations. Moreover, as between the first and last jobs, there was no rise in the proportion in white collar occupations among the 9.6 million, whereas for employed workers it has been steadily rising.

Here, for the first time, is where we are starting to get some insight into the consist of the unemployed and their occupational backgrounds, against which to view the demand for employment. That I think will be very revealing, as more of that survey is released.

One other footnote, if I may be permitted it, because this was a bone of contention within our own Committee, and we now get some insight into it. This deals with the definition of unemployment, particularly in areas where no jobs may be available. The survey finds:

> Of all those persons covered by the survey who were not in the labor force in April of 1962 (about 650,000) half reported that they intended to look for work again—most of them within a month of the date of the interview. Thirty percent did not plan to look for work, mainly because of ill health or because of too many household responsibilities.
>
> Another 13 percent did not know whether they would look for work.

And then the particular statement I have been meaning to underscore:

> The proportion who did not plan to look for work because they thought no work was available was only 3 percent of those not in the labor force in April of 1963, and was a negligible fraction, two-tenths of 1 percent, of the total with a month or more of unemployment in 1961.

Senator PROXMIRE. That is interesting.

Mr. GAINSBRUGH. The initial findings of this very revealing survey have gone largely unnoticed.

Other data should be forthcoming as to the financial status of the unemployed, their work experience, their dependency status, and so forth.

None of this, or very little of this, can we get from our current monthly survey. Our current sample is too small to enable us to derive such detailed information about the unemployed.

Senator PROXMIRE. Now, you make one specific suggestion. You say by way of illustration of this: "A pilot survey might be undertaken, for example, in the New York City area."

What would this cost? And would there be any possibility that in your judgment the city itself might be willing to share part of the cost? Or to put it another way, would it be appropriate for Congress to do it on some kind of a matching basis?

Mr. GAINSBRUGH. I suffer from a bias. I would hope that more and more of the research at State and local levels would be financed by the States and localities rather than from Federal funds.

I am impressed with the high quality of performance in several of our States in the development of data on labor demand, as well as with measures of employment and unemployment.

Senator PROXMIRE. You think these are desires that are likely to be realistically realized? Are they going to do this? The States are so hard pressed for money.

Mr. GAINSBRUGH. In connection with my own statement, my emphasis was upon the fact that hopefully this might be done with foundation support. I think it is entirely possible that foundation support of sufficient amount would be forthcoming.

If I had to put a price tag on this, I would not regard the proposed pilot study as too expensive or costly for such a sponsor.

Senator PROXMIRE. You think it is an authoritative study that would be reliable and useful, and not outside the means of a number of foundations?

Mr. GAINSBRUGH. I think it is readily within those dimensions on a pilot study basis.

Al Rees has just mentioned to me that the Governor of Illinois is now exploring the possibility of developing data on job vacancies for that particular State.

I believe he is a member of that committee.

Senator PROXMIRE. Have they discussed a method of financing the study?

The reason I say that is because I know Illinois is very hard pressed.

Mr. REES. They have not met yet, and, as I understand it, the Governor appointed an advisory committee of Illinois business, labor, and academic people to work with the State Department of Labor and the U.S. Department of Labor in developing job vacancy statistics for Illinois.

And I believe there was some commitment that if experimentation is possible, Illinois would be one of the places where the experiments would be carried out.

I am going to meet this afternoon with some of the people in the U.S. Department of Labor to find out more about their plans, and then next week with some of the people in the State Department of Labor, back in Illinois, and I hope very soon we will have more information about what will be done. But something is underway in the area of developing experimental job vacancy statistics.

Senator MILLER. I would like to ask you this, Mr. Gainsbrugh: In your statement, you say:

> As the rate of technological innovation speeds up, we need more knowledge of the job opportunities that are being created.

Because of the tremendous national effort that enters into this field, particularly, for example, in the space and national defense areas, would it be your thought that we ought to try to come up with an estimate of the opportunities that will be forthcoming 1 year, 2 years, 3 years, in advance, as a result of these activities, so that we will have a fairly firm estimate of these opportunities?

Mr. GAINSBRUGH. When I wrote that particular sentence, I had in mind what we must pay a young programer with perhaps 1 or 2 years of graduate experience. They are commanding between $12,000 and $18,000 in the open market today, if you can get them.

I think had there been more widespread knowledge of the development of electronic data processing and a more ready response of our research institutions and educational institutions to that emerging need, that premium price might not be lower today. And there is a shortage there that I think will continue for some period of time.

Going on to your specific question, I think in many instances we could get knowledgeable responses from employers as to prospective areas of growth in specific enough terms, perhaps, to be used for educational and vocational guidance.

Maybe some of this is being done by governmental offices at the moment. I do not know.

Senator MILLER. Let me say that I share with you your approach to emphasizing State and local activity in this respect. But I can see a National or a Federal interest in this respect, too, particularly as it relates to the defense and space industries.

I am wondering if we should not try to do something a little more than we are doing now, as far as the civilian side of our economy is concerned, in forecasting requirements, particularly technological requirements, for personnel.

Mr. GAINSBRUGH. I mentioned in my opening statement the desirability of collecting expectational data for employment in the same way that we have already created such a series in the fields of capital spending. I think it would be helpful.

Mr. GORDON. Senator Miller, may I add a comment on that?

The Committee strongly recommends that more effort and staff time be put into the development of occupational statistics, and I might add something which was in substantial part beyond the realm of interest of our Committee, in which you may be interested.

As you undoubtedly know, there is a so-called interagency growth project going on within the Government agencies in Washington today, in cooperation with the Department of Commerce and the Department of Labor.

This has already led to the development of a new so-called input-output table, which shows the relative importance of different industries in the national output, what industry sells how much to whom.

It is my understanding that it is hoped that this analysis of the relative importance of the production of different industries can be translated into jobs, which calls for estimates of productivity into the future, and it is my urgent hope that there will be also an attempt to project occupational trends in line with the projected demand for the output of different industries, and expected productivity changes in different industries, so that we will eventually have, unquestionably with a substantial margin of error, occupational projections for a decade ahead.

What is also encouraging is that there is, at a very informal level, a good deal of cooperation going on between the Government agencies involved and various university research teams.

In my own university, the University of California at Berkeley, a very large-scale research project on a cooperative basis, financed by the Ford Foundation, is making an intensive study of a number of different aspects of the unemployment problem in the United States, and we have been recently in correspondence with other investigators, specifically on this question of occupational trends.

And it is hoped that in our system of "free, private enterprise" in research, combined with sympathetic cooperation from Government agencies, out of these partly independent and partly cooperative efforts will gradually emerge at least a little bit more light on where we are going on the occupational side.

Senator MILLER. Thank you very much.

Mr. GAINSBRUGH. I might add: Good as these efforts are to derive prospective labor demand indirectly, let's not neglect the more direct approach. In private industry long-range planning has become widespread and knowledge of these longer range plans and their employment implications would be very helpful.

Senator MILLER. What I have in mind is this: In the military, for example, if a new weapons system is approved, it may take 2 years for that weapons system to get into production and out into the hands of the using units, and so, with a view to having the using units equipped and ready to go on it, the job classifications are set up, and the training program starts, and about the time the weapons start to come off the assembly line, the men are there to take over.

This is the scientific approach to the problem. And I gather from what you gentlemen have said that we should have some kind of a similar objective to obtain the maximum utilization of our training, education, and work force.

Mr. GAINSBRUGH. I agree.

Senator PROXMIRE. Now I would like to ask Mr. Rees: I take it that part of this has already been discussed. You say:

> To achieve State and local estimates of unemployment of the same quality as the national estimates would involve a vast expansion of the use of household sample surveys.

This is the $200 to $300 million area we mentioned yesterday?

Mr. REES. Something in that order of magnitude, yes. We did have some estimates prepared for us by the Bureau of the Census. We actually specified levels of accuracy lower than those of the national estimates, and we still got a staggering figure reported as the cost of achieving those levels of accuracy.

Senator PROXMIRE. Now, in this special analysis of Federal statistical programs, which we had in January of 1963, the estimates of the cost of labor statistics—and this includes the Departments of Agriculture, HEW, Interior, Labor, and National Science Foundation—the 1964 request was for $23.9 million.

I am told that as far as the national statistics on unemployment are concerned, our executive director tells me it is only $2 to $3 million.

Now, can we not get some of the accuracy in local areas, or begin to achieve it, for a great deal less than the huge amounts that we are talking about here?

What I am talking about is: Is there some alternative to the sensible pilot studies which you gentlemen have proposed, and which I guess have been turned down, which we might try?

One thing I have in mind is that if you are a little vague in your studies, and do not indicate it is going to go into every congressional district, or specific congressional districts, you are likely to get less support in the House and the Senate than if people can see that the congressional district may get some benefit from it.

Mr. REES. Senator, I think the problem is this. I would like Professor Stephan to comment on it, also, because he knows a great deal more about sampling than I do.

But the problem is essentially this: that the accuracy of a sample statistic depends almost entirely on the absolute size of the sample, and hardly at all on the ratio between the size of the sample and the size of the population that is being sampled. So that to a first approximation, in order to get an unemployment estimate, let's say, for the city of Denver, Colo., that was as accurate as the national estimate, you would need a sample of 35,000 households, or close to that number, in the city of Denver.

You can see some evidence of this problem if you compare our unemployment statistics with those of other countries: Canada, which is perhaps one-tenth our size, uses a sample of almost exactly the same size that we use, in order to get national unemployment statistics.

Senator PROXMIRE. Talking about the city of Denver, that would be cut down, would it not? You would not have the agricultural, rural, and smalltown categories. You could eliminate. If you are talking about Canada, which is as varied as we are, I can see the 35,000 figure.

Mr. REES. I would like to ask Professor Stephan to comment on that. I think he is better qualified than I am.

Mr. STEPHAN. I think you are quite right, that in a city like Denver it might be possible to use a substantially smaller sample to get comparable accuracy to the accuracy that takes the larger sample for a more heterogeneous and widespread population. But roughly speaking, it is like taking a picture of a group. If we were to take a group picture of all the Members of the Senate, we could do it on one film; for individual portraits, it would take a hundred times as much.

I would like to hasten to qualify this, however, by saying that statisticians have some resourcefulness in using other data that may be available along with their samples to get much better estimates.

For example, the census estimate, based on 35,000 households, is much more accurate than it would be if there were no decennial censuses of the whole population; it is keyed in to the 10-year figures, adjusted for the births and deaths that have occurred since the latest census was taken.

In a similar way, in a city or local area, there are many statistics that could be used to improve the sample estimates. The primary statistics for that purpose would be the current reports of the number of unemployed workers receiving unemployment compensation. They would be worked into the estimates for the area with the results from the local sample surveys covering parts of the labor force that are not included in the unemployment figures, either because they are not covered or because they have exhausted their claims.

Senator PROXMIRE. Mr. Rees, what was the size of the modest item that is recommended? How much was it that was knocked out by the House of Representatives?

Mr. REES. $700,000, I am informed. Was all of that for State and local?

Miss MARTIN (Miss Margaret E. Martin, executive secretary for the Gordon Committee). That was for the experimentation and the State and local. It was to be spent largely with household surveys, by transfer to census, and some for developing the plans, and some for experiments by a few State agencies.

Senator PROXMIRE. That budget is now before the Senate Appropriations Committee. So that it may or may not stay out. There is still hope.

Mr. REES. That is my understanding.

Senator PROXMIRE. Dr. Stephan, I just wanted to ask you, in connection with your very interesting and concise presentation of less than three pages: You give a whole series of general recommendations. As to the first two, I wonder about the burden on business, especially on small business.

We get a lot of complaints. I do not know how well founded they are. But business is saying they are drowned in requests for statistics from Government agencies, and they are unhappy about the complexity of the tax report they have to make out. They do not want to be burdened with anything else.

How much consideration was given to this element in your recommendation?

Mr. STEPHAN. I am pretty much aware of that problem. Many years ago I was secretary of a committee of the Central Statistical Board that produced a report on the burden of reporting.

But the problems that we face here are not merely those of the burden of reporting, but how the system can be improved to bring in more promptly the reports now received.

The first cutoff, from which the first figures are prepared, is based on roughly half the reports of employers.

In other words, the reporting employers have the same burden presumably that they would have if they were to report promptly and permit the first estimates to be based on something like 90 or 95 percent of the reporting employers.

It is just that lapse of time in the completion and mailing of the reports prevents the Bureau of Labor Statistics from utilizing many reports until the second or third month after the month that the first reports are prepared.

Now, in part, this is a problem of discovering what it is that leads to the delays. What are the problems the reporting employers face? Is it possible to simplify the procedure, or modify it somehow, so as to make it feasible for employers to report very quickly and make the information available much more valuable?

Statistics are first of all a perishable product. Their greatest usefulness is shortly after the events that they report and, except for their use in historical analyses or as a basis of comparison for subsequent reports they become progressively less useful as time goes on.

So what we are saying here is that we do not have the detailed answers on how to bring in the reports more promptly and ease the burden on the reporting employers, but we do see opportunities to work out these details in consultation with the reporting employer.

Similarly, the samples in this field are not based on a random selection, or a selection that is broadly spread over the various sizes and industries, but based much more on the cooperation and willingness to report of employers. It has been recognized over the years that this introduced some substantial biases in the reports. Originally these biases were corrected every 2 years by the Census of Manufactures and other data; now they are being corrected annually by the use of data reported in connection with the old-age and survivors insurance program.

Senator PROXMIRE. The difficulty here—and I think it is—may be one of the reasons why you have to refer to services and construction—they are both characterized by numerous small businesses, and they probably are less organized in terms of a cost accounting system and so forth. They probably do not have the information, in some cases, that you may want, or at least may not be as readily available.

And services and construction probably represent the greatest area of burden, complaint, and unhappiness about having to fill out forms.

Mr. STEPHAN. I think this is certainly true. And that does not gainsay the fact that these are very important areas to cover with the statistics, and to cover accurately.

Senator PROXMIRE. And in order to get an adequate sample, you have to go down and get the small construction firm that has two or three or four employees, as well as the big one, for whom the report would be a cinch.

Mr. STEPHAN. Some day some of these small firms will be large firms.

Senator PROXMIRE. And they represent many, many more firms, undoubtedly.

Mr. STEPHAN. Yes, more firms, but not necessarily in proportion. That is, if we have a modest, a very modest, proportion of small firms, that may suffice. If we have, for example, a coverage of 10 percent of the large firms, what we might require for small firms would be possibly as little as one-tenth of 1 percent of the small firms, or even less than that.

Senator PROXMIRE. As I recall, we had testimony before the Senate Banking Committee the other day by a contractors' association—and they were not sure of their statistics on this, which indicates how much they need them—they said there were between 300,000 and 800,000 construction firms. They did not know how many, but there were between that many.

That suggests the statistics are not very satisfactory. It also suggests, however, how many firms, undoubtedly 90 percent or more, are very small ones, but this aggregate would employ a lot of people, and do a lot of work.

Mr. STEPHAN. This is an example that applies in many fields, for example in retailing. The procedures that have been worked out permit the use of a much smaller fraction of the group if they are selected at random and carefully followed up to be sure that we have a fair coverage of the total group.

But to accomplish this kind of sampling with different proportions of the businesses of different sizes, we then have to modify the estimating procedures and give different weight to the part of the sample that

came from small establishments than the part from large establishments.

This can be worked out. I merely make the general statement that statisticians have a number of tools and techniques for accomplishing this, to reduce the burden on the reporting firms, and at the same time eliminate the greater part of the bias that would result if we just let nature take its course and merely accepted the reports that come in.

In the field of agriculture, it has been known that under voluntary reporting, you get estimates that are much too large, with many, too many, hired hands, and quite a difference in the crops and production, because the people who volunteer are generally the ones with more education, larger farms, and greater enterprise.

The same thing is true in business; we have to find ways of balancing out the bias and controlling it. Better procedures can be worked out to lighten the burden of reporting and at the same time strengthen the statistics that we are getting.

Senator PROXMIRE. Thank you very, very much, gentlemen. This has been very instructive.

I am sorry. Senator Miller has one more question.

Senator MILLER. I just want to ask Professor Stephan one more question. And I believe this is the theme that ran through some of your other statements, regarding a major increase in the size of the household survey.

How much is a "major increase"?

Mr. STEPHAN. A major increase certainly is not a 25- or 50- or even 75-percent increase, as I see it. I think this country is growing and is developing not only its industries, but the importance of its Government programs.

The information that would have been all right in 1930 or 1940 is not all right today. We have already expanded our statistical services to meet the growth that has occurred in the past.

I believe that we are going to continue to grow, and that what might be adequate for today will not be adequate for tomorrow.

Consequently, as nearly as I can see it, we need to expand the amount of the data collection in this household survey field by something on the order of 10 times, in the period of 10 years. Not all of it by just a simple enlargement of the present survey; a substantial part of it in special surveys aimed at getting the kinds of information not now available, but that will be needed in the future.

Your example of the two communities, A and B, is a typical example of an administrative problem in which we need to know more about the particular parts of the country, not about the whole country alone, but particular parts of the country, particular occupations, particular age groups, in order to make wise administrative decisions.

The more we attempt to do, the more we need information to guide our efforts.

Senator MILLER. Are we getting into a possible change from household survey to community survey?

Mr. STEPHAN. Well, in my opinion, community surveys would have to be conducted in part through obtaining information from households. This is the only way that we can find out about people's intentions about work and seeking work, or about some of the details of the effects of unemployment on households, relating the facts about

one unemployed worker with facts about the other unemployed workers in the household, about their economic needs and resources, about the impact of unemployment on them, on whether their savings will tide them over a period of seasonal unemployment, and many other facts like that.

Moreover, we need to know, among the teenagers who are unemployed but in the labor force, what their experience is, what preparation they have for taking jobs, what kinds of jobs they are suitable to enter, how they find jobs ultimately, and what the effects of a period of unemployment are on their morale and on their capability of being steady workers thereafter.

These are very serious problems, and they will accumulate in the population. If every teenager has to go through a period of unemployment, this will have profound influences on his attitude toward his country and toward his community and toward his Government.

Therefore, I feel that we are woefully ignorant at the present time of these important problems of the effect of employment opportunities and of unemployment on young people, on families, on the possibility of getting these young people to take some of the unfilled jobs that Mr. Gainsbrugh was talking about, and their suitability to meet the important needs of the space program or other programs that are growing rapidly, on the effectiveness of our school system, of our employment service, of the special training facilities that we set up to correct a situation of maladjustment and imbalance between important parts of the population that want work and important needs for workers elsewhere.

On that basis, it seems to me that our present household survey just does not begin to scratch the surface of what needs doing in the next few years.

Senator MILLER. Thank you very much.

I have no further questions.

Senator PROXMIRE. Senator Douglas?

We are delighted to have the chairman of the committee here. He was very gracious in coming. He had to be at another hearing earlier today, and we are delighted that he dropped in.

Senator DOUGLAS. I am merely a humble member of this subcommittee.

And as you say, I have been at a hearing on sugar prices, which prevented my coming.

Dr. Gordon, I have your statement before me, and I notice that you refer to the article by James Daniel, in the September 1961, issue of the Reader's Digest, entitled "Let's Look at These 'Alarming' Unemployment Figures," and I now quote:

> This article represented an egregious example of irresponsible journalism.

I would like to ask if the other members of the committee agree with this statement of yours. I would welcome a statement from each of the members, starting with Mr. Gainsbrugh.

Mr. GAINSBRUGH. May I say that this is a report that is most unusual. There is not a single minority footnote of dissent in it from the first to the last page. We were in agreement on every point that was submitted.

Mr. REES. I certainly agree with Professor Gordon's statement.

Mr. STEPHAN. I agree fully with the statement, and would like to add that the article in the Reader's Digest is just one example of many instances of public misunderstanding of the unemployment and employment figures.

We need to have better explanation and information for the public on what these figures are, and what they mean.

Senator DOUGLAS. Many years ago I advocated collection of figures on what I termed unemployment within employment, or the people who work only part time, although they would like to work full time, and I had Mr. Knowles compile a private series, which I would then bootleg into the Congressional Record. But we never were able to get it officially adopted until more recently.

I would like to ask Dr. Gordon, as Chairman of the group, whether he approves of statistics on time lost by part-time workers.

Mr. GORDON. The Committee officially blessed your figures, Senator Douglas, recommended that they be published on a seasonally adjusted basis every month, and they are now so published; and as a part of our emphasis on the different dimensions of the unemployment problem, they urged that even the initial press release feature several different unemployment rates, of which that would be one.

Senator DOUGLAS. And that is now done in Economic Indicators, and you will find it in the current issue of May, on page 11.

The percentage of unemployment is raised from 5.7 to 6.6 for April. Is that correct? In other words, it raises it by approximately 1 percent.

Is there any dissent from the other members of the committee on this point?

Mr. Rees?

Mr. REES. Senator, the only point I would like to make concerning this is that if you study that series and study it alongside of the older series, the difference in level is rather consistent, so that while it is true that you get a higher rate at present, you also have a higher rate in any historical base period that you choose to use for comparison purposes.

So I think that that figure really agrees with the more traditional figures in indicating the seriousness of the present problem.

Senator DOUGLAS. They raise the absolute level, even though they do not alter the cyclical fluctuations.

Mr. REES. Right.

Senator DOUGLAS. Any other comment?

Mr. STEPHAN. Senator, I think that every move we can make to throw more light on the nature of unemployment is going to be helpful in dealing with the problem.

And certainly one of the very important questions about unemployment is: What makes people lose jobs, and how do they get new jobs, and why do some of the jobs that they get not adequately utilize their abilities either in terms of time that they are permitted to work or in terms of the abilities that they can bring to the job?

Therefore I think that your series is a very important step in the direction that we should continue to follow by special surveys and analyses to bring to light these important aspects of employment

insofar as it may not be completely satisfactory or completely helpful for our economy, as well as total unemployment.

Mr. GAINSBRUGH. About the only thing I could add in the way of improving that series would be some measurement that would allow for the excessive hours put in by certain members of our society, including your good self and other members of the nonleisure class.

Senator DOUGLAS. I quite agree with that. May I say, however, that this endorsement by the committee is very pleasing. This is one more illustration of the way in which politicians frequently get hold of facts before economists.

Mr. GAINSBRUGH. Particularly when they happen to be economists before they turn to politics.

Senator DOUGLAS. Now, there is a third point that I think is important, namely, the dropouts in school who are not counted as part of the working force, and yet who are not at work.

Do I understand that if they are over 17, they are now counted as part of the working force? And if they are not employed, they are counted as unemployed, if they are thought to be seeking work?

Mr. GORDON. It depends entirely on how the respondent for the household answers the question: "Was Blank looking for work?" If, for example, the mother in the family, speaking of her 17-year-old boy who dropped out of school—if, let us say, she wishfully replies, "Yes, he is looking for work," he is counted as unemployed.

If she has reason to believe that he has not looked for work recently, and so replies sadly, "No, he is not looking for work," he is counted as not in the labor force.

Senator DOUGLAS. May I first ask about those who are 16 years old?

Mr. GORDON. Sixteen years olds, the same. Fourteen and up.

The question is asked of all members of the household age 14 and older.

And of course, for the overwhelming number of 14, 15, and 16 years olds, usually the housewife replies, "No, Johnny"—or Frank or Mary—"is not looking for work."

Senator DOUGLAS. Then there is no differentiation as to those below 17 and above 17?

Mr. GORDON. Not by age; no. We did recommend, however, that a separate figure be published for the 14- to 17-year-age group.

Mr. GAINSBRUGH. And that total in April is only about 100,000. Of the 700,000 or more teenagers unemployed, only a small number are in the 14- to 17-year-age group.

Senator DOUGLAS. You say 700,000 teenagers unemployed. How many of those are included in the unemployed covered by the BLS?

Mr. GORDON. All of them.

Senator DOUGLAS. Do you think there are more than 700,000 who are not included?

Mr. GORDON. It will depend on the part of the year. The figure would be higher during the summer, of course, than during the school year.

And again, it depends in part on how rigorous a criterion one uses in interpreting answers to the question: was Blank looking for work?

If a boy 15 or 16 has his name on file with the local newspaper circulation office, that he would like to deliver papers if a job comes up,

and if the respondent, usually his mother, replies, "Yes, Johnny has been looking for a job as a newspaper carrier," the interviewer for the census is instructed to report that child as unemployed.

But I know of no way of saying, according to some sharp cutoff point, just how many are in that category.

Senator DOUGLAS. Is there not a tendency for young people, after they have dropped out of school and are unable to find work, to lose heart rather quickly, and not to hunt for work?

Mr. GORDON. It is my observation, not as a member of this committee, but in my own community, which has an increasingly serious problem, particularly among Negro teenagers, that this is a problem of growing seriousness.

However, the tabulations we have made by age indicate that most of these young people get reported as unemployed. And I am sure you are even more aware than I am of the tragically high unemployment rates that are reported, for example, for nonwhite teenagers and those between 20 and 25.

Senator DOUGLAS. Do I understand, then, that there is an indeterminate number of young people not in school, not at work, but who are not counted in the official figures as unemployed? An indeterminate number?

Mr. GORDON. I have to say that in my opinion it is indeterminate, but it is my judgment that it is small, from the size of the reported unemployment figures for these categories.

Senator DOUGLAS. Mr. Gainsbrugh?

Mr. GAINSBRUGH. I was going to refer to the situation as it exists in my hometown. There a statement I saw recently that suggested there were as many youngsters out of school in April but not looking for work as there were officially reported as unemployed.

Senator DOUGLAS. This is New York City?

Mr. GAINSBRUGH. This was in New York City; more specifically, Harlem.

Just as large a number.

Now, the number without jobs is not indeterminate. You can get a total of the number in any age group out of school, and you can reason from the number who are reported unemployed as to the balance.

Senator DOUGLAS. Mr. Gainsbrugh, you are a very experienced statistician, and one of the most honorable men who has ever testified before us. I say that sincerely. Is it your judgment that if work were available, these youngsters would hunt for it?

Mr. GAINSBRUGH. If work were available, these youngsters would not work? Is that your question? Or would?

Senator DOUGLAS. No. Would work; or would seek work.

Mr. GAINSBRUGH. I think more of them would seek work.

But the reason I hesitated over that question concerns in part my own statement to this committee that we know too little about the motivation to seek work on the part of the unemployed.

In numerous instances, in West Virginia, in New York City, and elsewhere, relief and unemployment insurance may have become a part of a way of life of some sectors of our society, so that even if job opportunities were rising, there could be a substantial number that would refrain from seeking employment.

Senator DOUGLAS. Does anyone else wish to make any comments on this point?

Mr. Rees?

Mr. REES. I just wanted to underscore Mr. Gainsbrugh's remark that it is possible to get from the household statistics an estimate of the number of people in each age group who are not at work and not in school, because whether or not a person is in school is regularly reported for each person out of the labor force.

Senator DOUGLAS. Have you gone over the figures for Chicago, at all?

Mr. REES. We do not have them reported by locality.

Senator DOUGLAS. How were you able to get the New York figures, Mr. Gainsbrugh?

Mr. GAINSBRUGH. These were contained, I believe, in a paper made by the State prepared by Congressman George Gregory, New York City civil service commission.[1]

Senator DOUGLAS. Mr. Stephan?

Mr. STEPHAN. I think that the subject you have opened up is a very important and very serious one connected with our school system, as well as with the labor force.

When I was 14, for example, I went to work, and it was common for most youngsters to go to work at that age. There were many occupations of a minor nature open to young people then. Our economy has changed a great deal.

It seems to me that we have an unfinished job of adjusting the entrance opportunities for young people, so as to give them a place in the labor force where they can use their opportunities to progress to more productive occupations. This we have found very deficient.

Senator DOUGLAS. I have no further questions.

I want to thank the members of the panel for the work which they have done, and for their testimony.

Tomorrow we meet at 10 o'clock, in this same room, and we will put the representatives of the Government agencies which are involved in carrying out their recommendations on the spot, and see what they say.

Thank you very much.

(Whereupon, at 12:25 p.m., the subcommittee was recessed, to reconvene at 10 a.m., Friday, June 7, 1963.)

[1] See New York Times, Apr. 28, 1963, p. 84.

20-288—63——4

MEASURING EMPLOYMENT AND UNEMPLOYMENT

FRIDAY, JUNE 7, 1963

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON ECONOMIC STATISTICS
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1114, New Senate Office Building, Senator Paul H. Douglas presiding.

Present: Senators Douglas and Miller and Representative Curtis.

Also present: James W. Knowles, executive director; and Hamilton D. Gewehr, administrative clerk.

Senator DOUGLAS. The committee will come to order.

We have a distinguished group of Government officials to testify on the report of the President's Committee. I take it that you have all studied the report of that subcommittee. We deeply appreciate you gentlemen coming. I may say I have always carefully refrained from making economic or business forecasts both because the experts turn out to be wrong in such a large percentage of cases, and I have confined myself to merely trying to analyze what was happening at a given time.

I hope our friends will not object if I say that after 15 years as a U.S. Senator, I am going to venture into a forecast of what the testimony of these gentlemen will be this morning. I can see the alarm and consternation.

I have not read their testimony, so these are two predictions I make in advance and I may not be any more accurate than the economists or the business forecasters are.

My first prediction is that on those matters which these gentlemen do not wish to carry out they will say that the recommendations are impractical; and second, my second prediction is that on those recommendations which they do wish to carry out they will say, "We will be very glad to do it but Congress should appropriate more money."

Having ventured to make these two predictions, I would now ask them to testify on the recommendations which the President's Committee has made, or make any comments of the procedures and facts which they have developed. And we will call first on Mr. Raymond T. Bowman, who is the Assistant Director for Statistical Standards of the Bureau of the Budget.

Mr. Bowman.

STATEMENT OF RAYMOND T. BOWMAN, ASSISTANT DIRECTOR FOR STATISTICAL STANDARDS, BUREAU OF THE BUDGET

Mr. BOWMAN. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I am pleased to come before this subcommittee to comment on the report of the Presi-

dent's Committee To Appraise Employment and Unemployment Statistics and to describe the actions taken by the executive branch with respect to the recommendations made by the Committee.

I shall give only a brief summary since representatives of the agencies primarily concerned in producing statistics on the labor force will describe more particularly the changes made in their respective programs and plans.

First, let me say that this opportunity to report to you again on the statistical work that is going on in the executive branch is welcome. This subcommittee is looked to as one of the most important sources of advice and criticism on the improvement of Federal statistics because it represents one of the chief users of statistics for policymaking purposes—the Congress of the United States.

Furthermore, it performs a notable function in bringing statistical issues before the public and in obtaining a wide spectrum of the views of the public on such issues. This process has assisted in promoting significant improvements in our statistical system in recent years and the subcommittee's continued interest and help is counted on.

As you know, the Bureau of the Budget is charged with the responsibility of reviewing, coordinating, and improving the Federal statistical system in order that it may be more useful to the various branches of the Government in formulating policies and in operating programs and may be more useful to the public generally in arriving at a multitude of business and personal decisions.

In fulfilling these functions, we in the Office of Statistical Standards of the Bureau of the Budget are accustomed to consulting various users of the statistical series as well as technical experts, in order that the series may be made as responsive to needs as possible. Such consultations are in addition to the day-to-day review and discussions of specific items with the statistical bureaus which produce statistical series or propose forms for the collection of additional data. Despite this continuous review of detail and the regular attempts to obtain advice on statistical needs which the Bureau of the Budget maintains, we feel that there is room, in fact, there is real need, for occasional fundamental reviews of basic series by independent, professionally oriented groups.

We feel this so strongly, that, as you know, we have sponsored a number of such reviews—of the national economic accounts, on which we reported to you in October 1957; of price statistics, which were reviewed by a committee organized by the National Bureau of Economic Research at our request, and whose report we submitted to you in January 1961; and on balance-of-payments statistics, which are currently under review.

Such independent committees, largely staffed by highly qualified scholars drawn from academic pursuits, can provide a long view, can relate the changing demands of theory with the changing techniques of practice, and can cheerfully overlook the nagging operating details which seem such stumbling blocks to change to those who are too close to statistical operations.

We believe that such independent review committees operate best when they are called together for a specific purpose, to consider a specific series or set of related series, and when they can make their

recommendations in an official report available to all interested parties so that the recommendations can be evaluated and a program of action clearly indicated. It is only under such conditions that professional men of sufficient stature can be enticed to perform such arduous duty in the service of the Government for such slight personal recompense.

The President's Committee To Appraise Employment and Unemployment Statistics was appointed at the suggestion of the Secretary of Labor. The establishment of the Committee by the President reflected his concern with the current high level of unemployment, the "stickiness" of the rate of unemployment in recent years, and the need to be certain of the reliability of the figures themselves.

The unfavorable level of unemployment in the United States in comparison with other industrialized nations made a careful evaluation of our unemployment measures essential.

Many people wondered whether unemployment really differed this much from country to country, or if the differences in the statistics were reflecting primarily the differences in methods of counting the unemployed.

In addition to honest doubts on the best ways of measuring the unemployed, there were a number of unwarranted attacks on the impartiality and integrity of those responsible for compiling the statistics.

In these circumstances, the appointment of an eminently qualified committee to review the reliability and adequacy of the series appeared appropriate.

We believe that the Gordon Committee was very successful. It accomplished its primary objectives. After painstaking inquiry with respect to the methods and procedures used by the compiling agencies, it reported on the question of statistical honesty and was able to reassure the public that the series are produced by professionally competent people of high integrity. There had been no doubt in our minds on this score, but the public deserved an impartial and thorough investigation.

In this sense, the Committee performed the function of an independent group of auditors.

The Committee also succeeded in accomplishing the second part of its assignment superbly, which was to review the concepts, methods and procedures used by the compiling agencies in order to point out improvements which should be undertaken. The Committee report is replete with comments and critical analyses of current procedures and results, and with suggestions and recommendations for improvements.

But, quite appropriately, the Committee went beyond what could well have been expected of it in reviewing the needs for employment and unemployment statistics. Not only did it consider past needs for these statistics, but it attempted to identify and explore current and emerging needs.

Examples of this forward look are the emphasis on improving local area estimates of unemployment, the recommendation for developing a series of job vacancies, and the recognition of the need for more frequent statistics on the numbers employed in different occupations. It is this forward-looking aspect of its work which makes the Com-

mittee's recommendations especially valuable. It is for this reason that its report will provide guideposts for several years to come.

I have noted what seem to me to be the three general areas of the Committee's accomplishments. Let me also note, without any critical tone, one area which they did not attempt to cover.

They did not provide us with a blueprint of just which recommendations they consider most important, which should be undertaken first, which can be somewhat delayed. Nor did they attempt to estimate costs nor the length of time needed to accomplish the recommended undertakings.

Indeed, many of their recommendations could not be put into specific terms since they depend on the outcome of preliminary research still to be undertaken. Much of this preliminary work has been started or planned for, with provisions made in the 1964 appropriation requests now before Congress. Much remains to be undertaken. Completion of this preliminary testing and exploratory work is extremely important because so many of the later steps to implement Gordon Committee recommendations depend on the results of the early research and tests. Until these results are at hand, specific plans for achieving some of the important new and improved measures are not feasible.

Senator DOUGLAS. Mr. Bowman, my first prediction is being borne out.

Mr. BOWMAN. That is to say, those things that were not practicable were not being done.

Senator DOUGLAS. Feasible is identical with practicable.

Mr. BOWMAN. Mr. Chairman, I will argue that point with you a little later on.

The Committee report was delivered to the President late in September 1962. The White House referred it at once to the compilers of the information—the Departments of Agriculture, Commerce, and Labor—and to the Bureau of the Budget for followthrough. At that time, the budget requests from the statistical agencies were about to be considered by the Bureau of the Budget for fiscal year 1964, which will start next month.

In the brief time available, the Departments considered which of the recommendations of the Gordon Committee should and could be included in their 1964 budget requests. In the Bureau of the Budget we reviewed the Committee's recommendations, identified those we felt to be of first priority, and undertook to discuss informally, with the statistical bureaus affected, the kinds of programs they would recommend to meet the Committee objectives, and the costs involved.

A number of the more important projects involved interdepartmental discussions and agreements. In the development of the statistical program for 1964 we placed primary emphasis on including provision for as many as possible of the Committee's recommendations. We were limited by our judgment on how fast the Bureaus could expand to undertake additional work, by the need for preliminary planning and testing before certain decisions can be made (for example, the best method to use in improving farm employment statistics) and by the need to maintain overall balance in the statistical system.

As a result, the statistical program for 1964 includes a good part, but by no means all, of the Gordon Committee recommendations. About $4.1 million can be identified as responding to Gordon Committee recommendations. Of this, $2.5 million were requested for the Bureau of Labor Statistics, $1.1 million for the Bureau of Employment Security and its affiliated State employment security agencies, and $0.5 million for the Bureau of the Census.

In addition to the amount included in its own budget request for research in enumeration and measurement problems, the Census Bureau would receive almost $1.5 million by transfer from the Labor Department for additional work as collecting agent for the household survey.

Senator DOUGLAS. Mr. Bowman, I submit that my second forecast is being completely borne out.

Mr. BOWMAN. All right, Senator.

Senator DOUGLAS. Namely on those items which you wished to approve, that you will say you can do them provided additional funds are furnished by Congress.

Mr. BOWMAN. I will also indicate a little later on that we have done some things without additional funds.

Representative CURTIS. That would have been a good leadoff.

Mr. BOWMAN. I didn't understand that the Senator was going to make a forecast at the beginning of this meeting.

[Laughter.]

Senator DOUGLAS. My second public prediction has been borne out completely.

Mr. BOWMAN. So far we are uncertain about the congressional reaction to these requests. I will leave for later speakers a description of the actions taken by the appropriations committees to date, as well as the specific descriptions of the projects included in the 1964 budget requests.

Of course, not all the recommendations required additional funds. Some could be inaugurated without cost, others could be fitted into current programs without additional funds. The responsible agencies have made commendable efforts to reflect the Gordon Committee recommendations in their current programs wherever feasible. You will be given specific examples later this morning by others on this panel.

My office will continue to work with the statistical agencies in trying to effect improvements within present funds as well as in planning for those major developments which will require additional budgetary support in the future.

We have taken two specific steps this year which are in line with the recommendations of the Gordon Committee. In order to start advance planning on those research proposals included in the 1964 budget requests which involve interagency consultation and agreement, we have called together a task force to provide informal technical guidance.

We have also established an interagency committee on seasonal adjustment research as a forum for advice and consultation in research on seasonal adjustment methods. Dr. Dorfman, a member of the Gordon Committee, will participate in these discussions as a representative

of the Council of Economic Advisers. Other participating agencies, in addition to the Budget Bureau, are the Bureau of Labor Statistics, the Bureau of the Census, the Federal Reserve System, the Office of Business Economics, and the Economic Research Service of the Department of Agriculture.

I have intentionally refrained from commenting on individual recommendations of the Gordon Committee in order to avoid duplicating the remarks of others on the panel. I should not like to close without making one further observation, however.

The Gordon Committee, like similar review committees in the past, made a strong recommendation for strengthening existing research programs and for including continuing research programs as an integral part of statistical operations where they do not now exist.

After an eloquent description of the need for research, both analytical and methodological, in its "Summary and Recommendations" section, the Committee concluded:

> It is perhaps inevitable that in the pressure to expand the quantity and variety of statistical information, and to speed up its processing, basic research is often neglected. Many of the recommendations of this report would doubtless have already been carried out had research budgets been more ample and had competent, experienced analysts been available for the additional work.
>
> This Committee recommends strongly that the Government agencies responsible for initiating and publishing labor-force statistics should be provided with staffs adequate for expanded programs of basic and analytical research. We urge the executive branch and the Congress to give favorable consideration to budgetary requests for this purpose. (P. 28.)

Senator DOUGLAS. Do you agree with this recommendation?

Mr. BOWMAN. I certainly do, and this has been the recommendation that has been attached to almost every one of our independent review committee reports which we have sponsored.

Senator DOUGLAS. Which further corroborates my second forecast.

Mr. BOWMAN. Your forecasts are turning out to be very excellent today, Senator.

In order to meet new uses, to solve methodological and conceptual problems, to incorporate new sources of data, to use new methods of measurement, an active and energetic research program must be an integral part of statistical operations. Such a program should protect comparative measurement over time insofar as possible, but not be completely subservient to this criterion alone. How large such a research program must be, how it should be organized and how administered are questions not easy to answer with any degree of finality. The answers will probably differ for each major set of data. For labor force, employment and unemployment statistics, however, "Measuring Employment and Unemployment" gives us some excellent pointers.

Thank you, Mr. Chairman.

Senator DOUGLAS. Thank you, Mr. Bowman, very much.

We are very happy to have Mr. John S. McCauley, who is Director of the Office of Manpower Development and Utilization, Bureau of Employment Security.

STATEMENT OF JOHN S. McCAULEY, DIRECTOR, OFFICE OF MANPOWER DEVELOPMENT AND UTILIZATION, BUREAU OF EMPLOYMENT SECURITY, U.S. DEPARTMENT OF LABOR; ACCOMPANIED BY HAROLD KUPTZIN, CHIEF, DIVISION OF AREA LABOR MARKET SURVEYS, BUREAU OF EMPLOYMENT SECURITY

Mr. McCAULEY. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before this subcommittee to present the plans of the U.S. Department of Labor's Bureau of Employment Security for implementing the Gordon Committee recommendations.

I would also like to commend the Gordon Committee for its thorough and frank appraisal of the official labor force and related statistics in its report on "Measuring Employment and Unemployment." The recommendations which came out of this analysis are intended to strengthen and diversify these vital measures of the economic health of the Nation.

The Committee's report noted that the need for reliable and expanded data on employment and unemployment is growing every day and without question it would continue to grow in the years ahead. The Committee also noted mounting requirements for such information in manpower programs at the National, State, and local levels, and made a number of recommendations regarding needed improvements in employment and unemployment data which stem from operations of the Bureau of Employment Security.

These recommendations involve the collecting of additional data and studies to evaluate and improve estimating methods used in the Federal-State employment security system. We hope to initiate some of the more important recommendations of the Committee during the next fiscal year for which funds have been requested in the 1964 budget.

The participation of the State agencies affiliated with the Bureau of Employment Security is required to carry out these improvements. The Bureau will direct and coordinate these activities.

In the review which follows, the Gordon Committee recommendations involving the employment security system are divided into the following three categories;

1. Work currently underway related to the Committee recommendations;
2. Improvements for which funds have been requested in the 1964 budget; and
3. Improvements for which provision may be made in future budget requests.

STATE AND AREA ESTIMATES OF EMPLOYMENT

The only figures available with respect to total unemployment in specific labor market areas on a current basis are those estimated by the State employment security agencies using procedures developed by the Bureau.

At present 150 major areas are covered on a regular monthly basis, and over 750 smaller areas less frequently as part of special programs such as ARA and accelerated public works.

The Bureau and the State agencies have a continuing program directed toward improving the unemployment estimates which is carried on within the limits of available funds. Thus, it is a part of the regular State agency and Bureau procedures to review the unemployment estimates and to undertake analysis of available information which might be useful in improving the data. However, since the unemployment estimates are playing an increasingly important role in the administration of various Government programs influenced by the unemployment conditions in a community, the Committee recommended a considerable increase in research in this field.

I would like to say just a word about what is already being done in regard to data that are used for area labor supply classifications: Area unemployment estimates prepared by the affiliated State employment security agencies are reviewed and validated by the Bureau of Employment Security before such data are used in rating or classifying local labor market areas according to the relative adequacy of labor supply. This review and validation procedure is designed to make certain that the area unemployment estimates are prepared in accordance with the prescribed techniques by the Bureau, and are comparable with those prepared by other local areas.

This procedure thus insures uniform treatment of all areas with respect to their eligibility for special assistance under such programs as the area redevelopment program, accelerated public works and defense manpower policy No. 4 relating to the award of Federal procurement contracts.

Senator DOUGLAS. Senator Miller had a comment.

Senator MILLER. You are not in your text right now, and I—do you have much more before you return to your text?

Mr. MCCAULEY. There is one additional paragraph that I would like to have on the record.

Senator MILLER. Please finish.

Mr. MCCAULEY. Seasonal or temporary unemployment in any area is disregarded in classifying areas as areas of substantial or persistent unemployment for eligibility under such Federal assistance programs. Such seasonal fluctuations are automatically disregarded in evaluating eligibility under the Area Redevelopment Act since ARA determinations are based on the relationship of local unemployment to the national average on an annual average basis over the preceding four calendar years.

Monthly data are used in connection with eligibility determinations under the Public Works Acceleration Act, but here, too, seasonal factors are disregarded in designated areas. Section 3(b) of the act specifies that criteria to be used by the Secretary of Labor in determining eligibility under this legislation shall be identical with those established under section (3) of title 29 of the Code of Federal Regulations. The last sentence of this section reads as follows:

The current or anticipated labor surplus is not due primarily to seasonal or temporary factors.

Now, to return to my statement on additional work that we have already underway with current funds——

Senator MILLER. Before you do, I would like to ask this question.

Mr. MCCAULEY. Yes.

Senator MILLER. We appreciate your supplemental statement, Mr. McCauley, and I suppose you are familiar with my questioning of Mr. Gordon yesterday on that very point.

Mr. MCCAULEY. Yes.

Senator MILLER. What I am still concerned about is this, in your statement you point out that these statistics are estimated by State employment security agencies.

Mr. MCCAULEY. Yes, sir.

Senator MILLER. We understand from your statement just now that these are carefully analyzed and reviewed here in Washington.

Mr. MCCAULEY. Yes.

Senator MILLER. However, my question to Mr. Gordon was this: The problem could be in the basic data itself handled by the State employment security agencies and I was wondering whether we have any system of inspection on a spot check basis to see whether or not the basic data themselves are reliable, at least as reliable as they should be.

Mr. MCCAULEY. Senator Miller, I think the main point that I would like to make here is that the basic data required for making the estimates just do not exist at present to the extent needed. Later in my statement, I have some suggestions as to how we plan to implement the Gordon Committee recommendations to actually get the additional data that are really needed.

We do make a very close check and we work very closely with the State agencies in making the best use possible of the data that are currently available.

Senator MILLER. Do we have an inspection system of determining whether or not these data, granted they are not all that we want, are being adequately, correctly, and uniformly collected out in the field?

Mr. MCCAULEY. We certainly do, and where there is a classification at stake that would affect eligibility, say, under ARA, not only the summary information but all the worksheets and all the background information are sent in and we currently review this.

Senator MILLER. Now, you are talking about a review. My question is with respect to an inspection in the field.

Do we have an inspection system or an auditing system of somebody from Washington going out to check periodically with these State employment agencies to see whether or not those worksheets are being properly worked up?

Mr. MCCAULEY. Yes, we do, and as I will indicate a little later in my statement, we feel that the most important thing that is needed is to get some of this additional data that would truly improve the reliability of these estimates.

Senator MILLER. May I ask you, how many people do we have who are involved in going out to make these inspections to see whether or not these worksheets are properly compiled?

Mr. MCCAULEY. We have a regional office system throughout the country, and we have people in our national office—I have with me today the head of our division, who does this work, Mr. Kuptzin. I think I will ask Mr. Kuptzin to indicate the size of his division, and also give you a figure of the regional people involved in this. Would you do that?

Mr. KUPTZIN. Yes, we have 26 people in our division working on this particular program. As Mr. McCauley indicated, before any new area is added to the classification listing as being eligible under accelerated public works or ARA we inspect the worksheet to check each of the various subcomponent items.

Now, many of these are items that are administratively reported for other purposes. They are counts of insured unemployment, and data derived from that, as initial points. We do have regional office people, and have people in the national office who do go out and inspect the worksheets and work with the State agency people in preparing the unemployment estimate when technical assistance is required. We have in each of the regional offices at least one person who is assigned to work specifically on the ARA program, and he gets out to the States quite frequently.

We also have a labor economist in each region who works on this particular program, and he works very closely with the State and local labor market analysts in reviewing and analyzing the area unemployment estimates that are used for this purpose.

So, that there is frequent inspection. Most of this comes on a State level or from the regional office rather than the national level. Before classification is made every area unemployment estimate is inspected.

Senator MILLER. I appreciate that but I had a feeling you had been emphasizing review rather than on-the-spot inspection on a spot-check basis, for example, to see whether or not those worksheets and the data behind them are adequately and uniformly being collected.

This is what I think is terribly important if we are going to have uniformity among our various regions. I don't gainsay your review for uniformity in here. What I am more worried about is the preparation of the basic data which are reviewed in the regional offices and here. How many inspectors do we have who go out perhaps unannounced to sit down and see whether or not these are being prepared? Do we find discrepancies on these spot checks if you conduct them?

Mr. MCCAULEY. I would like to say one word in general and then ask Mr. Kuptzin to supplement my remark.

The basic data that we are using here are data on insured unemployed and these data have a variety of uses for administrative purposes. So there are a great many people in the employment security system who are constantly working with these data, looking at them and we get a check in an administrative way. Now, in addition to checks for statistical purposes, we also have some special checks, and I think Mr. Kuptzin might want to elaborate just a bit on this.

Mr. KUPTZIN. We have a national system of validation, not only of these estimates but all of the data collected through the employment security system. This validation program is not specifically my responsibility.

The one point I do want to make is that in this connection insured unemployment is a very large part of the total unemployment estimate, and for this we have an actual count. These represent people who actually come in and file claims.

Nationally, I believe that insured unemployment runs about 50 percent of the total unemployment estimate. So that what we are estimating for each of these individual small components is a very small

proportion of the total unemployment. We have actually what amounts to a census count of the biggest proportion of the unemployed in the locality. That is, those covered by unemployment insurance.

Senator MILLER. I don't want to labor this, but if you don't have the figure now, can you supply for the record, how many people we have whom we could classify as true inspectors who go out into the field and sit down and check the collection uniformity and accuracy of the collection of the data by these State employment security agencies?

Mr. MCCAULEY. We will be glad to supply that, Senator, for the record.

Mr. KUPTZIN. May I make one more comment?

This validation system is not a postaudit. This is done before the classification. It is not just a question of reviewing after the decision is made. We actually do the review and validation beforehand.

(The information requested follows:)

ADDITIONAL REPLY TO SENATOR MILLER'S QUESTION REGARDING INSPECTION OF THE AREA UNEMPLOYMENT ESTIMATES

The procedures that are followed in the review and validation of our area unemployment estimates reflect the administrative and operating arrangements of the employment security system, which is based on the principle of a Federal-State partnership. The responsibility for the actual operations of the major employment security programs—unemployment insurance, the public employment service and other programs—rests with the State employment security agencies, while the Bureau of Employment Security establishes standards and overall policy, as well as provides guidance and leadership to the State agencies. This distribution of functions between the State and Federal components of the employment security system, with the States representing the primary operating arm of the system, is recognized in the allocation of staff resources to the employment security program.

Although neither the Bureau nor the State agencies have "inspectors" on a full-time basis who are engaged solely in checking unemployment estimates, both the Federal and State components of the employment security system have staff who are assigned this responsibility as an important part of their jobs. On the Federal level, there are 26 persons in the national office who work on the area labor market reporting and classification program—which includes the review of area unemployment estimates. There are also 11 BES regional economists whose work is also focused primarily on the compilation and use of labor market information. In addition, in each State employment security agency, there is at least one technician who has been given detailed training by the Bureau in the preparation of unemployment estimates in accordance with the approved techniques summarized in the Bureau's "Handbook on Estimating Unemployment," and in the review and validation of these data. The following comments describe, in somewhat more detail, the operations of this review and validation system on both the State and Federal levels.

As part of the State agencies' operating responsibilities with respect to the preparation of area unemployment estimates, the State central offices maintain a comprehensive program for the close supervision and initial review and validation of the locally prepared unemployment estimates. Each local area labor market report is sent to the State agency, where the area unemployment estimates, as well as other phases of the report are closely checked by technicians in the State central office before transmittal to the national office for consideration under our area classification program. The State central offices also maintain close liaison with the local labor market analysts who prepare the reports, in order to provide technical assistance to help resolve difficult conceptual and estimating problems, before the estimates and reports are actually prepared. These State agency technicians also make visits to the local offices to review all of the basic statistical data used by the local analyst, and to insure that the

procedures used are in conformity with the approved standard techniques.

In addition, most State employment security agencies have a program to test and validate the primary operating and administrative statistics compiled and reported by local public employment offices covering the major phases of employment security operations. These relate to such items as the total number of insured unemployed, the filing of new claims for unemployment insurance, referrals of workers to fill job orders, job placements by the public employment service, and similar data. The procedure for such studies is outlined in a Bureau handbook titled "Handoook for Reports Validation: Local Office Activity Reports." During the second half of 1962 alone, 31 such validation studies were conducted by the State employment security agencies, covering about one-fourth of the 1,900 local public employment offices. These validation surveys were done in accordance with procedures established by the national office and provide for a check of the reporting of each of these items in terms of both arithmetical and conceptual correctness.

In the Federal phase of the program, the Bureau of Employment Security checks and validates the area unemployment estimates on both the regional and national level. In the regional offices, in addition to specialists on the Area Redevelopment Administration program, the Bureau has 11 regional economists, 1 in each of the BES regional offices, whose work is focused primarily on analyzing local employment and unemployment developments and their operational implications. These regional economists make periodic visits as necessary to the State employment security agencies in their regions. During these visits, they review with the States the unemployment estimating procedures used by the various local labor market analysts in the States, and where necessary, make visits to the specific local offices where the estimates are prepared.

On the national level, our review and validation procedure is designed to insure the uniform treatment of all areas in the country, in evaluating their eligibility under the various Federal area assistance programs. For this reason, we review and validate the local area unemployment estimates prior to taking any classification action, rather than as a postaudit type of procedure.

Before any new area is assigned a labor supply classification rating under these Federal area assistance programs, the local area unemployment estimate, and the worksheet material which details how the estimate was developed, are reviewed in step-by-step fashion for conformity with approved estimating procedures, and for comparability with unemployment estimates from other areas. This review includes both arithmetic and conceptual rechecks to assure that the basic data are accurate and that they have been handled in an appropriate manner in developing the local unemployment estimate. During the course of this validation procedure, the proposed geographical boundaries of the area are first checked against 1960 census information on place of work and place of residence of local workers. The area estimates of unemployment derived from industries covered by unemployment insurance are then compared with data provided for similar items in other employment security administrative reports. Data on employment in industries not covered under unemployment insurance laws are next checked against corresponding information from the 1960 census, current population surveys, or from the latest Bureau of Old Age and Survivors Insurance records. Finally, the computations used to develop estimates of unemployment from these groups, and for new labor force entrants, are reexamined in detail for accuracy and conformity with the prescribed procedures.

If any item appears questionable on the basis of these rechecks, action on the classification of the area is deferred, while the item in question is reviewed in detail with the appropriate State agency and the constituent local employment office. Technicians from the national office also visit the State and local offices as necessary to review and validate estimating procedures whenever significant problems arise.

Senator MILLER. Thank you.

Senator DOUGLAS. Please continue with your statement, Mr. McCauley.

Mr. MCCAULEY. A bit later in my statement, after I have completed the discussion of what we are already doing, I will take some time to talk about improvements that we plan to install in this system.

OCCUPATIONAL LABOR MARKET INFORMATION

Data on the occupational pattern of employment are used in determining current and anticipated shortages of skills, in the development of local training programs and in mobilizing community actions to meet current and anticipated local economic problems as well as in the day-to-day operations of the employment service.

With current available funds the employment security system is doing work in the development of occupational labor market information by area through area skill surveys and job guides. At present, some 36 area skill surveys are planned or underway in 21 States.

Since the inception of the program in 1958, some 140 area skill surveys have been completed in 43 States. In addition, about 30 States have published over 1,000 job guides which provide the information needed in vocational guidance and employment counseling.

FARM EMPLOYMENT DATA

The Committee noted the need for improving data on farm employment and urged greater cooperation between the U.S. Department of Agriculture and the Bureau of Employment Security. A pilot study is now underway in New Jersey conducted jointly by the New Jersey Agricultural Extension Service and the New Jersey Employment Security agency as will be described more fully by Mr. Trelogan of the Department of Agriculture. Our agencies are working jointly to improve the information which is available in many parts of the country.

SEASONAL ADJUSTMENT OF MONTHLY DATA

The Committee recommended that all of the more important monthly data published by the Bureau of Employment Security and the State agencies also be published on a seasonally adjusted basis. We now regularly publish a seasonally adjusted national average weekly insured unemployment rate. In addition, many States publish some seasonally adjusted data and we have been encouraging the State agencies to expand their work in this area.

PILOT STUDY ON DEVELOPMENT OF JOB VACANCY INFORMATION

A small pilot study is being conducted in the Chicago area by the Illinois Employment Security Agency. A selected number of establishments are being visited to determine the feasibility of obtaining on a regular basis from employers information on job vacancies, how employers define job vacancies, and where in the establishment is the best source or sources for obtaining this information.

IMPROVEMENTS FOR WHICH FUNDS HAVE BEEN REQUESTED IN FISCAL YEAR 1964

Improving State and area estimates of unemployment: The Committee emphasized the importance of data on the size and characteristics of the unemployed in the labor market areas. It expressed par-

ticular interest in the State and area unemployment estimates because of the increased use of these data in a variety of Government programs, such as the ARA and the public works program. The comprehensive research program to improve the data, recommended by the Gordon Committee, will require several years to complete.

The Bureau of Employment Security proposes to improve State and area labor market statistics by initiating a research program using the household survey technique as recommended by the Committee as well as employer records and employment security data.

A major aspect of the plans for improving the State and area unemployment estimates includes purchase of services from the Bureau of the Census to conduct additional household-type surveys. These will provide basic benchmark information needed in the estimating procedure.

Informal discussions are taking place between the Bureau of Employment Security and the Census Bureau staffs concerning the best ways these surveys may be used to improve the unemployment estimates. Present thinking is that one of the most effective uses of the funds would be coordinating the additional household surveys with the regular Monthly Report on the Labor Force sample.

By this means, the Monthly Report on the Labor Force sample would, during the survey period when the additional households were added, be divided to represent groups of different types of areas. The added households will make it possible to have statistically valid information for these groups. The plans also include determining how to use data available in the Employment Security System in conjunction with or as a part of the household survey.

I would like to add a brief statement here as to the timing. The approach that we plan to take should make it possible to introduce improvements in the unemployment estimates before all the necessary research is complete. For example, when results obtained from an expanded Monthly Report on the Labor Force survey proposed above become available, work could be started on introducing improvements in the estimating procedure even though additional household surveys and other research would still be needed.

Current job vacancy information: In accordance with the recommendation by the Gordon Committee regarding data on unfilled jobs, the Bureau intends to improve the quality and form of area job vacancy data and undertake intensive research on the availability and methods for collecting such data. Such information is useful in the employment service for job development, counseling, and also in formulating more effective training programs, as well as for purposes of public policy and economic analysis.

The studies we hope to undertake will be directed toward the development of a system which will provide area job vacancy information by occupation on a consistent and regular basis. This work will be coordinated with the Bureau of Labor Statistics' research on developing job vacancy data on a national basis.

IMPROVING OCCUPATIONAL LABOR MARKET INFORMATION

The Committee noted that there was a serious gap in our employment information because of the lack of information on employment by occupation on a regular basis. As a part of the overall program

to develop such data, research is planned by the Bureau to determine the nature and reliability of occupational information now being obtained from employers. This research will be related to the area skill survey program of the Bureau.

IMPROVING ESTABLISHMENT DATA

The Committee recommended that the current employment statistics (CES) series on employment based on data collected from employers be extended to provide more area and industry detail. The CES program is conducted jointly by the Bureau of Employment Security, the Bureau of Labor Statistics, and the State employment security agencies.

It is proposed to expand the employers sample so as to provide the additional data for the trade and service industries and to extend coverage to some 50 of the 100 standard metropolitan statistical areas for which data are not now available. As a part of this joint program, the Bureau of Employment Security will assist in the development by the State agencies of additional employment benchmarks that will be required and will provide technical assistance to the States in the utilization of the additional data.

THE PRESENT BUDGET SITUATION

As you no doubt know, on April 30 the House of Representatives passed the Labor-HEW appropriations bill for fiscal year 1964 without making any provision for implementing the recommendations of the Gordon Committee involving the Bureau of Employment Security. There has been no Senate action to date.

Improvements for Which Provision May Be Made in Future Budget Requests

IMPROVEMENT OF THE COVERED EMPLOYMENT BENCHMARKS FOR THE CURRENT EMPLOYMENT STATISTICS PROGRAM AND RELATED PROGRAMS

Plans are to establish a regular and continuing system for maintaining the industrial classification of establishments subject to the State unemployment insurance laws on a reasonable current basis. This is necessary because for most industries these employers constitute the benchmark for the CES program. The States now have a program for checking periodically with the employers to determine their current nature of business but these checks need to be undertaken on a more frequent and regular basis. It is proposed to survey each major employer at least once every 3 years so that they can be properly classified by industry.

EXTENSION OF THE CURRENT EMPLOYMENT STATISTICS PROGRAM TO COVER ALL STANDARD METROPOLITAN STATISTICAL AREAS

By 1965, it is proposed to extend the current employment statistics program to all standard metropolitan statistical areas which would mean an increase of from 115 areas in 1963 to 215 areas by the end of 1965.

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STATE AND AREA ESTIMATES OF UNEMPLOYMENT

As noted earlier the work on improving the State and area unemployment estimates will require research over several years. Additional household surveys will be necessary. Also the State agencies would have to undertake additional studies of the type which it is proposed they conduct in fiscal year 1964.

CHARACTERISTICS OF THE INSURED UNEMPLOYED

The Committee recognized the importance of information on the characteristics of the insured unemployed and recommended that the present program be extended to cover major labor market areas and that additional information be obtained in the present program.

The extension of the current program to cover all major labor market areas would require a tripling of the present sample. It is proposed to expand the program gradually. In the first year some 50 largest metropolitan areas would be brought into the program and the remaining areas would be brought in in subsequent years.

Additional information can be obtained from the current survey on the characteristics of the long-term unemployed if the size of the sample is increased so that valid information can be obtained with respect to those who are drawing their final benefit check. The enlargement of the sample for this purpose will be carried out at the same time that the program is extended to labor market areas.

I would like to add a brief note on seasonal adjustment.

The Bureau and State agencies recognize the importance of developing seasonally adjusted data. Although there are no technical problems involved in meeting the Committee's recommendations, there is an enormous amount of machine time needed to tabulate on a seasonally adjusted basis all of the State and area data. It is, therefore, necessary to introduce this program over several years.

EMPLOYER FORECASTS

The Committee recommended research into the usefulness of employer forecasts as an advance indicator of present developments. Reliable forecast information is essential to employment security operations at all levels. The Bureau of Employment Security has long recognized the need for improving such information but has been unable to conduct broad research programs into this activity because of a lack of funds for this purpose. The Committee noted that the State agencies are collecting data on employer manpower requirements 2 and 4 months in advance. Further research is necessary to improve the usefulness of these employer forecasts as general advance economic indicators.

In conclusion, I would like to thank the subcommittee for this opportunity to discuss our plans for implementing the recommendations of the Gordon Committee.

Senator DOUGLAS. Thank you very much.

Mr. Myers, we are very happy to have you here. We have known you in the Bureau of Labor Statistics for some time and recognize your ability.

STATEMENT OF ROBERT J. MYERS, DEPUTY COMMISSIONER, BUREAU OF LABOR STATISTICS; ACCOMPANIED BY HAROLD GOLDSTEIN, ASSISTANT COMMISSIONER FOR MANPOWER AND EMPLOYMENT STATISTICS, U.S. DEPARTMENT OF LABOR

Mr. MYERS. Mr. Chairman, my prepared statement is a rather long one and, if it is agreeable to the subcommittee, I will file it for the record and summarize it orally.

Senator DOUGLAS. And that includes your analysis of the recommendations of the Gordon Committee?

Mr. MYERS. Yes, sir; that is submitted simply for the record.

Senator DOUGLAS. We will do that.

Mr. MYERS. It is a privilege to appear before the Subcommittee on Economic Statistics to consider once more the vital question of measuring our employment and unemployment. By providing a forum such as this for open discussion of our economic statistics, the subcommittee renders a great service to producers and users of statistics as well.

I recall that when Commissioner Clague last appeared before this body in December 1961, the integrity of the Bureau of Labor Statistics was under attack and a determined effort was being made to undermine confidence in our employment and unemployment statistics. The reassurance contained in the subcommittee's subsequent report went a long way toward restoring public confidence.

Since that time the subcommittee's conclusions have been supported by the report of the distinguished Committee To Appraise Employment and Unemployment Statistics, appointed by the President in November 1961. I can pledge that we shall continue to do our utmost to merit the confidence both bodies have expressed in us.

The President's Committee remarked early in its report that the task that had been set for it was not a small one. We who must treat the many aspects of employment and unemployment statistics can only agree that this is certainly true.

Considering both the complexity of the assignment and the brief time available to the Committee, I can say that we were greatly impressed by the comprehensiveness of the Committee's report and the resourcefulness and insight shown by its recommendations.

The Secretary of Labor welcomed the report of the President's Committee when it appeared and he promised to put its recommendations into effect as rapidly as possible. I shall not comment in detail in this brief statement on the many steps we have already taken and the plans we have made to accomplish this objective. Our actions and program are discussed rather fully in the statement which I have filed with this subcommittee.

In that statement we point out that some of the Committee's recommendations can be implemented quickly and inexpensively, and are already underway. Some will be rather costly and can be effected only over a period of years. The Committee recognized that a decision and action on some of its recommendations can be reached only after we have the results of careful research recommended by the Committee itself.

While referring to my prepared statement, I also want to call your attention to a complete list of the recommendations of the President's

Committee as identified and drawn together by the Bureau of Labor Statistics. This list is unofficial, of course, and the recommendations are condensed and paraphrased to some extent. Nevertheless, I believe the subcommittee will find it interesting and useful. It is offered for the record, if that is the wish of the subcommittee. (Pp. 72–81.)

You will note that even to enumerate the recommendations of the President's Committee requires 17 pages of single-spaced typing.

By way of illustration and summary of our actions, I am glad to report that we have already done a good deal, I think an impressive amount, to implement the Committee's recommendations. For example, we have introduced very substantial improvements in releasing information to the public. Our initial release is now much more informative than before.

I have a copy here of the release that was prepared yesterday, and which is very substantially changed from the one we were getting out only a few months ago and I think very substantially better.

We also have improved the two fuller reports, the "Monthly Report on the Labor Force" and "Employment and Earnings," which come out some time after the initial release.

We have tried to call public attention to other aspects of the employment situation than that reflected in the single overall unemployment rate, which traditionally has received so much emphasis in the press. Our review of the press in recent months suggests to us that we have attained a certain amount of success in getting attention paid to other aspects of the unemployment situation.

We have also begun to produce new types of information, items we didn't have before, recommended by the Committee—for example, the number of unemployed who are heads of households, and the number of unemployed seeking respectively full-time and part-time jobs—which I think adds a very significant aspect.

We have brought up to date, on a provisional basis, our comparison of U.S. and foreign unemployment rates, adjusted to American concepts and definitions.

We have already initiated significant technical research. We are trying to develop methods that will produce better information on hours of work in the household survey. We are strengthening and improving the sample of establishments from which we collect our payroll statistics. We continue to improve our seasonal adjustment factors.

We contemplate doing much more during the coming fiscal year. To finance additional work recommended by the President's Committee, we have requested additional budgeted funds amounting to $2.6 million in fiscal 1964.

Senator DOUGLAS. I forbear to make any further comment.

Mr. MYERS. Your forbearance is being appreciated, sir.

[Laughter.]

Mr. MYERS (continuing). While expressing great interest in the objectives of the new and expanded programs, the House has allowed an increase of only $1.1 million for this purpose which, I regret to say, substantially reduces the scale of our new work. The Secretary of Labor has appealed to the Senate to restore the full amount of our original request. We are hopeful that our prayers will be answered.

One of the important projects we hope to finance from the requested budget for this coming fiscal year, will be the establishment of an additional sample within our household survey—some 17,500 households, that is about half of our present sample, with which we can work in sharpening concepts of unemployment, improving our information on hours of work, and so forth. We have, of course, worked out our plans in full cooperation with the Bureau of the Census, which would carry out the interviewing and tabulation of results under contract with BLS.

Another project would be designed to provide additional information regarding labor force turnover and growth. We also plan to carry on an investigation into the feasibility and usefulness of job vacancy statistics. This is coordination with the BES. The Bureau will continue, and funds permitting, we hope to break new ground in research into methods of seasonal adjustment.

These are among the major items in our program for fiscal 1964, but do not constitute a complete list. A fuller account will be found in my prepared statement.

It would, however, be grossly misleading to suggest that our program for 1964, if fully realized, will put into effect all the proposals recommended by the President's Committee. The Committee itself recognized that such an accomplishment would require many years. Some recommendations, as indicated earlier, cannot be put into effect until the results of important research have been obtained.

I will not attempt here, nor in my prepared statement, to set forth a time schedule for complete implementation of the Committee's recommendations. The BLS has in preparation a 5-year program which will see the achievement of many of them. The Committee laid great emphasis on continuing basic research and liberal allowance for research has been made in our 5-year program. Some of the Committee's recommendations will be only partly realized even after 5 years—for example, the suggested very large increase in the household sample, which the Committee felt might require a decade.

There remains much to be done, as you can see, but I believe that we have gained substantially from the review by the President's Committee. Considering the careful guidelines that have been set forth, the Bureau's determination to follow them, and the support which I believe we can expect from our sister agencies, the public, and Congress, there is reason to expect a continuing improvement in the accuracy and detail of our employment and unemployment statistics.

Thank you, Mr. Chairman.

(The statements referred to follow:)

STATEMENT OF ROBERT J. MYERS, DEPUTY COMMISSIONER, BUREAU OF LABOR STATISTICS

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to comment before this subcommittee on the report of the President's Committee To Appraise Employment and Unemployment Statistics, and to report on the actions that the Bureau of Labor Statistics has undertaken to put the Committee's recommendations into effect.

We are gratified that the Committee gave general approval to the concepts and methods used in preparing employment and unemployment statistics, and that the Committee expressed confidence in the scientific objectivity, integrity, and professional qualifications of those responsible for the statistics. We are also

gratified that the Committee's broad review of the whole subject of employment and unemployment statistics has included not only an examination of the existing statistical programs, but also consideration of the additional data required to fill the major unmet needs in the study of our economic problems and the development of economic policy. The Committee's report, coming as it does from a group of experts of outstanding competence, has provided guideposts for the further broad development of statistics and research in the years ahead.

We agree with the Committee that there are many improvements which can be made in the existing systems for collecting and presenting data on employment and unemployment. We have already put into effect certain recommendations which could be introduced immediately. We are now working on some of the technical problems in implementing other recommendations. It is clear that additional resources will be required before some of the Committee's recommendations can be implemented; we have requested funds in our appropriation for fiscal year 1964 to make a major start in these program developments. The Committee recognized in its report that some of its recommendations will take some time to effectuate. There is need for preliminary research and step-by-step development of the programs in an orderly fashion. But I would like to make it clear, on behalf of the Bureau of Labor Statistics, that our intention and hope is to move ahead as rapidly as possible on all the major recommendations of the Committee, to the end that our statistical and research programs will be continually more comprehensive, more accurate, and more flexible and responsive in meeting the country's needs for information in this most significant area. The major purpose of this report is to recount the steps we have taken and plan to take to implement the recommendations of the Committee.

In order to plan our work, we have prepared a complete list of the numerous recommendations, as identified by BLS, to be found in the Committee's report. We think it may be useful to this subcommittee and are submitting it for the record. One cannot peruse this list without being impressed with the comprehensiveness and thoroughness of the Committee's study, and the many fruitful suggestions for research and improvement which were made. It is also clear that the agencies responsible for the statistics will have a great deal of work cut out for them.

A. RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE ALREADY BEEN CARRIED OUT

It was possible to put into effect a number of the recommendations within a few months after the receipt of the Committee's report. These included proposals for changes in the content and arrangement of publications, some additional collection and tabulations of data, and technical research or other initial steps looking toward the implementation of recommendations.

1. Changes in publications

Chapter IX of the Committee's report is devoted to the program for making employment and unemployment statistics available to the public. It makes many specific recommendations for content, arrangement, and timing. Most of these recommendations proved to be feasible to adopt after a short period of time and are now in effect. A few depend on the acquisition of a new, advanced computer at the BLS, or on persuasion of employers to report more promptly to the cooperating State agencies.

The data from the household and payroll surveys are issued in three publications each month in order to make them available to the public at the earliest possible moment. A summary press release early in the month contains a few key figures from the household survey. The Monthly Report on the Labor Force, published around the middle of the month, contains all of the household survey data that are significant for analysis of current developments, and the first data available from the payroll survey. This publication contains the Bureau's full interpretation of the current situation. The final publication of record, Employment and Earnings, issued at the end of the month, contains all the data published from both surveys and also the labor turnover and State and area statistics.

Summary press release.—The summary press release, which is published within 2 weeks after the completion of the monthly survey, was expanded beginning with the report for February 1963 to show additional items and to present seasonally adjusted data. Seasonally adjusted unemployment rates for married men and experienced wage and salary workers are now published along with the

previously published rates for adult men and women, and teenagers. Also, the measure of labor force time lost because of unemployment and part-time employment, originally developed at the request of the Joint Economic Committee, is shown in the first release. As a result, the interpretation of current trends can be made with more insight than was possible earlier, and the press is beginning to cite more than just the overall rate of unemployment.

Figures on the number of adult men and women, and the number of teenagers in the labor force, employed and unemployed have also been added—both the original and seasonally adjusted numbers.

Finally, information on the number of unemployed looking for full-time jobs and the number looking for part-time work, which we began to collect in January 1961, is included in the early summary release.

Monthly Report on the Labor Force.—The Monthly Report on the Labor Force has been greatly expanded so that many of the detailed data are brought to the public several weeks earlier than they formerly were.

In line with the Committee's recommendations, the household and payroll data have been completely separated, and within each section, tables of seasonally adjusted data have been added. The table showing insured unemployment by States, supplied by the Bureau of Employment Security, now includes seasonally adjusted figures and unemployment rates for the total.

Apart from these changes, the major revision in the Monthly Report on the Labor Force was the presentation of more data on the characteristics of the unemployed, including two new items: the number of unemployed looking for full- or part-time work, and the relationship of unemployed persons to the household head. For the employed, more information on occupation, hours worked, and on reason for part-time work is now provided.

In all cases, figures are shown for the current month, the previous month, and the same month a year ago. In the tables showing seasonally adjusted figures, 13 consecutive months are shown.

Employment and earnings.—This publication was rearranged so that the seasonally adjusted data are shown in separate sections from the unadjusted data, as recommended by the Committee, and figures for additional months are shown.

The Committee, in addition to its specific recommendations about the form and content of the publications, set forth a general recommendation on the method of presenting the monthly information to the press. Taking note of this recommendation, the Secretary of Labor announced in December 1963 that the monthly press conferences arranged to present and explain the latest data would henceforth be held by a panel of the technical staff of the Bureau of Labor Statistics and, with respect to the data on insured unemployment, a member of the technical staff of the Bureau of Employment Security. Any comments on the implication of the data for policy matters are made separately, by the Secretary himself.

Finally, we have begun to implement the Committee recommendation that brief summaries of special labor force studies be covered in the Monthly Report on the Labor Force (as well as in detail in the Monthly Labor Review) in order to increase public awareness of the significant findings of these occasional studies.

These changes go a long way toward carrying out the Committee's recommendations relating to publication of results.

2. Additional tabulation and collection of data

As mentioned earlier, we are now collecting information each month to show the impact of unemployment on household heads, other related members of the household, and the balance of the labor force. We can now also indicate whether the unemployed were looking for full- or part-time work. The number of persons working less than 5 hours during the survey week is also published regularly in the Monthly Report on the Labor Force. This is all new information collected in response to general recommendations by the committee.

Much more detailed information on unemployment by occupation will become available after the end of this year when annual averages of household data will be tabulated for 1963, using not the former broad major groups but a finer classification. Pooling the monthly data in the form of annual averages will substantially reduce the sampling error.

3. Technical research now in progress

The committee made many recommendations for technical research, and additional preparatory research is required in order to put into effect certain

recommendations the committee made for collection of new data. Some of these research projects have already been initiated.

Household survey.—An experiment was run this year to develop methods of improving the reporting on hours worked and reporting on the self-employed. We believe these statistics can be readily improved if additional questions can be added to the basic questionnaire.

The BLS is cooperating with the Census Bureau in experimental work, described in Dr. Taeuber's statement, to test various other approaches to the reduction of response problems. The present small-scale program will be expanded if requested funds are provided in fiscal 1964.

Payroll survey.—A new sampling plan for the industry employment statistics program has been developed. Sampling patterns have been developed in considerable industry detail (e.g., folding paper box manufacture, drug stores, banks). Since the design calls for very heavy sampling of the larger establishments which are already densely covered in the present sample, the new sample design will include the bulk of the present sample. The new plan provides for more adequate sampling of small establishments, however, and should strengthen considerably the samples for industries in the trade and service sectors, which are characterized by small establishments. In the future, therefore, it should be possible to publish employment, hours and earnings statistics for components of these industries not now separately treated. To meet the objectives of the new design a sizable expansion in the number of establishments sampled is required. The effect of these changes is to move in the direction of the probability sample design recommended by the committee. It is estimated that if the goals of the new sample design are fully met the sample for the BLS establishment statistics program will be increased from a current level of 125,000 reports to about 165,000. (Both figures exclude the sample for the Government division.)

It is expected that the new sampling plan will be put into effect during fiscal 1964. Instructions to the contract State agencies are now being prepared for inclusion in the Current Employment Statistics Manual. These new instructions will give direction to current activities of the State agencies in the fields of sample expansion and maintenance and set the stage for expansion of the total sample to the levels indicated by the new sampling plan, as resources become available. Funds required to effect part of the necessary expansion are included in the fiscal 1964 budget proposal now before the Congress.

The Committee recommended that we search for means to speed up the reporting of employment by cooperating firms to the end that the sample available for the first measurement of the change over the month—data released in the Monthly Report on the Labor Force—be as complete as possible for maximum accuracy. We consider that the most fruitful possibility for speeding release of the data and improving its accuracy lies in transition to more advanced electronic computation equipment in BLS. A new computer has been added, and an additional high-speed, large-capacity computer is on order. We are now developing the processing system needed to prepare the payroll employment statistics more rapidly. This means will be exploited thoroughly before we attempt to impose the burden of even faster reporting on industrial firms.

All BLS questionnaires needed to collect employment, hours and earnings data have undergone a searching review during the past several months. In line with Committee recommendations, new forms have been developed for the collection of man-hours and payroll for industry sectors for which employment only, or employment and payrolls only, were previously collected. A new schedule form for eating and drinking places will provide for the collection of hours and earnings data in addition to employment, which is the only item currently collected. In the finance sector a new form will provide for the collection of hours data, in addition to employment and earnings. Similarly, in the services sector a new form will provide for the collection of employment, hours and earnings data on a wide variety of industries. The form for manufacturing industries is being revised to provide for the collection of overtime payroll data, which in combination with data currently requested will enable the Bureau to calculate directly "straight-time" earnings. All new and revised forms have been reviewed with the cooperating State agencies and with business and labor groups. Subject to final approval by the Bureau of the Budget, the forms will be used for collection of data beginning with January 1964.

Study of seasonal adjustment methodology.—During fiscal 1963, within the general framework of the existing method, the Bureau has experimented with

modifications in developing the trend-cycle component in order to improve final seasonal factors. The emphasis of such modification was to reduce changes between seasonal factors as derived for the first time and those that would become final (historical) some time in the future. Also the method for securing seasonal factors as accepted by the Interagency Committee on Seasonal Adjustment Research under the leadership of the Budget Bureau was programed for use on a small computer available throughout the country. Substantial savings in time and costs and increased technical efficiency result from the use of the newer electronic computer program. The required computer time is reduced to slightly under one-fifth the time formerly required, the cost for processing a series is reduced to about one-seventh, and concomitant clerical handling requirements are almost eliminated. In addition to realizing these savings, the new computer program processes series covering a longer time period, provides more checks on the accuracy of the data, and identifies the final tables produced much more completely. A program package which makes the computer program available to other Federal and State Government agencies and to private organizations is being assembled.

Comparative studies of unemployment in foreign countries.—The groundwork for regular adjustment of foreign unemployment rates to U.S. definitions was laid in a study made by the Bureau and published as appendix A to the President's Committee report. This study presented adjusted unemployment rates for seven foreign industrial countries in 1960. Using these 1960 adjustment factors as a reference base, we have made preliminary comparisons for the years 1961 and 1962. A report on these updated comparisons was made at the recent Conference on Unemployment and the American Economy held at the University of California in April.

The Bureau is now making a more comprehensive review of the 1961 and 1962 statistics for the seven countries. In addition to producing revised estimates of unemployment adjusted to U.S. definitions, this research will throw additional light on the characteristics of the labor force in the various countries and on other factors associated with differences in unemployment rates.

B. RECOMMENDATIONS OF THE COMMITTEE ON WHICH WORK WILL BE STARTED IN FISCAL 1964

A substantial amount of further work to implement recommendations of the Committee will get underway in fiscal 1964 if the budget requested for these purposes is approved. The House of Representatives, although recognizing the significance of the problem, has approved only a part of the appropriation we requested. The reduction made by the House would result in significant delay in introducing the improvements recommended by the President's Committee. We are hopeful that the Senate will restore the funds that have been cut and that the House will go along with the Senate action.

These are the major parts of the program we are proposing for fiscal 1964:

1. Extension and improvement of household statistics

A major recommendation of the Committee was that a research and experimental program be undertaken to sharpen the concept and measurement of unemployment. The Committee was concerned by the fact that the current definition relies in some part upon volunteered information and that no regular questions are asked to test the work-seeking activity of the unemployed. These possible deficiencies have been of concern to the agencies responsible for the household data for a long time, but lack of funds has prevented the inauguration of the necessary experimentation for improvement. We know that tests of new questions and concepts cannot be carried on with the existing sample of households and with the regular interviewers without seriously jeopardizing the regular monthly series.

Accordingly, we have requested funds to establish a supplementary sample of 17,500 households and to train a second group of interviewers to inaugurate this program in fiscal 1964. For the first phase of the program, the sample would probably be divided into subsamples for trying various questions and approaches which would make more explicit the meaning of the present unemployment concept, or test modifications that might yield more satisfactory results in the present labor market. The basic concept—that a person who is classified as unemployed must be looking for work—will not be altered. Only considerations of the time reference, the criteria for work seeking, or the actual questions asked will be examined.

Along with these experiments we plan to collect some substantative data, perhaps only on a small scale at first, on the characteristics of persons not now classified as in the labor force. The recency and nature of their work experience, their availability and their desire for work, and the reasons for their absence from the current labor force would be examined to throw light on the extent of total manpower resources and to determine how many potential members of the labor force may now be reported as outside it. In an era of extensive technological change accompanied by early retirement and other forms of voluntary or involuntary withdrawal from the labor force, it is reasonable to question whether the existing measures may not understate the number of persons "able, willing, and seeking to work," as specified by the Employment Act of 1946.

After the major phase of the experimental program is completed in fiscal 1965, it is probable that we will incorporate the supplementary sample in the regular sample as the first step toward the ultimate expansion in the regular sample recommended by the Committee. The vast increase in the uses of the household data for guidance in public policy determination requires a degree of reliability that was not contemplated when the present sample was designed and resources allocated.

2. Studies of labor force turnover and growth

The dynamics of the labor force and the reasons for its uneven rate of growth are questions that concerned the Committee, and have long been under study by analysts in and outside the Government. The Bureau of Labor Statistics is stepping up its analytical program in this area, both in connection with its regular work in the study of labor force developments and projections, and as part of its special study of economic growth. In addition, we have requested funds for fiscal 1964 to conduct a survey, using part of the household sample, of persons who have entered or left the labor force over the course of a year to seek by the interview technique the person's own reasons for the change in status. This survey will also be in some sense experimental because techniques for establishing motivation for such behavior are as yet largely undeveloped.

3. Employment, hours, and earnings statistics for additional industries

As noted above, funds requested for fiscal 1964 would permit the development, in connection with our establishment series, of samples in industries now inadequately covered, particularly in the trade and services sectors. As samples are strengthened it will become possible to publish data for additional industries for both employment and hours and earnings. Funds requested for fiscal 1964 would also permit the extension of the program to 50 additional standard metropolitan areas; additional resources would be needed in fiscal 1965 to cover the remaining 50 areas, thus bringing the total for which current information would be available to 215.

4. Current employment statistics by occupation

The committee recommended that the Bureau develop a program of current employment statistics by occupation. We have requested funds for fiscal 1964 to lay the groundwork for the exploration of existing data and the need for collecting additional data on employment by occupation. Initial planning to be done includes:

(*a*) Determination of the best method for obtaining occupational data for each industry: A thorough investigation would be made of the problems involved in using various ongoing Bureau surveys as vehicles for collecting occupational data which can be integrated in this program. These surveys include the current employment statistics program, wage surveys, and the surveys of employment of scientific and technical personnel. In addition, data collected by other Government agencies will be investigated.

(*b*) Determination of occupations for which employment data will be collected in each industry: Selection will depend mainly on the numerical importance, the skill content of individual occupations, and feasibility of collection. This will be determined by discussions with industry, trade associations, labor unions, professional societies, and other groups, and by plant visits.

(*c*) Definitions of occupations selected: Preparation of definitions will be worked out in consultation with industry to be consistent, as far as possible, with those used in other programs collecting statistics by occupation.

(*d*) Field testing: Considerable testing must be done to determine if the occupations selected, the definitions used, and the questions devised are prac-

tical for the collection of occupational data. These tests will include visits to both small and large establishments to find out if reliable data can be secured from all establishments by means of a mail questionnaire.

(*e*) Development of pilot surveys for collection in industries or the occupations not now covered: Pilot studies would be planned, using various vehicles for collecting occupational information.

(*f*) Systems analysis will be undertaken for developing a computer program to utilize occupational-industry patterns, industry employment estimates, occupational control totals, and independent estimates of employment in a few occupations in order to develop current employment estimates.

5. Job vacancy statistics

Studies looking toward the feasibility of developing a national system of statistics on job vacancies will proceed in cooperation with the Bureau of Employment Security, which has an interest in such data in connection with operations of the public employment services.

As a preliminary step in studying the analytical uses of job vacancy data and the experience in collecting them in foreign countries, an inquiry is being addressed to U.S. representatives abroad.

Study will be made of the experience of State agencies which have been collecting such data, not only with respect to the accuracy of the data and the ability of employers to report them, but also with respect to the usefulness of the data in placement and other employment service activities.

Study will be made of the avilability and form of existing records of job vacancies in industry and the problems involved in collecting such information. Problems of defining occupations for collection of job vacancy data will be similar to those encountered in collecting employment statistics by occupation, and it is planned to use the experience gained in connection with that program in developing occupational definitions for the job vacancy program.

Study will also be made of mechanisms which might permit the collection of job vacancy information at a national level. The development of national estimates of vacancies by occupation on a current basis would require the development of a large-scale statistical program and would, at best, take some years to effectuate. The planning effort will therefore also consider how a program can be developed which will provide usable partial results on an interim basis—for example, estimates of total job vacancies in selected metropolitan areas of States, or indexes of changes in the number of job vacancies in selected sectors of industry. The funds requested for 1964 will make possible only the exploratory work leading to the elaboration of a plan of development.

6. Hours and earnings of "nonproduction" workers

Monthly figures currently collected on hours and earnings in manufacturing are limited to those for production workers, and therefore do not provide information for the nonproduction worker category (i.e., white collar and supervisory workers) which now numbers nearly 4.5 million, or more than one-fourth of total manufacturing employment, and which is growing steadily.

Such data are needed for the preparation of broadly based productivity indexes, for manpower planning, and for national income estimates. Funds requested for fiscal 1964 would permit the collection of hours and earnings data for nonproduction workers from all manufacturing establishments which report monthly in the establishment statistics program. This would be an annual survey. After this is successfully accomplished, the Bureau will develop plans to extend this collection to all private industry sectors.

7. Comparative studies of unempoyment in foreign countries

During the next fiscal year the Bureau plans to continue the study of unemployment rates abroad and possibly enlarge the number of countries included in such comparisons. Careful comparisons in this field can probably not be made more often than once a year because of the infrequency of labor force surveys abroad. We have been urged to prepare such comparisons on a more frequent schedule, however, and we may be able to develop methods of making estimates over shorter periods.

The OECD has expressed interest in the methods employed in our initial comparisons study, and we would like to cooperate with that body in order to encourage more uniform reporting of unemployment statistics abroad.

Upon establishment of a regular system for reporting adjusted unemployment rates, we plan to inquire further into the causes of different unemployment levels between countries. Much further study is obviously needed in this important field.

8. Study of seasonal adjustment methodology

For calendar 1964, subject to the availability of funds, the Bureau plans to investigate the effects of increasing the time periods upon which are based the seasonal factors and the trend cycle. Coupled with this will be the investigation of using graduated weights assigned to atypical observations at all, or their treatment is of the "all" or "none" variety. The investigation of the lengthened time period and the use of graduated weights are designed to shed light on a possible "overcorrection" of data by the current methods.

During 1964 the Bureau will attempt to secure the services of outside technicians to deal with more sophisticated, less rigid approaches to the technical aspects of seasonal factor methodology. The Bureau will also keep abreast with the research activities of other agencies in the development of less rigid approaches.

C. FURTHER PROGRAM DEVELOPMENT

We will be better able to outline plans for further program development to implement the Committee's recommendations when we have some of the results of the program I have outlined. Our ability to put many of the recommendations into effect depends on continuing and expanding work which will be initiated under these proposals—particularly those for the sample expansion in the household survey and payroll survey programs. The Committee made several recommendations commenting on the desirability of improving the "benchmarks" or total counts of employment which are used as a base for the estimates of employment by industry. The Bureau of Labor Statistics will continue and expand its program of technical research designed to improve these benchmarks but the most significant contribution would be one mentioned in Mr. McCauley's testimony, improvement of the covered employment benchmarks for the current employment statistics program and related programs. We intend to propose in future years an extension of our technical research on the problems of accuracy of response by firms in the establishment survey as recommended by the Committee, and to move ahead as rapidly as possible with the entire program of recommendations.

As this subcommittee can readily see, there is much to be done, on a wide variety of fronts. Essential to all of these improvements is the maintenance and development of a competent technical staff. The President's Committee emphasized this point in its report, and we are making every effort to recruit new staff members and improve the technical skills of our present staff through training. In the last analysis, the quality of the statistics rests on the skills and dedication of the people responsible for them.

RECOMMENDATIONS OF THE PRESIDENT'S COMMITTEE TO APPRAISE EMPLOYMENT AND UNEMPLOYMENT STATISTICS

This list is prepared as a working document. Some of the recommendations are paraphrased. The classification of the recommendations has been made by the Bureau of Labor Statistics. References are to page numbers in the Committee's report, "Measuring Employment and Unemployment."

I. THE COMMITTEE MADE SOME RECOMMENDATIONS OF AN ADMINISTRATIVE NATURE AND TO AID IN SECURING THE ADOPTION OF ITS SPECIFIC RECOMMENDATIONS

1. Government agencies responsible for initiating and publishing labor force statistics should be provided with staffs adequate for expanded programs of basic and analytical research. (28)

2. It might be desirable for the Budget Bureau to issue periodic reports on the progress achieved in implementing this Committee's recommendations. (29)

3. New reviews of the labor force series by independent experts should be undertaken from time to time.

Another small group of technically qualified individuals should be asked to review the success of the agencies in adopting this Committee's recommendations. (29)

4. Present research staffs must be augmented by capable professional personnel and by well-qualified additions to the corps of technical specialists, so that the research can go forward promptly and successfully. (135)

5. Recommend that the importance of interviewer selection, training, and supervision continue to be recognized by good administration of field operations, by making further improvements in procedure and by providing better compensation for verified excellence in performance.

Further efforts should be made to improve the experience of interviewers, reduce turnover, and forestall any decline in the quality of survey results. (159)

6. Statistical agencies need more information from users about the degree of accuracy and the amount of detail that should be provided. (161)

II. THE COMMITTEE STRONGLY EMPHASIZED IN MANY RECOMMENDATIONS THE NEED FOR TECHNICAL RESEARCH TO IMPROVE THE STATISTICS FROM ALL OF THE PROGRAMS REVIEWED

A. The household statistics

(*a*) Improvements in accuracy of response and in definitions.

1. Enumeration of self-employed should be reviewed to clarify manner in which proprietors of family-owned corporations are classified. (21)

2. More detailed occupational questions in the regular schedule. (26)

3. We recommend that intensive research be promptly undertaken looking toward a sharpening of the unemployment concept.

The respondent should be asked to indicate what steps were actually taken to look for work. A person should have actually tested the job market within some reasonable period (30, 45, 60 days). (51)

4. Studies should be made as to number of persons who had stopped looking for a job because they believed no work available who would be excluded from unemployed under proposed changes. (52)

5. The following kinds of questions should be tested for those who are looking for work: (1) How many hours of work wanted? (2) In which of certain specified ways did the person look for work since the first of last month? (3) If awaiting the results of steps taken prior to interview week when did he last actually look for work? (53)

6. Data could be improved by a program of testing and experimentation which should be undertaken as soon as possible.

A combination of probing questions and callbacks to interview each employed person in the household.

Might ask for hours worked on separate days. Self-enumeration might be attempted. (83)

7. Improvement of interviewing, possibly by greater use of forms to be filled out by members of the household and more deliberate attention to the accuracy of responses. (135)

8. (1) The Committee recommends that continued efforts should be made to improve current practice in collection of data so far as consistent with reasonable additions to cost.

9. (2) A larger part of the budgets of the systems should be devoted to testing accuracy of the statistics resulting from these procedures and for experimenting with new procedures.

Users should be given full and frank reports about the results of tests of accuracy and experiments with improved techniques. (153)

10. Research and experimentation should be undertaken to improve accuracy of response: (1) Mailing forms in advance or leaving them to be returned by mail likely to improve accuracy of response. (2) Problem of ascertaining unemployment compensation coverage and status of covered persons reported as unemployed should be investigated. (3) Intensive study of response errors revealed by reinterviews to determine causes of differences and establish a better basis for reducing their occurrence should be made. (154)

11. The reinterview program should be maintained and improved to maintain high levels of performance and to determine nature and magnitude of remaining errors.

The reinterview program should also contribute information to a broader program of research to increase accuracy, reduce costs, and provide additional information about the precise meaning of the statistics. (159)

12. Research on interviewing techniques should be expanded with emphasis on tests of accuracy of data and on attaining adequate accuracy in the development of detail to meet new needs and more exacting requirements. (159)

13. Experiments with modifications of the questionnaires are greatly needed to improve accuracy of the statistics for weaker items: identification of marginal labor force groups, of movement in and out of labor force, of actual hours worked, and of duration of unemployment. (159)

14. Research into the technical feasibility and practicality of getting accurate interview information for 2 consecutive weeks in a single interview (and experiments with this method) should be undertaken. Suggestions of a similar nature should also be considered. (160)

(*b*) Improvements in survey design and estimating techniques.

1. Recommend that a program of comprehensive research be developed contemplating the regular use of a second panel. (85)

2. Progressive increase of sample size over the next decade. (135)

3. Development of at least one regular parallel survey for supplementary studies and experimentation. (135)

4. A continuing program of research on survey methods and on ways of improving the usefulness of the survey. (135)

5. Some further improvements are possible in sampling operations, reduction in sampling variability would be desirable. (138)

6. Present standard errors are larger than can be accepted indefinitely and an increase in sample size and improvements in sampling techniques are needed. (149)

7. Within the next decade a major expansion will be necessary (including parallel surveys), perhaps of the order of 10 times its present size and with many changes in design and improvements in procedure. Expansion should be started promptly. (150)

8. Research on the improvement of techniques with emphasis on increasing the efficiency of sampling should be initiated. (150)

9. A major part of the expansion of the sample should be through establishing one or more parallel samples. (150)

10. Possible benefits from further stratification in agriculture. (Sample selection) (151)

11. New approach to principles for delineating primary sampling units might open up other opportunities for improvement through further stratification. Much research needed to estimate benefits—favored but with lower priority than some other fundamental research. (151)

12. Large erratic movements of estimates may occasionally result from the introduction of large clusters of households with extreme or peculiar characteristics into the sample. Technical controls in the sampling procedure may reduce these disturbing effects and if this can be done they should be introduced. (151)

13. Recommend introduction of an adjustment in the estimates to take account of underenumeration of the population in the decennial census. (152)

(*c*) Other research and technical improvements in the household statistics.

1. Why so many workers who were classified outside the labor force in the previous month are active in the current month is a major unanswered but important conceptual question. (65)

2. Increased research into both the analytical and statistical problems raised by cyclical movements in the labor force is necessary. (67)

3. Initiate program of research looking toward reducing the defects of the gross-change data, publication of the data should be resumed as soon as possible. (81)

4. An occasional large survey (four or five times present sample size) to obtain "inventory data" would be extremely useful. (85)

5. The Committee recommends that the reasons for the stability of average hours as reported in the household survey during the last recession be investigated. (123)

6. An extension of the information about standard errors should be brought about at an early date and estimates of the standard errors of seasonally adjusted data should be prepared and published as soon as technical problems surrounding their preparation have been solved. (151)

B. The payroll statistics

1. Recommend that tests be made of the feasibility of obtaining reports on hours of part-time workers in selected industries. (23)

2. Further improvements of the less adequate benchmark segments. (135)

3. Continuation of progress in stratification beyond State, size, and industry characteristics. (135)
4. Development of probability sampling. (135)
5. Search of means for speeding up laggard reports. (135)
6. Measurement of the error occasioned by incomplete coverage of the sample at the first closing. (135)
7. Reduction of errors of response. (135)
8. Improvements of methods of estimation. (135)
9. Important that employer reports continue to progress toward a sampling system with less uncertainty about adequacy with which various sectors are represented, with a well-formulated statistical justification of procedures used, and with better measurements of accuracy over the whole of the seasonal pattern. (138)
10. Unsatisfactory coverage in service and some other fields. (138)
11. Exacting tests of the accuracy of benchmarks should be made at an early date. (139)
12. The estimation procedures should be reexamined and improved. (144)
13. Research to determine benefits from further use of stratification. (144)
14. Systematic study of procedures of sample selection used by State statisticians; attrition resulting from loss of respondents; effect of initial refusal to cooperate. (144)
15. Further analysis of biases resulting from delay in reporting—particularly as related to phases of the business cycle. (144)
16. Extension of sample coverage to industries not adequately represented. (144)
17. Improvement of benchmarks for such industries should continue. (144)
18. Development of additional tests of accuracy of estimates and benchmarks and development of estimates of sampling variation and response error. (144)
19. System of reporting and information collected should be modified to make the resulting statistics fit in more readily with other data in the preparation of a unified set of statistics. (144)
20. The Committee strongly recommends that the possibility of making major innovations that would speed up the return of establishment questionnaires be investigated. Fresh approach needed. (154)
21. Further studies of response errors should be undertaken, with broader coverage of reporting establishments.

A more advanced program of research on problems of response error should be conducted in conjunction with experiments with potentially more effective methods of questionnaire design and use.

Results of such studies should be made readily available to users of the data. (154)

C. Technical research involving or applicable to both the household and the payroll statistics

1. Matching surveys, used on a selective basis, would indicate areas where improvement is desirable, provide insight into reasons for differences, and add to information available for interpreting current economic phenomena—suitable subjects would be reports on hours worked; employment classification by occupation, industry, and "class of worker"; and matching of individuals reported in the household survey as looking for work with unemployment insurance records. (132)
2. More frequent or more adequate measurement of groups which account for conceptual differences would be very useful. More frequent multiple-job surveys, including hours worked on each job. Regular followup surveys to determine the unemployment status of persons who have exhausted their unemployment benefits, or who were disqualified. (132)
3. Further improvements in method are needed and a fresh, broader examination of the problem of seasonal adjustment is in order. (163)
4. Much more experimentation with series of known composition will be necessary before the reliability of the seasonal adjustment method can be considered to be well established. (181)
5. More attention should be paid to the so-called parametric method of seasonal adjustment. (187)
6. It also appears that some more fundamental studies of the problem of seasonality are needed; some that do not start from the presupposition of the

multiplicative model or of the ratio-to-moving-average procedures derived from it. (189)

D. Technical research on other statistics for measuring and interpreting employment and labor force

1. The Committee recommends that the following methods be thoroughly explored by the Department of Agriculture with a view to adopting one of the alternatives. A major effort to improve the farm employment series is required. (1) Expansion and improvement of present program by: Substantial expansion of annual surveys for benchmarks, development of improved current seasonal adjustment factors, investigation of response errors, investigation of means of increasing reliability of the sample, and expansion of survey to collect hours worked on farms; or (2) Development of a new multipurpose stratified probability sample of farms designed to furnish current information on farming activities. This proposal is more comprehensive, more attractive, and considerably more expensive. (101)

2. The Department of Labor should be charged with the responsibility for research on ways of improving the methods used by State and local labor-market analysts and increasing the amount and quality of data available to them on the characteristics of their own or comparable areas. Such research should include a program of sample household surveys in a number of areas, each selected as typical of a larger group, designed to provide information on the major labor-force components, including separate estimates for groups not covered by employment-security programs. Information should be obtained on seasonal and cyclical variation in these groups. (195)

3. A vigorous effort should be made to exploit the present household survey to improve State and local area estimates. (195)

4. Data might be developed directly from the present household survey for a few of the larger metropolitan areas. Further experiments with regression analysis applied to the existing household data might suggest types of relationships that could be applied to local areas. An enlarged CPS sample might occasionally be used to provide additional data for one or both lines of inquiry. (195)

5. The Committee strongly recommends that the Bureau of Labor Statistics undertake, in cooperation with the appropriate international agencies, the regular adjustment of unemployment rates to a standard basis and the publication of international comparisons. (223)

III. THE COMMITTEE RECOMMENDED COLLECTION OF ADDITIONAL DATA AND PUBLICATION OF SOME DATA NOW COLLECTED BUT NOT PUBLISHED

A. The household statistics

(*a*) Data that can be prepared from information now collected.

1. Those working less than 5 hours per week should be shown separately in the relevant published tabulations (by voluntary and involuntary, p. 15). (46)

2. Classification of self-employed by activity would be helpful in interpreting changes in employment and unemployment. (58)

3. Information showing the amount of time worked by unpaid family workers working less than 15 hours per week on farms should be tabulated. (102)

4. The Committee recommends that more use be made of the household survey to obtain occupational classifications.

Quality of response could be improved by the use of special questionnaires to be left by the interviewer and mailed in by all employed persons in the household.

Special surveys could also be made in which the worker is interviewed directly. Sampling variability could be reduced by the occasional use of a much larger sample than the present monthly survey with present sample it would be feasible to accumulate the data now collected monthly for a given occupation over a period of several months or a year to obtain distributions of greater reliability. (203)

(*b*) Data not collected regularly at present.

1. Attempt to secure more information than we now have regarding previous work experience such as reasons for termination from last job. (54)

2. Special surveys should be conducted, probably annually, to get at the details of the earlier work experiences, over a number of years, of those currently unemployed. (54)

3. Information needed quarterly, or at least annually (ideally monthly) for persons not in the labor force on: (1) Given his present personal circumstances does the respondent presently want and would he be able to accept a job if a suitable one were available? (2) Is part-time or full-time work wanted? (3) Circumstances under which respondent would actually look for work. (4) Previous work experience, nature of last job, and when and why terminated? (5) Educational background, including vocational, or professional training? Careful experimentation is necessary to yield reliable and interpretable information. (55)

4. Changes in the number and occupational distribution of the self-employed may reveal important information on ebb and flow of job opportunities. (57)

5. Hope that exploratory research will be undertaken into the possibility of developing even partial measures of underemployment. (59)

6. Possibly ask respondents for usual occupation as well as current one and further development of the annual surveys of family income. (59)

7. Useful to have information on reasons for the termination of the last job held as an additional classification of the unemployed. (60)

8. The number of unemployed who want only part-time work should be collected monthly. (60)

9. Information on work activity for secondary workers by family status and income. (69)

10. Broad program of investigation into labor-force growth; pattern of labor-force activity of secondary workers, factors influencing work activity of married women, changing family income as an independent factor in labor-force participation, differential impacts on the size of the labor force in geographical areas with substantial unemployment and with low unemployment, extent of withdrawal from the labor force of workers in declining industries, and the extent to which changing skill requirements affect the movement of workers into and out of the labor force. (72)

11. Tabulate regularly to show relationship between the labor-force status of the head of a household and that of other members of the household. (80)

12. Investigate the possibility of publishing data on the labor-force status of individuals by broad family-income classes. (80)

13. Recommend an intensive survey of unemployment periodically, possibly once a year, if the survey undertaken in April 1962 is successful. (83)

14. Desirable to have a more comprehensive inventory of the skills and education of persons both in and out of the labor force, particularly the unemployed. (83)

15. Educational and work histories of the unemployed including types of jobs they have filled or should be able to fill. (83)

16. Need to measure the uneven impact of unemployment on special groups in the population—aged, inexperienced, untrained, and nonwhite workers. (83)

17. Exceedingly useful to have separate data on hours worked on each job reported more frequently. (84)

18. The recommendation for more frequent collection and tabulation of data on hours worked on each job for persons with two or more jobs is of particular importance for persons having either paid or unpaid agricultural employment. Would make possible tabulating of hours of work on farms for persons whose primary job is not farmwork. (102)

19. Possible use of a special supplementary schedule for all households including one or more farmworkers should be investigated. Schedule should emphasize unpaid family work especially for women and children under 14. For months from May through October information should be collected on the number of young people under 14 employed for wages on farms. (102)

20. A major improvement of the sampling by extension of probability sample surveys in the Department of Agriculture or expansion of the household survey in agricultural areas should be sought. (135)

21. The interview should be used to a greater extent to get supplementary information from time to time about particulars of labor-force participation, reasons for leaving the labor force, ways in which worker has looked for work, worker's beliefs about the state of the labor market, etc. (159)

B. The payroll statistics

1. Intensive efforts should be made to bring the estimates for important and rapidly expanding service industries up to standards which will permit publica-

tion of individual industries. Methods should be devised for sampling these industries. (95)

2. The Committee recommends that the employment estimates be extended to more of the 215 standard metropolitan statistical areas. (95)

3. Efforts to add hours and payroll information for nonsupervisory workers in eating and drinking establishments, finance and real estate, the services, and Government should be intensified. (95)

4. Hours estimates should be made for supervisory and other nonproduction workers on an annual or quarterly basis.

High priority should be attached to extending coverage to additional industries, such as transportation and public utilities. (95)

5. Hours of full-time workers should be obtained separately from hours of part-time workers in industries in which part-time work is important, such as retail trade. (96)

6. The program for obtaining information on the spread between hours paid for and hours actually worked should be stepped up so that all industries will be covered every 3 to 5 years. (96)

7. Efforts should be made to publish revised data resulting from benchmark adjustments more promptly and at about the same time for all States.

The Committee hopes that the Department of Labor will explore with the State agencies the possibility of speeding up publication of the statistics. (198)

8. The Committee recommends that the Department of Labor take the leadership, in cooperation with State employment security agencies, in working out a system of regular seasonal adjustment of the current monthly employment series now being published. (198)

C. Data from the employment security programs

1. Initial claims and insured unemployment should be seasonally adjusted. Committee urges both BES and State agencies to do further work on this problem. Adjustment needed both for weekly series and for monthly data (weekly average for the month). (90)

2. Program of obtaining data on the characteristics of the insured unemployed should be extended to major labor-market areas, lacking such information on all unemployed. (90)

3. Characteristics of the insured unemployment data at the State level should be strengthened by adding statistics on education, marital status, and possibly dependency status. (90)

4. BES should take the lead in securing the publication of more of the covered employment data for small areas. (90)

5. The BES should take the lead in encouraging local labor market analysts to make the maximum use of existing information, such as the 1960 census data. (195)

6. Every effort should be made to speed up the availability of the quarterly reports on covered employment. (Unemployment insurance data) (195)

7. It would be desirable if all States made and reported employment and unemployment estimates regularly. (196)

8. Allowance for seasonal changes should be made in all the area classifications. Probably the best procedure would be to make explicit seasonal adjustments of the estimates of local unemployment rates. (197)

9. The Committee recommends that the Department of Labor take the lead in research into the usefulness of employer forecasts as an advance indicator. Studies should be made to determine whether the employer forecasts can be corrected for systematic bias to yield results of same value as an indicator of the demand for labor. (197)

D. Data whose collection would require the creation of new data collection systems

1. The Committee recommends that the Department of Labor initiate a program of research studying the following subjects:

(1) The quality and usefulness of vacancy statistics now being collected regularly by State employment security agencies.

(2) The use being made of vacancy statistics currently being collected in Canada, Great Britain, and West Germany.

(3) Possible solutions of conceptual and definitional problems, particularly those relating to the comparability of the data to unemployment statistics.

(4) The mechanisms which might be used for collecting data and the problems of sample design.

(5) The availability of employer records of job vacancies and probable response problems. (201)

2. The Committee recommends that studies begin as soon as practicable in order to obtain information on employment in rapidly expanding occupations, particularly those which require a fairly long period of prior training for workers and those which are critical to defense. (204)

3. The Committee recommends that the Bureau of Labor Statistics proceed to implement its proposed program of developing current employment statistics by occupation. Exploratory research should be begun to determine: (1) What occupational employment records are available and how much related information, such as the years of experience and sex of those employed, is obtainable; (2) to what extent existing data collection programs must be supplemented by new methods of collection; (3) how large a sample of firms in various industries is necessary to establish occupational trends and composition—particularly in dynamic industries with a rapidly changing occupational pattern; (4) how frequently industry surveys will be required; and (5) to what extent mail reports or field surveys should be used. (205)

IV. THE COMMITTEE RECOMMENDED ADDITIONAL RESEARCH OF A SUBSTANTIVE, RATHER THAN A TECHNICAL NATURE

1. Make resources available to carry out well-formulaed projects to investigate the relationship between the rate of growth in the labor force and economic developments.

Determine number who might be in the labor force at different levels of GNP making appropriate assumptions regarding prices, productivity, and hours of work. (72)

2. Study of identical samples of individuals over an extended period of time to explain problems connected with low income and underemployment—how inadequate incomes are related to illness, repeated spells of unemployment, lack of occupational mobility. Could also help us to understand conditions which induce secondary earners to enter or leave the labor market. (85)

3. By tabulating the present sample for identical persons during 16-month period, including answers to retrospective questions on changes occurring during the middle 8 months when household is not in the reporting sample, could learn much about how people have responded to changes in the labor market and in family status. (86)

4. The Committee recommends that more resources be devoted to a current program of analysis and research. For example, changes in the geographic location of American industry and in movements in employment by size of plant in comparison with industry averages. (96)

5. More definitive examination of the causes of international differences in unemployment should be intensively pursued, now that we have a body of international data on a comparable basis. (220)

V. THE COMMITTEE MADE A NUMBER OF RECOMMENDATIONS ON THE PRESENTATION AND PUBLICATION OF THE DATA

1. Criticism might be avoided if seasonally adjusted unemployment rates were shown separately for the 14–17-year age group and for those aged 18 and over. (48)

2. Rate of unemployment computed excluding self-employed might be useful for some purposes. (57)

3. Recommend that the monthly press releases and the MRLF feature several different unemployment rates, all seasonally adjusted. (61)

4. Consideration should be given to publication of estimates from the household survey of the characteristics of the employed by industry more frequently and in greater detail. (82)

5. More frequent publication of information assessing comparability is desirable. Periodic publication of adjusted series relevant to comparability should be a regular part of the research program in employment and unemployment statistics. (132)

6. Preparation and publication of reports describing the details of the sampling procedures should be accelerated. (152)

7. The most desirable arrangement would be to release both sets of data (household and establishment statistics) simultaneously. (209)

8. Seasonally adjusted figures from the household survey should be published currently, on a monthly basis, when the monthly data are released. (211)

9. The situation would be very much improved if the lag connected with the employer reports could be eliminated and the data from the two series released simultaneously each month by reducing the time required to make the employer data available for release. (211)

10. The amount of data carried in the preliminary release for the household survey should be expanded considerably. (212)

11. The preliminary release should report both the actual and the seasonally adjusted figures. To the maximum extent possible the text of the release should discuss the month's developments in terms of the seasonally adjusted data. (212)

12. It would be desirable to draw a sharp line between the release of the statistics and their accompanying explanations and analysis on the one hand, and comments on the policy implications on the other. The technical explanations and analysis are properly the function of the professional staff of the statistical agencies responsible for collecting and processing the data. The professional staff also has an obligation to offer analytical, interpretative comments that will assist the users of the data to assess the significance of the changes recorded by the figures. The more general type of policy-oriented comment, however, is properly the function of those officials responsible for policy-making and program administration, who must necessarily express the views of the executive concerning the state of the economy and the actions, if any, that should be taken in relation to the changes revealed by the statistical reports. (213)

13. The text of the proposed preliminary release of the household data could be relatively brief. With a few paragraphs summarizing the month's development; it should include factual comments about the accompanying data. The paragraph headings might include such items as labor force, employment, unemployment by significant categories, hours of work, and so on. So far as is consistent with the flexibility needed in a changing world the format should be standardized from month to month. (213)

14. The preliminary release should include data for the report month, the 2 previous months, and the report month of a year ago. The tables with the preliminary release should show the magnitude of the change between the report month and both the previous month and the report month of a year ago. So far as possible, there should also be estimates of sampling error for the indicated changes. (213)

15. Together with an expansion in the amount of the seasonally adjusted household data, an improvement in the division of the material, whereby the household data would be separated from the employer data, is essential. The source of the data should be clearly identified in order to distinguish between household and employer reported data. (214)

16. It would be desirable to present the adjusted and unadjusted data in the MRLF in separate tables. The tables might be grouped as follows: (1) Unadjusted household data. (2) Seasonally adjusted household data. (3) Unadjusted employer data. (4) Seasonally adjusted employer data.

17. Seasonally adjusted national data on insured unemployment should be added and reported each month. (214)

18. The physical arrangement and readability of the MRLF would be much improved by achieving a greater degree of uniformity among the tables. Data should be presented, wherever feasible, for (1) the report month, (2) the 2 previous months, and (3) the report month of a year ago. No table should be carried which provides data only for the report month. (214)

19. The readability of the MRLF would be improved for the regular user if the text portion were better interrelated with the tables and charts and presented more uniformly from month to month. (215)

20. It would also be helpful to have a clear division of the text portion into two sections—one devoted to the regular monthly commentary, and the other

to reports on special studies. The latter should be made a regular feature of the MLRF. (215)

21. The MRLF could be further improved by a greater and more systematic use of charts, which would be kept up to date each month. These charts should contain seasonally adjusted data and might cover the following major series that appear to have special attraction for large numbers of users: (1) Labor force, civilian employment, nonfarm wage, and salary employment. (2) Unemployment rates for selected characteristics. This might be arranged in panel form—a series of individual charts each concerned with one characteristic. (3) Establishment data—total nonagricultural payroll employment, plus breaks by industrial and nonindustrial employment and perhaps Government employment. (4) Hours of work and earnings. (5) Insured unemployment and initial claims. (215)

22. A basic data book would prove immensely useful as an information source for the more professional analyst. It should bring together all of the details and cross-tabulations presently available and present the whole body of historical labor-force data from the household survey in a single publication. (216)

23. The various special labor force reports should be summarized; the MRLF at the time the full text is released. The existing press conference should also be used as a vehicle for releasing these studies to the public. It is also important that the time lag between study completion and release be reduced. (217)

VI. THE COMMITTEE CONSIDERED AND EXPLICITLY REJECTED A NUMBER OF PROPOSALS THAT HAD BEEN MADE FOR CHANGES IN THE PRESENT DEFINITIONS OR PRACTICES

1. The Committee believes that more would be lost than gained if those working fewer than 5 hours per week were excluded from the employment totals. (47)

2. Omission of those under 16 years of age from the labor force. (48)

3. Omission of presumed unemployable from the labor force—physical, psychological, educational, training, or age handicaps. (48)

4. Proposal to change treatment of unpaid family workers and persons with a job but not at work in the employment statistics. (57)

5. Proposal to drop from the unemployed or treat separately, workers who declined a job when offered, quit a job they had or were discharged for unsatisfactory performance. (60)

6. Proposal to synthesize estimates from household and payroll systems to present a "best" estimate of each component to the public. (131)

7. Proposal to make seasonal adjustment of the unemployment series by the residual method. (184)

Senator DOUGLAS. Mr. Myers, in your prepared statement you mention comparisons in unemployment rates between the United States and seven foreign industrial countries, and you refer to a Berkeley report which was made in April of this year and on which you now say you are making a more comprehensive report.

I wondered if you would make a summary of the report at the Berkeley meeting available to us so it could be printed as part of these hearings.

Mr. MYERS. I would be glad to do that. That brings up to date some of our earlier work that I think may be of interest to the subcommittee.

Senator DOUGLAS. When do you expect to have your own review finished?

I am talking about 1961 and 1962. In one paragraph you deal with the report of the Berkeley meeting and then you go on in the second paragraph to say you are making a more comprehensive survey.

Mr. MYERS. Oh, yes; that will be completed by the end of the summer, but the preliminary figures that we will be able to include in this record will be so little different from the final figures that I think they will be equally useful. The preliminary figures we will include in this record will be almost the same as the final figures. We will make virtually no change in those.

Senator DOUGLAS. I see.

So that the material you will furnish could be accepted as being substantially identical with material that will later be published?

Mr. MYERS. That is true, sir. There is very little possibility of any substantial change.

(The information referred to follows:)

THE UNEMPLOYMENT PROBLEM: WHAT WE CAN LEARN FROM EUROPEAN EXPERIENCE

(By Robert J. Myers, Deputy Commissioner of Labor Statistics, U.S. Department of Labor, Washington, D.C.)

This paper reviews the recent unemployment experience of five of the leading industrial countries of Western Europe. They have a combined population of over 200 million and a combined labor force of some 93 million—about a third larger than our own. Yet in 1962 they reported a total of only about 2.1 million unemployed as compared with 4 million in this country. During the past 5 years, when joblessness in these countries was hovering around the 1-, 2-, or 3-percent level, our own rate never fell below 5 percent, and averaged 6 percent.

The difference between our unemployment rate and the average for these European countries was only a little more than 3 percentage points, but what a 3 percent. If we could wipe out that difference, it would mean 2 million more jobs, perhaps $40 to $50 billion in gross national product, and assuredly a great advantage in the cold war. We can surely be excused for looking enviously at our European friends, for peeking a bit, perhaps, to see how they do it. We have profited much in the past from exchange of ideas with Europe. It would be shortsighted indeed to ignore Europe's recent success in holding down unemployment.

COMPARATIVE LEVELS OF UNEMPLOYMENT

Before considering the factors that account for Europe's happier experience with unemployment, however, I should like to deal briefly with the oft-expressed suspicion that the difference between jobless rates here and across the sea is largely an illusion, arising out of differences in the definitions and statistical methods used in counting the unemployed. It has even been suggested that if we would only adopt the more restrictive definitions used in Europe, we would already be a long step forward in solving our unemployment problem.

During the past 2 years, the Bureau of Labor Statistics has looked into the question of comparability in some detail. Its efforts were accelerated after the President expressed interest in the matter late in 1961, in appointing the President's Committee To Appraise Employment and Unemployment Statistics—the "Gordon Committee." That Committee encouraged the Bureau's research from the outset, and the first findings of this research were published in the Committee's report, "Measuring Employment and Unemployment." These findings need be summarized here only briefly.[1]

The most widely published and most commonly quoted statistics on unemployment in European countries are indeed quite different from our own and are usually based on registrations at placement offices or the records of unemployment insurance or public relief agencies. The unemployment rates for five of these countries during the period 1951–62 are shown in chart 1, in which Japan and Canada are included for good measure.[2] This chart depicts the striking decline of unemployment in Germany and Italy over the 11-year period, the irregular rise in the United States and Canada, and the consistently low levels maintained by France, Great Britain, Italy, Japan, and Sweden, none of which reported unemployment averaging as high as 3 percent in any year during the period.

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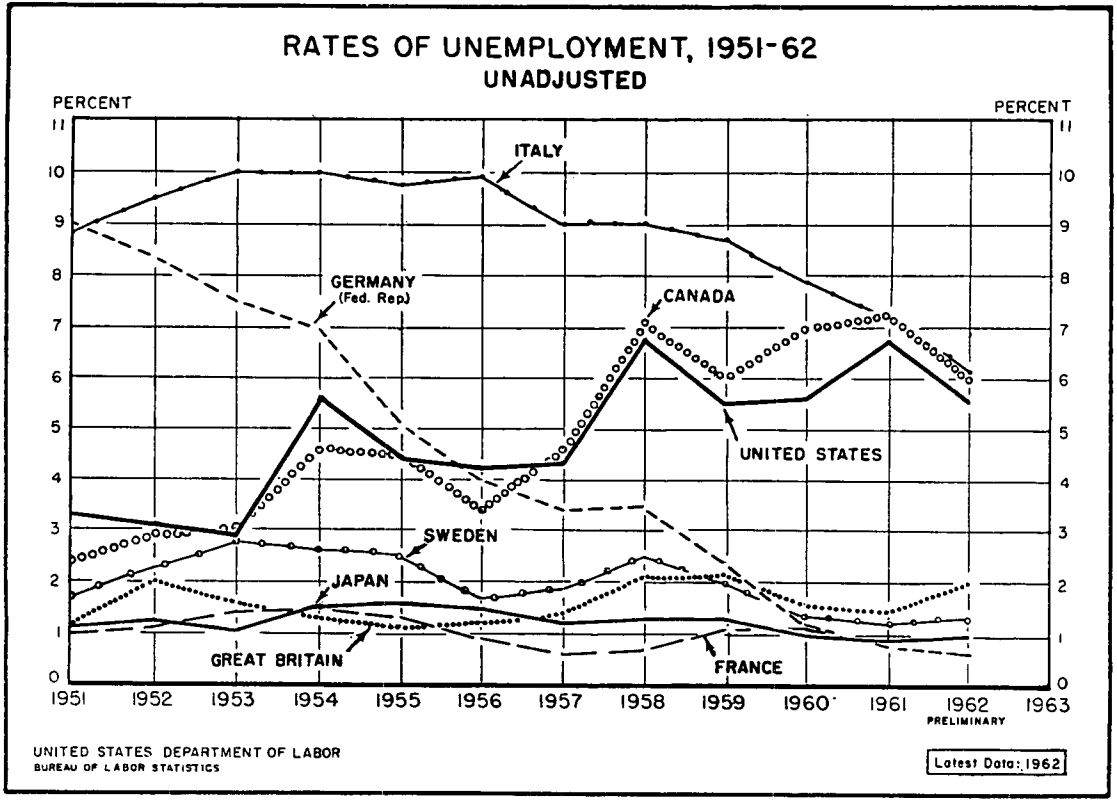
[1] Those interested in further detail are referred to "Measuring Employment and Unemployment," GPO, Washington, 1962, ch. X and app. A. See also Joseph S. Zeisel, "Comparison of British and U.S. Unemployment Rates," Monthly Labor Review, May 1962.

[2] The data presented in chart 1 are taken from International Labour Office, "Year Book of Labour Statistics" (Geneva) and International Labour Review (Geneva), and from national publications. Rates for France were computed by the author, based on national data.


RATES OF UNEMPLOYMENT, 1951-62
UNADJUSTED
PERCENT
PERCENT
ITALY
GERMANY (Fed. Rep.)
CANADA
UNITED STATES
SWEDEN
JAPAN
GREAT BRITAIN
FRANCE
0
1
2
3
4
5
6
7
8
9
10
11
1951
1952
1953
1954
1955
1956
1957
1958
1959
1960
1961
1962
PRELIMINARY
1963
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
Latest Data: 1962

Fortunately, most of these countries have also had a try at the sample survey approach to unemployment measurement, sometimes referred to as the "American system." The official monthly unemployment statistics in Japan and Canada are now very similar to our own. The Federal Republic of Germany, Italy, and Sweden have periodic sample surveys in addition to other, more widely known, systems of measurement. France has made sample surveys irregularly and somewhat experimentally since 1950. Only Great Britain has never made a labor force sample survey, and in the case of that country we have had the advantage of intensive research by a competent labor economist over a period of nearly a year.[3]

The sample surveys have not always used the same concepts and definitions as our own, but their general pattern has been the same as ours and the definitions, where they have differed, have been reasonably explicit. The surveys have been conducted by competent statisticians. Much supplementary information has been obtained, facilitating adjustment for differences in definitions. It has thus been possible to arrive at an estimate of the number of unemployed in each country measured in accordance with U.S. definitions and methods.

Unemployment rates for each country for the years 1960–62—as published and after adjustment to U.S. definitions—are presented in table 1. It is not necessary to comment on these data in detail. It is noteworthy, however, that adjustment to U.S. definitions does not change the comparative position of the United States very much. The adjustments result in lowering the unemployment rate of the foreign countries more frequently than raising them. The adjusted figures for 1962 show this country second only to Canada in rate of unemployment, instead of third, after Canada and Italy, in terms of the unadjusted figures.[4] The average rate of unemployment among the five European countries was a little lower after adjustment to U.S. definitions than in terms of the regularly published data.

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[3] See Zeisel, op. cit.

[4] Both Italy and Japan suffered from a considerable amount of "underemployment," not reflected in the unemployment rate.

TABLE 1.—*Number of unemployed and rates of unemployment, as published and adjusted to U.S. definitions, 8 industrial countries, 1960–62*

Country	As published [1]						Adjusted to U.S. definitions				
	Number unemployed (thousands)			Rate			1960 estimates			Preliminary rates	
	1960	1961	1962	1960	1961	1962 [2]	Labor force (millions)	Number of unemployed (thousands)	Rate	1961 [2]	1962 [2]
United States	3,931	4,806	4,007	5.6	6.7	5.6	70.6	3,931	5.6	6.7	5.6
Canada	448	469	391	7.0	7.2	6.0	6.4	448	7.0	7.2	6.0
France	131	112	122	[3] 1.0	.9	.9	19.1	370	1.9	1.7	1.8
Germany (Federal Republic)	237	161	142	1.2	.8	.7	25.2	245	1.0	.5	(4)
Great Britain	360	341	463	1.6	1.4	1.9	23.9	570	2.4	2.2	2.8
Italy	[3] 1,746	1,608	1,333	[3] 8.2	7.6	6.3	20.9	896	4.3	3.7	3.2
Japan	430	390	418	1.0	.9	.9	43.5	480	1.1	1.0	1.0
Sweden	19	17	19	1.4	1.2	1.3	3.7	56	(4)	1.5	1.5

[1] From ILO Year Book of Labour Statistics and International Labour Review, and from national publications. Unemployment rates for France, and for Great Britain and Italy in 1961 and 1962, computed by present author.

[2] Preliminary figures in some cases based on reports for less than full year.

[3] Revised figure.

[4] Not available.

The foregoing comparisons relate, of course, exclusively to "Western" nations. In the Communist countries, where freedom from unemployment is generally accepted as dogma, it is not to be expected that similar figures will exist.

In this respect as in many others, however, Yugoslavia is an exception. That country regularly publishes the number of unemployed, from which can be computed unemployment rates not dissimilar in level from our own. The figures for the most recent 3 years are as follows:

[In thousands]

Year	Number	Rate
1960	159	[1] 5.2
1961	191	5.7
1962 (9 months)	235	6.9

[1] Revised.

The U.S.S.R. is still riding the crest of a vigorous postwar economic expansion. The State has unquestioned authority to assign workers to jobs and to direct plant superintendents to hire them. There is widespread evidence of labor shortage in skilled jobs and, in Siberia, in other jobs as well. Under these circumstances it might be expected that unemployment in that country would actually approach the zero level that is claimed in Communist propaganda.

The Bureau of Labor Statistics is carrying on continuing research on the subject of manpower in the U.S.S.R.[5] Few solid conclusions have yet been formulated as a result of this research, but it is clear that that country has not been able to guarantee its citizens freedom from joblessness. On the one hand, the reversion from Stalinism has led to a partial abandonment of the policy of forced labor and reliance to a considerable extent on "inducements" and persuasion, which are not always effective in attracting workers or in holding them.[6] Labor turnover is thus a serious problem.[7] Incredible though it may seem, moreover, there is no coordinated system of placement agencies in the U.S.S.R., leaving job hunters and plant managers responsible for finding each other largely unaided. The job offered to a worker may be so unattractive in terms of duties, pay, housing, or transportation that the worker is unwilling to accept it. The time required to get into a new job may thus run to several weeks.[8]

Despite the strong authority of the state, therefore, the job-creating influence of a rapidly growing economy, and the unquestionable evidence of labor shortages in some areas, measurable unemployment undoubtedly exists in the U.S.S.R. My own tentative conclusion is, that measured by American standards, it would amount to appreciably more than in the faster growing western economies, such as Japan and Germany, although very substantially less than in this country.

CAUSAL FACTORS

If my listeners are still with me, we have now satisfied ourselves that unemployment is, indeed, much lower among the industrial countries of Europe than in the United States, and that we will not be wasting our time if we ask how that comes about.

Growth of labor force

To begin with, I think it is desirable to look at the characteristics of our labor force. Is it possible that peculiar disadvantages in rate of growth, or

[5] See Edmund Nash, "Recent Trends in Labor Controls in the Soviet Union," in Dimensions of Soviet Economic Power, hearings together with compilation of studies prepared for the Joint Economic Committee, Congress of the United States, 87th Cong., 2d sess., Dec. 10 and 11, 1962, pp. 391–407 and pp. 691–693. The writer has also profited from an opportunity to review an unpublished manuscript on manpower in the U.S.S.R.

[6] See, for example, article by Edmund K. Faltermayer, "Labor Turnover, Cold Plagues U.S.S.R. Efforts To Develop Huge East," in Wall Street Journal, Feb. 27, 1963.

[7] See Arcadius Kahan, "Labor Turnover in the Soviet Union," Monthly Labor Review, January 1962. Kahan calls attention to Soviet materials suggesting that some 36 to 60 percent of the workers in 232 industrial plants studied changed jobs in 1960, and suggests that the national average may have been near the lower end of this range. He estimates the average duration of unemployment for workers changing jobs at 28–31 days.

[8] Displacement resulting from automation and increasing efficiency is also taking place constantly, although layoffs are often delayed until the worker can be transferred to another job. In such case the result is a type of "underemployment" rather than unemployment, and the burden falls on the economy as a whole rather than on the individual worker.

sex or age distribution make high unemployment almost inevitable? Our labor force has grown rapidly, calling for the creation of about 8 million new jobs between 1951 and 1960 if unemployment was to be held constant. The 12 percent increase in our labor force in this period, however, compared with a similar figure in Sweden, 18 percent in Germany, 23 percent in Canada, and 25 percent in Japan. Labor force growth was less in France, Great Britain, and Italy, perhaps making high employment more easily attainable. But there is little evidence here that labor force growth is an insuperable obstacle to reasonably full employment.

Women workers

Our high proportion of women workers, now about one-third of the labor force, is another possible factor, for unemployment rates are almost invariably higher among women than among men. France, Great Britain, and Sweden have about the same proportion of women workers as we have, however, while women make up about 37 percent of the labor force in Germany and about 40 percent in Japan.

Young workers

What about young workers? The unemployment rate for youngsters under 20 is nearly three times as high as for adults, and this group made up about 8 percent of our labor force in 1960. But young people were equally important in the labor force of France. And in every single one of the other western countries they were relatively more numerous—13 percent in Germany, for example. Not one of these countries had a higher proportion of its workers in the favorable age group 20–64 than we had.

Consideration of these demographic factors, therefore, yields little comfort and little help. There are a number of economic factors, however, that are somewhat more helpful in explaining our relatively high rates of unemployment.

Decline of agriculture

One of these is the relatively minor importance of agriculture as a source of employment in this country. Unemployment is much less frequently associated with agriculture than with industry, partly because agriculture is less susceptible to cyclical change, but chiefly because a high proportion of the workers in farming are self-employed or unpaid family workers, who tend, in slack periods, to work part-time or withdraw from the labor force rather than seek another job with pay.

Agriculture has been declining relatively as a source of employment in all of the countries studied, and in our own country the decline has been absolute as well as relative. We must look back as far as the 1830's, when some of those who won this country's independence were still alive, to identify a period when as few of our workers were in agriculture as today. In 1960 about 1 worker out of 12 in our labor force was in agriculture, as compared with about 1 out of 3 in Italy and Japan, and 1 out of 4 in France. Only Great Britain, with 5 percent, had relatively fewer workers in agriculture.

High proportion of wage and salary workers

Relatively more of our workers work for a wage or salary and are thus particularly susceptible to unemployment. This factor is, of course, closely related to the point just discussed, since only a few of those in the labor force associated with agriculture work for a wage or salary. Wage and salary workers in 1960 accounted for fully 84 percent of our labor force, but only 77 percent of the labor force in Germany and Sweden, 66 percent in France and 62 percent in Italy. Only Great Britain, with 90 percent, had relatively more of its labor force working for a wage or salary.

If unpaid family workers made up about 30 percent of our labor force and employers and the self-employed another 24 percent, as in Japan, the change in weights alone, without any change in the unemployment rates for the various worker groups, would have reduced our overall rate to 3.7 percent.

Level of wages

I shall not deal here with another question, whose significance I wish, nevertheless, to acknowledge in passing. Are wages and salaries in the United States too high, relative to prices, to permit the expansion in production that is needed to absorb the unemployed? Have European countries managed to maintain a better balance?

I could not deal with this complex topic in less than the total time period allotted to me. And certainly there are others much better qualified to discuss it than I am. One of these, Per Jacobsson,[9] has recently expressed doubt that unemployment in the United States can be substantially reduced without a wage freeze, or at least without a lesser increase in wages than in productivity. The President's Council of Economic Advisers, on the other hand, obviously considers that observance of its wage-price guidelines will permit us to reduce unemployment providing certain other necessary steps are taken. Other reputable economists feel that insufficient final demand is the major factor in our unemployment problem and conclude that aggressive steps, including a substantial rise in wages, must be taken to increase purchasing power.

As a somewhat related, but certainly less important, matter it may be mentioned that the relatively high wages of American workers, and the liberal unemployment benefits to which many of them are entitled, may make for more frequent and longer periods of unemployment. High wages facilitate voluntary job changes, which may involve a period of unemployment. They permit laidoff workers to hold out for jobs in which they can use acquired skills and maintain their customary wage. The typical European worker, whose real wage is probably half or less than that of his American counterpart, can scarcely risk changing jobs if the change will involve a period of unemployment. The Japanese worker who is so unfortunate as to lose his job can scarcely afford to remain unemployed at all, even though his new job carries low and irregular pay.

Structural unemployment

Displacement of workers as a result of changes in demand, decline of occupations due to technological advance, the changing economic condition of specific localities, etc., is an important potential cause of unemployment in this country. It would be erroneous to conclude, however, that structural change is less prevalent or less far reaching in Europe than here. To illustrate the powerful changes that have made themselves felt in Europe, it is only necessary to mention the decline of the coal mining areas of the Loire and the Cevennes in France, the immigration of hordes of escapees from communism into the Federal Republic of Germany, the virtual disintegration—at one time—of the economy of southern Italy, and the impact of the Common Market on production patterns in all of Western Europe.

There is no adequate measure of the extent of structural change in the various countries, but it is instructive to take a look at the crude measures that are available to show relative changes in productive efficiency in the United States and other industrial countries. Although certainly inadequate, these may reflect structural change more reliably than any other available measures. Between 1951 and 1960 real gross national product per capita in the United States, up 12 percent, rose less than in any of the other seven industrial countries except Canada. The increase for Italy was 58 percent, for Germany (Federal Republic) 70 percent, for Japan 90 percent. Manufacturing production per person employed in manufacturing rose less in this country than in any of the others.

Lagging economic growth

As a final and very important difference that may help to explain the different unemployment rates in the United States and the industrial countries of Western Europe, I would call attention to differences in their rates of economic growth. Economic growth, together with changes in productivity, largely determines the demand for labor. The expansion of the economy must be sufficient to offset gains in productivity and to absorb the growth of the labor force if unemployment is to be held at a given level.

Table 2 shows the average annual percentage increase in real gross national product and in industrial production in eight industrial countries from 1951 to 1960, inclusive. It is apparent that all of the countries except Great Britain experienced a more rapid growth than the United States.[10] The countries with the most rapid growth, Germany (Federal Republic) and Japan, were those that have recently shown the lowest levels of unemployment. The growth ex-

[9] "The Role of Money in a Dynamic Economy," Arthur K. Salomon lecture at New York University, delivered by Per Jacobsson, Managing Director of the International Monetary Fund, Feb. 19, 1963.

[10] All of the countries exhibited marked seasonal fluctuations in production and employment, but only in the United States and Canada did economic growth show pronounced cyclical movements during this period.

perienced in the other countries as a whole was about three-quarters greater than that for the United States. When it is considered that even the relatively modest economic growth experienced by the United States resulted in an employment increase of about 6 million, or 9 percent, from 1951 to 1960, it is immediately apparent how quickly the number of unemployed—which averaged 3.9 million in 1960 and 4.0 in 1962—would dwindle with a growth rate as high as the average for the other countries.

TABLE 2.—*Rate of economic growth, 1951–60*

[In percent]

Country	Average annual increase	
	Real gross national product	Industrial production
United States	2.9	3.2
Canada	3.6	4.3
France	4.2	6.6
Germany (Federal Republic)	7.2	8.8
Great Britain	2.7	3.2
Italy	5.8	8.5
Japan	8.7	14.5
Sweden	3.7	3.7

Sources: OEEC, General Statistics, March 1961 and July 1961; Chase Manhattan Bank, New York The New European Market; A Guide For American Businessmen, April 1961; and national sources. Rates for Canada and Japan were computed by author.

SOCIAL ATTITUDES AND ADMINISTRATIVE PROGRAMS

The lessons we can learn from the foregoing have unfortunately little practical usefulness for us. They are, for the most part, lessons we can never hope to apply. They suggest that if a larger proportion of our labor force were in agriculture, if we had relatively fewer wage and salary workers, if we could expect to have fewer young people in the labor force, and if we could anticipate less structural change in the future then, other things being equal, we could expect to achieve a lower level of unemployment.

But these changes aren't in the cards. We know we're going to have fewer workers in agriculture, not more; relatively more wage and salary workers. Our position with respect to most of the factors we have been discussing is likely to become less favorable rather than more. And so, unfortunately, is that of our European neighbors whose unemployment record in recent years has been so embarrassingly better than our own.

The one area, among those mentioned above, in which we have a good chance of reducing our vulnerability to unemployment is the area of economic growth. I shall return to this topic briefly below. But first I wish to consider a number of other respects in which our economy contrasts with those of Europe, matters relating primarily to laws, social attitudes and administrative programs and clearly within our power to change.

Job security

One of the differences that distinguish us from many other industrial countries is our attitude toward layoffs. The typical American employer is not indifferent to the welfare of his work force, but his relationship to his workers is often rather impersonal. The interests of his own employers, the stockholders, tend to make him extremely sensitive to profits and to costs. When business falls off, he soon begins to think of reduction in force, which in everyone's interest he hopes will be temporary. If it runs on for an extended period, however, there is little he can do about it until business picks up. His discomfort over the layoffs may be relieved somewhat by reflecting that his workers will receive unemployment benefits, perhaps supplemented by S.U.B., for which he helps to pay.

In many other industrial countries, specific laws, collective agreements or vigorous public opinion protect the workers against layoffs except under the most critical circumstances. Despite falling demand, the employer counts on retaining his permanent employees. He is obligated to find work for them to do, even if some inefficiency and rising costs are involved.

In Italy the position of the worker who is part of the regular work force is effectively protected by laws dating back at least 20 years, and by collective agreements. Although not impossible, it is both difficult and costly for an employer to accomplish a reduction in force. Regular workers have a high degree of job security. In Belgium under the law of February 14, 1961, the King is empowered under certain conditions to make layoffs, dismissals, or short time subjects to prior authorization or declaration.

In the United Kingdom, France, and Germany, and certain other countries, the law goes less far in assuring job security than in Italy but social pressure makes employers feel a very strong sense of responsibility for permanent workers—even if sales and production are falling off. This social attitude was behind the feeling of indignation and of outrage recently expressed in France when the branch factories of certain American employers abruptly announced layoffs of many French employees when business began to decline.

There is probably no country in the world where the worker who has attained permanent status has greater job security than in Japan. Many such workers enter their jobs directly from school and stay there until retirement, benefiting from promotions under an established schedule, and with never a moment's concern about unemployment throughout their lives.

These arrangements are certainly effective in holding down unemployment. But they involve a very heavy cost. They partly explain the traditionally lower productivity and lower income levels in other countries than here. Here is something we can learn from our neighbors, therefore, but are we quite sure we want to learn it Aren't there better ways to reduce unemployment?

Unemployment insurance

I need deal but briefly with unemployment insurance, separation payments and similar benefits, which are palliatives rather than remedies. We began to learn this part of our lesson later than some other countries, but we have learned it pretty well. The vast majority of our workers are now protected by such insurance, including both obligatory and voluntary systems. The liberality of unemployment insurance is extremely difficult to judge, and I have not been able to conclude whether benefit payments here are generally more liberal than in other countries, relative to average rates of pay. Beyond question, however, many workers in this country receive a higher income during periods of unemployment than fully employed workers are paid in some other countries. Broad unemployment insurance is an indispensable requirement in a high-productivity economy in which employment fluctuates with business conditions.

Training and retraining

We have much to learn with respect to training and retraining for jobs. This is particularly important in relation to new workers preparing to enter the labor market and to experienced workers whose jobs have disappeared as a result of technological change. The training programs of such countries as Sweden, the United Kingdom, and France play an important part in preparing workers for jobs. Not only training in public facilities is involved, but a great deal of training in private industry, which differs from our own training in industry in that it is often part of a public program, and may be subsidized through payments to employers.

Higher unemployment among American youths seems to be an important factor in accounting for our high overall unemployment rate than that in Great Britain. Zeisel has found that the comprehensive national vocational guidance system, formal apprenticeships and other training programs for youth in Great Britain help explain the difference.[11] In a recent year about 35 percent of the boys and about 10 percent of the girls getting out of school in that country were apprenticed to skilled crafts or undergoing training for recognized subprofessional occupations. The apprenticeships generally guarantee employment for a period of several critical years. In this country apprenticeships among teenagers seem to be relatively about one-tenth as numerous. This despite the fact that the number of apprentices appears to be nowhere near adequate to supply our future needs for skilled workers—they will supply only about 31 percent of the electricians needed, for example, 45 percent of the tool and die makers, and only 10 to 25 percent in most other trades.

Fortunately, we can claim that we are learning a great deal in the area of training, and may soon be in position to do a bit of teaching on our own. The

[11] See Zeisel, op. cit.

Area Redevelopment Act of 1961 and the Manpower Development and Training Act of 1962 provide for short-term training and retraining under certain circumstances, and substantial training programs are already under way as a result of these acts. But there is much yet to be done in this important field.

Effective placement

We are not newcomers in the field of placement. Our Federal-State system has great accomplishments to its credit. However, this system must overcome obstacles in the form of State boundaries with which most Europeans need not contend. These impede the transfer of workers from labor surplus areas to labor shortage areas in another State. We have made some progress toward overcoming these obstacles.

From another point of view, it appears that the personnel in some of our placement offices do not have as high a degree of professional competence as the personnel in certain foreign placement offices, such as those in Sweden, for example.

Placement is an area in which the U.S.S.R. is quite ineffective, as has been seen, and experiences a good bit of unemployment as a result. In a rather negative sense, therefore, we are able to learn something even from our chief cold war adversary.

Relocation of industry and of workers

Many European countries, including particularly Great Britain and France, have done a very effective job in inducing industry to locate or expand in surplus labor areas. A number of countries, including Sweden and the members of the Coal and Steel Community, have achieved considerable success in assisting workers to move from areas of heavy unemployment to other place where job prospects are better. A great variety of inducements may be offered, including payment of moving expenses, aid in disposing of a home owned in the community being vacated, aid in locating a new home, and so forth. Although acceptance of the aids to worker mobility is entirely optional on the part of the worker, the persuasion applied to industry frequently goes much further, involving selectivity in extension of credit, the granting of building permits, making energy available, etc.

In this country we have made a beginning toward the relocation of industry through our policy in awarding Government contracts and in the Area Redevelopment Act and the Public Works Acceleration Act, both enacted into law last year. All of these, of course, observe the principle of positive inducement, with acceptance on a strictly voluntary basis. Because of political opposition by communities reluctant to lose citizens and legislators unwilling to lose votes, we have made virtually no progress in encouraging geographic shifts on the part of workers stranded in economically stagnant communities.

Public planning and information

Many economists feel that the European countries could not have been as effective as they have in combating unemployment without a considerable degree of public planning and control. The Plan de Modernisation et d'Equipment in France, the National Economic Development Council (NEDDY) in the United Kingdom, and the Royal Labor Market Board in Sweden are examples of different types of economic planning agencies that exercise a great deal of influence in channeling the national product into investment or consumption, determining the scope of public works and services, stimulating or restricting production in particular industries, establishing policy in vocational guidance and worker training, and so forth. The state itself is a very important employer in some countries and as a matter of policy can do much to offset fluctuations in employment in private industry. Thus in Sweden, many workers in highly seasonal trades such as forestry and construction are enabled to enjoy practically full-time employment.

I shall leave aside the highly controversial question of whether we should learn to do more planning. Let us agree that we shall move in that direction very slowly, if at all. Our own approach is to give to individuals a very high degree of discretion as to what they will produce, and how and where they will produce it. We have, therefore, responsibility to develop effective information as to what is going on in our economy, to forecast to the very best of our ability the changes that can be expected to occur in the future. Statistics and research are highly important in a planned economy, but are even more essential in one that is not planned.

As a nation we are not laggards in this area. In our public and private research agencies we do more than most countries, perhaps more than any others, in assessing our resources and our needs, in anticipating the supply and demand for products and services, and in guiding our youth as to the future prospects of major occupations. But we realize better every day how much more we need to know about our economy.

Stimulating economic growth

The factors I have been discussing, however, can offer relatively little toward the solution of our unemployment problems as compared with increased economic growth. Some of them are bound to look pretty effective when the economy is rising rapidly, but all of them put together will not hold unemployment within bounds if our growth rate is lagging.

Every country tries to create the conditions favorable to economic growth. But there is no assurance that the policies that have worked in some European countries can be applied or would succeed here. We suspect, moreover, that two important factors that help to account for the recent rapid growth of the European economies are conditions we would not want to see any closer at hand—gradual recovery from a devastating war and the delayed attainment of industrial maturity.

This is certainly not to suggest that a relatively mature industrial economy, unaffected by war's destruction, cannot maintain a sufficiently rapid rate of growth to utilize its manpower resources. But we have reason to doubt whether particular economic policies that have been applied in Europe would bring equally good results here under our very different circumstances. How much have they actually had to do with recent favorable economic trends in Europe?

Our own approach to economic policy for growth can take good advantage of Europe's experience, but our own policy must be made to measure. I believe an early, substantial cut in business and consumer taxes will constitute a highly important forward step in the direction we should be moving.

Unemployment has been a much less serious problem in the industrial countries of Europe in recent years than here, but the lessons we can learn from their experience—and put to practical application—are distinctly limited.

Some of the problems we have faced have been present in Europe as well, but have not prevented the countries of Europe from achieving relatively full employment. Some of the advantages enjoyed by European countries, in the struggle against unemployment, are clearly unattainable here. We shall want to take a long, hard look at some of Europe's defenses against unemployment, which we suspect may carry too high a price tag.

We have a good deal to learn, on the other hand, from Europe's experience with administrative programs, such as training and retraining programs, the relocation of industry, aids to worker mobility, and some aspects of labor placement. These programs are particularly effective in contending with structural unemployment. We need to know much more about these programs than we do, and to be prepared to adapt them to American conditions.

In the area of economic growth, too, we can profit from European experience, particularly from the courage and steadfastness with which some countries have followed an economic policy once it has been adopted. We will find, however, no convenient formula for economic growth. In that most important area of all we must work out our own salvation.

Senator DOUGLAS. Thank you very much, Mr. Myers.

We will continue with Dr. Conrad Taeuber, Assistant Director for Demographic Studies, Bureau of the Census.

STATEMENT OF CONRAD TAEUBER, ASSISTANT DIRECTOR FOR DEMOGRAPHIC FIELDS, BUREAU OF THE CENSUS; ACCOMPANIED BY MORRIS H. HANSEN, ASSISTANT DIRECTOR FOR RESEARCH AND DEVELOPMENT, BUREAU OF THE CENSUS

Mr. TAEUBER. Mr. Chairman, we, too, have prepared a rather lengthy report and with your permission I will summarize it rather than reading it and submit the report as your have it for the record.

The Bureau of the Census in the activity that is being discussed this morning, plays a dual role.

On the one hand we collect, as Mr. Myers has just pointed out, the data from household surveys which are the basis for a part of the monthly report on the labor force.

On the other hand, because of our data collection responsibilities we continually carry on a research program in survey methods.

The Gordon Committee spent a good deal of time reviewing with us this program in research in survey methods, and some of their recommendations relate specifically to the improvement and expansion of that program.

When I say we do a program in research and survey methods, I am speaking specifically about the nature of the sample to be used for these household surveys, the size of the sample that is needed, the procedures that will be used for securing the maximum returns from the data that have been collected, and techniques for processing tabulations, particularly techniques for dealing with this difficult problem which we call response errors.

What kind of questions must be asked to get the kind of information that we are looking for, and what degree of stability in the responses can we expect? What effect, in other words, do the specific ways of approaching a respondent, the specific forms of asking the questions, have on the results, and to what extent might we bias the results, to what extent do we effect the results, by making changes?

One of the items in our program in which the Gordon Committee was particularly interested was our systematic program for reinterviews. Every month we select a sample of about 8 percent of the 35,000 households in the monthly survey, and one of our supervisors goes out, to reinterview those households. He asks the same questions, and in four out of five of the households if he finds a difference in the information which he got and the information which the original interviewer got he tries to reconcile the two.

The interviewers, of course, do not know which households are going to be reinterviewed in this particular month. All they know is that all of the households are subject to this reinterview.

We have as a result of the work of the Gordon Committee, as a result of their recommendations, taken some steps to strengthen and improve this reinterview program, and particularly to see if we cannot find ways of reducing the non-interview rate which has always troubled us, because all of this work——

Representative CURTIS. Could you be specific and let me suggest a phrase such as "actively seeking a job."

What did you do in your questionnaire to find out whether or not a person was actively seeking a job? What does that constitute? How would you relate that to this improvement you are discussing now? Did you change the questionnaire? In your second interview, did you check to see whether the original interview was adequate in trying to get at that very crucial point?

What is "actively seeking a job?"

Mr. TAEUBER. This, sir, is part of another project which I would like to discuss in a little more detail.

Representative CURTIS. I interjected because I thought you said you had a group who asked the same questions to check the answers.

So I said be specific. Take one item and tell me how the second interview, the checking kind of interview, would go over your questions to develop this point and then I will understand it.

I don't understand generalities too well, but I can understand when you talk about specifics.

Isn't that in your area? Aren't you talking about specifics?

Mr. TAEUBER. Yes. But let me make one distinction, sir. The reinterviewing program involves asking the same questions of the same household.

Representative CURTIS. OK.

Mr. TAEUBER. In the same way.

Representative CURTIS. All right. Now, tell me how you do it on this one specific question. How would you reinterview and evaluate it? Then I will understand what we are talking about.

Mr. TAEUBER. We have another project in which we——

Representative CURTIS. Yes, but don't get me off the subject. Why can't you tell me this? What does a reinterview constitute when you are checking on this one point. You ask the same question, you have told me that. You ask it in the same way.

Now tell me how you use your reinterview as a checkpoint.

Mr. TAEUBER. In four out of five cases in the reinterview if there is a difference between what the first interviewer got and what the second interviewer got——

Representative CURTIS. You mean just as far as factual replies?

Mr. TAEUBER. So far as the factual replies are concerned, then the second interviewer, the reinterviewer, asks additional questions to find out what is the reason for the difference.

Representative CURTIS. All right.

Now then, take it with this specific.

Mr. TAEUBER. In this specific case if, in the one case the report was that the person is seeking work, if in the other case the report is that the person is not looking for work, and is not working——

Representative CURTIS. Let's relate it. I want to be as specific as I can.

How many questions do you ask to get this one criterion? Maybe there are five, I don't know. Maybe there is just one. Tell me. How many?

Mr. TAEUBER. There is basically one question.

Representative CURTIS. Just that one. There are no further questions asked on whether "you are actively seeking a job?" Do they use that phraseology?

Mr. TAEUBER. The questioning starts with "What were you doing last week?"

Representative CURTIS. Yes.

Mr. TAEUBER. And if the individual was working, you go on.

Representative CURTIS. Sure. This only comes up when a person says he isn't working, that is obvious.

Mr. TAEUBER. Yes. If an individual is not working then you ask whether he was looking for work.

Representative CURTIS. That is right. Is that the phraseology? Does the interviewer say, "Were you looking for work?" or does he use the phraseology "Were you actively seeking a job?"

Mr. TAEUBER. The specific question is, "Were you looking for work?"

Representative CURTIS. All right.

Now, suppose you come to your second interview, and there is a discrepancy on the one question.

The first one says "Yes," and the second one says "No." What have you told your reinterviewers to ask then? You said they ask further questions.

Mr. TAEUBER. Then the reinterviewer asks questions to attempt to find out.

Representative CURTIS. What question?

Mr. TAEUBER. He does not at this point have a set group of questions.

Representative CURTIS. We are getting somewhere now. The reinterview does not have set questions.

Mr. TAEUBER. If he has a discrepancy?

Representative CURTIS. That is right.

Mr. TAEUBER. Then he gets the best explanation he can for that discrepancy. He does not——

Representative CURTIS. But not through the technique of specific questions that each reinterviewer is supposed to ask?

Mr. TAEUBER. That is right.

Representative CURTIS. That is all. Thank you.

Senator MILLER. May I ask a further question on this point?

If the question on the original interview was "Were you actively seeking employment" and the answer is "Yes," is there any attempt to probe further to find out how he was seeking, actively seeking employment, to determine the, let's say, the accuracy of the reply or does he just mark down "Actively seeking employment" and then go on to something else?

Mr. TAEUBER. As part of the regular monthly survey, there is not any additional checking on this. The question is, was he looking for work? If the answer is "Yes," it is so recorded, and let me, to avoid any misconception, state even if the reinterviewer finds a difference, this does not alter the original entry.

Representative CURTIS. It doesn't?

Mr. TAEUBER. It does not. The original entry has already been moved on into the tabulating procedure. The reinterview is there primarily to help us in evaluating the results, to point to ways in which the questioning might be improved, in which the procedures might be improved, to give some additional information to the analysts. But the reinterview, which takes place in 8 percent of the cases in any one month, does not affect the results as tabulated.

Senator DOUGLAS. Dr. Taeuber, in what percentage of the reinterviews do you get a different answer from the original answer?

Mr. TAEUBER. This varies with the sections of the questionnaire with which we are dealing.

Senator DOUGLAS. I understand. Do you have any overall figure?

Mr. TAEUBER. The overall figure is about 8 percent.

Senator DOUGLAS. No; that is your sample.

Mr. TAEUBER. I am sorry, it is also about 8 percent as an overall figure.

Senator DOUGLAS. I see.

Mr. TAEUBER. But we are talking now about gross differences. The net differences, that is the people who are recorded, let's say, as unemployed in the one interview and not as unemployed in the other interview, are almost balanced by the people who are reported as unemployed in the second interview but not in the first. But it is about 8 percent overall, it is somewhat higher for unemployment.

Senator DOUGLAS. Now, is there any greater tendency for the second interview to show that the person who was stated to have been looking for work is not looking for work and vice versa; that is, those who have stated they are not looking for work but later state they are looking for work. Is there an equal bias on both sides or is there a pronounced other offsetting error, let me say, or is there a pronounced bias in one direction?

Mr. TAEUBER. The errors are almost offsetting and have been continually. This is one of the baffling aspects of this, that while we do get——

Senator DOUGLAS. 4 percent of the cases at the first interview would have said they were not looking for work and in the second interview said they were looking for work; 4 percent said they were looking for work and at the second interview were not looking for work.

Mr. TAEUBER. The effect is approximately that.

Senator DOUGLAS. So the two roughly cancel out.

Mr. TAEUBER. They do tend to cancel out.

Senator MILLER. May I ask a question?

Senator DOUGLAS. Surely.

Senator MILLER. In your opinion, would it provide us with more accurate data if the person responded he was actively looking for work and the interviewer proceeded to develop what he meant by actively looking for work.

For example, I can see where two different people might give the same response and the first one might, in answer to the probe of how he was going about it, say that he was sitting around the house looking at the want ads but he hadn't seen anything he particularly wanted.

The second person might indicate that he had been out pounding the pavements. It would seem to me that the degree of activity might have quite a bearing on the reliability of these figures. I am wondering if, in your opinion, a follow-on series of questions to develop this idea of looking for work would be able to give us more accurate data.

Mr. TAEUBER. One of the things that Mr. Myers pointed to in his statement was the hope that we would have in the next fiscal year the opportunity of trying a number of different approaches to some of these questions aside from the households that are now being interviewed so that we do not disturb the current series.

The proposal to set up an additional household sample was designed in large part to give us the opportunity of testing exactly this type of thing and seeking whether it gives us different, and if different, better results.

We are doing that in a small way this fiscal year in three areas. This is one of the things that we have done as a result of the Gordon Committee recommendations.

In three areas we have gone in, selected a sample, trained enumerators, but keeping this entirely apart, we are using a number of different procedures, trying different approaches, more intensive interview-

ing which would involve exactly the type of thing you have mentioned, more detailed probing questions, to see what effect a different set of questions would have, and whether these results would be better and whether one of these alternative methods, including self-enumeration, would give us better results.

But these must be done, for the moment, as experimental studies in a way that will not affect the regular monthly results.

Senator MILLER. On the basis of what experience you have had, do you think we can get more responsive data on this actively looking for work by follow-on questions?

Mr. TAEUBER. We think there are some real possibilities there, and that it is certainly worth a good deal of exploration, but we are also concerned with keeping an interview relatively short so that the time-table that is now a very tight one for these monthly reports can be met, and that the results will be consistent from month to month and from year to year.

Senator MILLER. Thank you.

Representative CURTIS. This line of questioning was brought out when you said you have a reinterview and the same questions are asked. Then the point was made that if there was a discrepancy, you asked additional questions.

But those weren't prepared additional questions. That is why I wanted to relate it to a specific. If the answers to "Are you actually seeking work," are "Yes" during the first interview and "No" during the second, what questions, or additional questions, have your people used to develop that discrepancy? I am talking about what you have actually done, not theory, so don't give me generalities; tell me a question.

Mr. TAEUBER. One question he might ask is "Have you registered with the employment service?"

Representative CURTIS. Yes.

Mr. TAEUBER. "Have you answered advertisements?" "Have you actually gone to offices?" "Have you written letters?" "Have you yourself placed an advertisement in the newspapers?"

Representative CURTIS. Very good. Do you ask this "actively seeking a job" question as part of the original interview, and if the answer is "Yes," do you ask whether they are seeking part-time or full-time work?

Mr. TAEUBER. Yes.

Representative CURTIS. Is that part of the form?

Mr. TAEUBER. That is part of the form.

Representative CURTIS. So this is divided into two categories, "actively seeking full-time employment" and "actively seeking part time," am I right?

Mr. TAEUBER. Yes, sir; was he looking for full- or part-time work.

Representative CURTIS. Very good. I thought so.

Now, along the same line. Do you ask this question: "Were you looking for work in the same line?" Is that in your original——

Mr. TAEUBER. That is not in the regular form.

Representative CURTIS. Isn't that important? I wonder why that isn't in the original interview. I would think that is something which would be in the original, because that is a very key question.

Do you see what I mean?

Mr. TAEUBER. That has been in some of the special surveys but it is not part of the regular survey.

Representative CURTIS. It has been part of the second go-around?

Mr. TAEUBER. No, sir; not as part of our normal reinterview program.

Representative CURTIS. Not part of the normal reinterview; this is a great help.

Mr. TAEUBER. This has been done in a special survey.

Senator DOUGLAS. I hope the failure of an unskilled laborer to advertise in "jobs wanted" will not be regarded as proof that he is not seeking work.

Representative CURTIS. I am not drawing any conclusions.

Senator DOUGLAS. I just mention it.

Representative CURTIS. I think the gentleman will agree it is an important item to know. Incidentally, I might add that to me, one of the disturbing things in social security disability insurance, where our trust fund is just going to pot, comes from the fact that there has been an administrative interpretation that will justify looking for work after rehabilitation in the same line. This, of course, becomes a very significant factor and is an easy question to answer, I would think. Perhaps it wouldn't be. I was not trying to include it for other reasons, but was really using it as a test, to get an idea of how you, in your reasoning process, proceed when you set up your reinterview.

Mr. TAEUBER. As part of this small-scale experimental survey which we have set up in addition to the regular monthly interviewing, we are trying a number of approaches, including a much more detailed questionnaire. We are trying, also, a questionnaire which we send to the individual and ask the individual to fill out in the privacy of his home and hold for the enumerator rather than just have an enumerator come to the door and ask the questions.

We are also trying something that we have not done before, which is to give the enumerator the information which we had from this same household last month so that after he has gotten his answers for this month, he can then check back to see if this person who is now unemployed is a person who was working last month—is he newly in the labor force, was he unemployed last month—and tries to get explanations for differences——

Representative CURTIS. Do you ask, at that point, whether he is employed in the same line?

Mr. TAEUBER. We would ask whether he is employed in the same line; yes, sir.

Representative CURTIS. You would.

So you would get some idea of the mobility there, of possibly shifting to a different occupation.

Mr. TAEUBER. But at the moment all of this is experimental——

Representative CURTIS. I understand.

Mr. TAEUBER. Rather than as part of the regular survey.

Another part of the work that we have intensified following the Gordon Committee has been an attempt to deal with the problem of noninterviews.

About 5 percent of the households we try to interview in a month don't provide us with interviews. One percent of that roughly is

refusals. The remainder are people who are not at home, who are away on vacations or away from their home for the full week of the interviewing period or are not available for other reasons.

Representative CURTIS. One question on that.

You might also get a different person in the household, am I not right?

Mr. TAEUBER. One of the items in this experimental work is to see whether it really makes a difference if we insist on seeing the same person who gave us the information at the original interview.

Representative CURTIS. But I want to be sure I am accurate. The way it is now, it could be a different person in the same household who gives the answer.

Mr. TAEUBER. It could be a different person. It sometimes is.

Representative CURTIS. Yes.

Mr. TAEUBER. And we are investigating to see whether this has any systematic effect on the results.

The problem of noninterviews, of noninterview at 5 percent is a troublesome one. We are taking some steps which we hope will reduce the noninterview rate even further so as to increase the reliability of the results.

We have, also, in the last months put some additional effort into the training of our interviewers, and we believe that this new technique called programed teaching or programed learning offers some real possibilities here in making the training materials for the interviewers much more specific and hopefully more effective because in the end we are dependent on the work which the interviewers who go to the household and ring the doorbells bring back, and there is a continuing problem of training as well as supervision.

Mr. McCauley mentioned the beginning of some work to attempt to exploit more fully the small samples in any one metropolitan area with the materials which the Bureau of Employment Security has.

We have started some work to see whether better estimates for local areas can be developed.

We have also as part of the results of the recommendations of the committee taken efforts to publish some of the methodological procedures, which we have developed, to make these available to the public for much wider distribution. I have here one which discusses specifically the reinterview program, and the results we have had in 5 years with this reinterview program as one of the items which we have published.

The problem of agricultural employment has already been mentioned. Mr. Trelogan will speak more fully on that. We have a census of agriculture coming in the fall of 1964. The census of agriculture has always been used as a source of benchmark statistics in agricultural employment. We have never been very fully satisfied with that, neither has the Department of Agriculture. We have had some discussions for cooperative work with the Department of Agriculture to use a new approach in the forthcoming census of agriculture to collect on a monthly basis for the calendar year 1964 farm employment statistics which will give us numbers of people as well as labor inputs on a monthly basis without having to rely on the ability of the farmer to report at the end of the year what he did during the several months of the year.

Representative CURTIS. On that point, a figure that I have followed with great interest along this line is that for a farmer, who is one who gains over 50 percent of his income from farming, 34 percent of his income comes from nonfarming pursuits.

Would it be your Department that develops that figure or Mr. Hansen, or Mr. Trelogan? I am wondering about the mechanics. Who gets that figure and where does it come from, do you know?

Mr. TAEUBER. The current figure comes from the Department of Agriculture.

Representative CURTIS. But not from you.

Mr. TAEUBER. No; we do not collect that particular figure. We collect some of the information which they use in addition——

Representative CURTIS. In your questionnaire would you ask a person who is working, "Is this your regular occupation?"

Is that a question you ask him?

Mr. TAEUBER. We have not asked the question, "Is this your regular occupation," but we do from time to time ask additional questions to determine what other jobs the individual has had.

Representative CURTIS. Like moonlighting?

Mr. TAEUBER. Moonlighting, yes, and once a year in collaboration with the Department of Agriculture we have asked additional questions to identify every person who has done any agricultural work during the preceding year regardless of his major job.

Representative CURTIS. I can see the reverse for a person who has a job in a factory and does some farmwork in the agricultural season. Do you pick that up?

Mr. TAEUBER. Yes; we would pick this up either in this question that is asked from time to time on moonlighting or the question we ask once a year for any agricultural work that is done during the preceding year.

Representative CURTIS. I was asking the reverse of that for a person who is primarily a farmer, whose third of his earnings are outside of farming. You wouldn't necessarily pick it up in your questions, would you?

Mr. TAEUBER. We would pick it up when we asked about a second job.

Representative CURTIS. When you ask about a second job you will?

Mr. TAEUBER. Yes.

Representative CURTIS. Then there is coordination as I suspected. I wanted to get it from you first.

Senator DOUGLAS. I wonder if you would sort of abridge your further presentation, I know we have taken up a lot of time in your questioning, so we may go on.

Mr. TAEUBER. Let me say just a word about 1964, Mr. Chairman.

We have asked, as Mr. Bowman pointed out, some additional funds for fiscal 1964 to carry on more intensive studies of some of these methodological problems, of better methods for the household surveys, of the question that Mr. Curtis was just pointing to, the question of how much we can rely on the normal respondent or must we go to each individual in the household, which would greatly complicate the enumerative situation.

We want to do some further work on the question of the sampling procedures that will give us the most effective results for the effort that is put in. We want to expand somewhat the efforts we have

made to check the results of the household interviews against certain administrative records, not that this affects the individual returns but rather that this again affects the interpretation of the results, and there is a question of whether we would do a better job if we were doing our interviewing each week instead of 1 week during each month.

We hope that the 1964 budget appropriations will permit us to make some further study of that.

Thank you, Mr. Chairman.

(The prepared statement of the Bureau of the Census follows:)

STATEMENT OF THE BUREAU OF THE CENSUS TO THE JOINT ECONOMIC COMMITTEE

The Bureau of the Census has taken a number of preliminary steps to put in effect some of the recommendations of the President's Committee To Appraise Employment and Unemployment Statistics and hopes to start on others during next fiscal year. The Bureau was gratified that the committee found the current population survey operation to be sound statistically and we concurred in most of the proposals for further improvements in the program.

We were particularly receptive to the strong recommendation of the committee for a sharp expansion in research activities covering virtually all phases of the program. The Bureau has had a continuing research program in survey methods, which has led to a number of improvements in the current population survey, including survey design, estimation procedures, and processing and tabulation techniques. However, we have been conscious of the shortcomings of the limited efforts that have been possible with existing resources, especially in the light of the constantly growing demands for more accurate and comprehensive measurements in this field.

In selecting a starting point for a more adequate research effort, the Bureau has naturally concentrated on those phases of the program which are our primary responsibility, namely, sampling and estimation procedures, sources and control of response or measurement errors, including questionnaire design, interviewing techniques, and evaluation of the quality of the results. The Bureau has also put into effect certain proposals for expansions in the data initiated by the Bureau of Labor Statistics, pursuant to the committee recommendations.

In order to accelerate research activities in accordance with the committee recommendations, the Bureau is requesting a substantial increase in funds in the next and subsequent fiscal years. Part of the requested increase would be allocated to applied research on survey methods, with strong initial emphasis on methods that have particular significance and prospects for early payoff for the current population survey. There would also be created within the Bureau a Center for Research on Census and Survey Measurement Methods to conduct continuing long-range and basic research on survey methods which would serve a variety of statistical needs, including those in the manpower field. The Bureau would also perform its usual technical functions in connection with the expanded program of research and data collection in the labor force field for which increases in funds have been requested by the Department of Labor.

MEASUREMENT ERRORS: A PRIMARY AREA FOR RESEARCH EMPHASIS

In recent years the Bureau of the Census staff has done considerable work in the evaluation of the magnitude and possible sources of response or measurement errors. The need for giving extensive additional attention to measurement errors is pointed to by the results of some of these research studies.

For example, each month we do a reinterview of about 8 percent of the households included in the current population survey that month. The reinterview is done by a supervisor or senior interviewer. The reinterview is carried out as a part of a quality control and quality evaluation system and provides information to guide research and program improvement. A summary

of the results of this program over a 5-year period[1] shows that the net differences between the original and reinterview results are relatively small; that is, the totals reported as employed, unemployed, or not in the labor force differ only moderately between the two sources. Gross differences, mainly of an offsetting nature, are quite substantial, however. A "gross difference" represents an individual case reported in a given status in the initial interview but in a different status in the reinterview, or vice versa. In independent reinterviews (where the reinterviewer has no knowledge of the original interview results), about 8 percent of the persons, on the average, are classified in a different employment status than in the original interview. When differences between the original and reinterview results are discussed with the survey respondents in order to determine the correct answer, more than half of the discrepancies are eliminated. For unemployment, a particularly difficult characteristic to measure, gross differences between the original and reinterview returns are several times as large as for most other employment status categories, although even here the differences are offsetting in the main.

These results bear directly on the validity of data on "gross changes" in the labor force (that is, changes in the status of identical persons from month to month or over other periods of time), a field of analysis of much potential value in which the President's Committee exhibited considerable interest. One of the most significant uses which could be made of the data is to help in the interpretation of monthly changes in employment and unemployment. For example, if unemployment is rising, it would be possible from these data to determine how many of the additional unemployed were persons who lost jobs and how many were new entrants into the labor market, such as housewives, students, or older, semiretired people. Gross changes iin unemployment average around 50 percent from month to month, according to special tabulations of identical individuals, but in view of the reinterview results the question may be raised whether a significant proportion is not the result of response variance.

Another example of a measurement problem is provided by a study of the results of the rotating CPS sample. We have a sample rotation system such that a sample of addresses (and the people living at these addresses) is included in the survey for 4 successive months, then is out of the survey for 8 months, and then back in the survey for 4 additional months. Thus, in any month the sample can be subdivided into eight subsamples. The addresses in one of these subsamples are in the survey for the first time. A second sample of addresses is in the survey a second time. Similarly, other addresses are in the survey for the third, fourth, fifth, sixth, seventh, and eighth times.

Each of these subsamples constitutes a valid sample of the country. However, if we make estimates of unemployment from each of the 8 subsamples we find that, on the average, the level of unemployment as measured from the sample of households in the sample for the first time is approximately 12 percent higher than the estimate obtained for households in the sample for the 8th time. Studies we have done until now have not pointed to methods of controlling and understanding the sources of difference. We have found somewhat related types of differences in repetitive interviews in some other subject fields.

Still another troublesome aspect of the measurement process arises from the degree of nonresponse in the survey, that is, the degree to which households that are selected as part of the representative sample are not available for interview for some reason. About 5 percent of the households are not interviewed in any month, but only about 1 percent are refusals. Much practical as well as some theoretical work is needed to understand the nature of the noninterview phenomenon, the most appropriate field procedures needed to reduce the problem and the most appropriate estimation procedures for dealing with the residual situation.

Other illustrations of problems in measurement could be cited. Some of the possible effects of measurement errors are relatively large in relation to sampling errors. and in relation to use of the data. Often such measurement errors are of a type that they cannot be reduced simply by increasing the size of the sample. They would be present, and perhaps even more serious, in a complete census. Reductions can be achieved only by changes in methods, and in methods of control, and research is needed to guide toward such improvements. Already there is ample evidence that in the CPS we achieve

[1] U.S. Bureau of the Census, Technical Paper No. 6, "The Current Population Survey Reinterview Program," Washington, D.C., April 1963.

considerably more accurate and reliable measurements than we can in a decennial census, but the evidence also indicates considerable additional progress is required to provide sufficient accuracy for some of the purposes for which results are needed.

The staff of the Bureau of the Census, along with several other organizations, has done some work in the development of basic principles and mathematical models that help explain the nature and source of response errors in surveys. This theory, along with sampling theory, guides in the design of experimental studies for evaluating sources and magnitudes of measurement errors, and in the improvement of measurement methods and survey design.

Research has also been in progress on another crucial aspect of the collection process, namely, the initial and continuing training of interviewers. The application of programed learning techniques to this process may offer considerable promise.

Progress has been made in some of these developments in recent years, and we believe that additional theoretical and empirical research can make significant contributions to improvements in CPS in identifying sources and improved methods for control of response variance and response bias. Such developments have guided the research that has been initiated recently as a result of the recommendations of the President's Committee. The specific activities initiated this year on measurement research are described immediately below.

CPS methods test of interviewing procedures.—A small-scale experimental project has been instituted this year to test certain alternative questionnaires and interviewing procedures. The main purpose is to compare the results of the present current population survey procedure with other approaches pointed to by recent research results, such as a more intensive questionnaire, a procedure which makes some use of self-enumeration, and a "dependent interviewing" procedure—one in which the previous month's responses are available at the time of interview for comparison and reconciliation with the current month's data. Other alternative approaches to evaluation and control of measurement errors will be evaluated as the research proceeds. The effort is to develop general principles for survey measurements, but to concentrate initial efforts on the CPS and related types of household surveys. The CPS will also benefit from research now in progress or to be initiated on measurement errors in other surveys. The CPS research plans have been reviewed with a task force established by the Bureau of the Budget and including representatives from the Department of Labor.

The present experiment is limited to three counties and a total of about 1,300 households a month, outside of the regular CPS operation. Various means of evaluation, including reinterviews by supervisory-level persons, are being employed to compare the results of the various alternative procedures with those from the present standard method. The procedures being tested would be modified as dictated by experience in the course of the experiment or possibly replaced by others. Further details of this experiment are given in an attachment, "Methods Test Project," dated March 25, 1963, initially prepared for distribution to various technical committees.

Research on the CPS noninterview problem.—Noninterview rates, that is the percent of eligible households which are not interviewed for some reason (no one home, refusal to cooperate, etc.) average about 5 percent in the current population survey. Although the rates are low in comparison with most survey operations, there is some concern about possible biases resulting from nonresponse in view of the mounting pressures for greater precision in the labor force data. As a result, some research has been started this year on this aspect of the operation.

The research instituted this year has three main objectives. One is to devise methods of measuring the impact on the statistics of the current level of noninterviews and to evaluate alternative methods of imputation for nonresponse cases. Another objective is to explore methods of reducing further the noninterview rates in the CPS enumeration and to estimate the gains that result by a reduction. Still another objective is to make a substantial reduction in the noninterview rate for the CPS reinterview program and, thereby, to produce more valid measures of response variability and biases in the statistics.

RESEARCH ON SAMPLING AND ESTIMATION THEORY AND PROCEDURES

The Bureau has long emphasized the development of theory and methods for sample survey design. The guiding principle of maximizing the amount of

information obtained for a given budget has led to exploration of many interrelated aspects of the mathematical basis for efficient surveys.

Methods of estimation for national data.—For many years, the CPS estimation procedure involved two stages of ratio estimation. Starting in 1953, a new estimation procedure was initiated. Its improvement over the previous procedures stemmed from the introduction of an estimation component based on the identical segments in sample from one month to the next. Recently we have examined whether further improvements might be made through variations in the form of the estimate including additional estimation components based on the identical segments in sample from one year to the next. One of the intriguing possibilities that we contemplate exploring is the effect of using over-the-month as well as over-the-year components based on identical individuals with subsequent stages of estimation taking into account the noninterview effect in each of the components.

Research on local area estimates.—An important area for research lies in the development of appropriate mathematical models and empirical studies to guide the improvement of local area estimates. The use of partial data for individual local areas jointly with interview data from the current population survey are being considered as starting points for this research effort in which the Bureau of Employment Security and the Census are participating.

Sampling errors for seasonally adjusted data, and components of variance.—The effective use of data from the current population survey requires knowledge of the precision of the estimates. With the increased use of data adjusted for seasonal factors has come an acceleration in our efforts to develop overall estimates of the precision of such data. During this fiscal year we expect to have produced the necessary basic data which will permit estimation of the sampling variability of seasonally adjusted data for major labor force categories. The actual calculations of these variances should be available early next fiscal year. Added efforts will be possible through these data to explore the implications on precision of estimates of the various aspects of the sample design and the interaction with the seasonal adjustment.

Rotation patterns and estimation.—The present rotation pattern which has households in sample for 4 successive months and then returning to sample for 4 more months after an 8-month period was evolved many years ago. We have been considering a wide variety of alternatives this year and plan to continue these research efforts. These have generally taken the form of more extended use of identical panels such as a 5-year scheme which would have households continuing the pattern of 8 months out of sample and 4 months in sample for 5 periods. Use of this rotation scheme in the field together with results of applied research on estimation already accomplished might yield significant improvements in the over-the-year estimates of net change. On the one hand, we have considered the possible implication on reliability of a weekly interviewing cycle, getting data for 2 successive weeks simultaneously, and appropriate estimation models. We plan to pursue this possibility quite actively.

Impact of large clusters.—One of the concomitants of rapid growth of new housing developments and apartments has been some increase in sampling variability of estimates based on the CPS. The Bureau has studied this problem over an extended period and utilized available resources for dealing with larger concentrations by special surveys. While this continues, in part, to represent an area of some concern, the use of information from building permits since December 1961 has served to meet much of this problem. However, continual research on the best use of these resources with other available resources is needed. In addition, further research is needed on the problems in the areas of the country which do not issue building permits.

Special methodological reports.—In order to make available detailed methodological results the Bureau has issued two special reports this year. One deals with the basic methodology of the survey design and gives detailed descriptions of the design and operations during the mid 1950's with a discussion of the revisions to date.[2] The other report[3] deals with the CPS reinterview program and presents a considerably enlarged version of the materials in appendix L of the report "Measuring Employment and Unemployment" carried by the President's Committee.

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[2] U.S. Bureau of the Census, Technical Paper No. 7, "The Current Population Survey, A Report on Methodology." Washington, D.C., June 1963.

[3] U.S. Bureau of the Census, Technical Paper No. 6, op. cit.

RESEARCH ON SEASONAL ADJUSTMENT METHODS

The Bureau of the Census is continuing to work on the development of improved seasonal adjustment techniques suitable for adjusting employment, unemployment, and other economic time series. This is an area to which the President's Committee devoted much time and attention.

Research to develop improved methods is being carried out on two fronts. First for the standard Census ratio-to-moving average method, improved weight patterns, analysis-of-variance techniques, new treatments of extreme values, and other improvements are being developed. Second, the Census Bureau has been exploring the application of spectral analysis and developing parametric methods of seasonal adjustment that yield simultaneous estimates of the components of time series and of their variances. It is also planning to investigate other, dynamic mathematical models for time series analysis.

One criterion for assessing various methods of seasonal adjustment is how well the method estimates the seasonals for the current year in comparison to subsequent estimates based upon additional years of data. Some empirical and theoretical research on the ability of alternative methods to meet this criterion is presently being conducted. A second criterion is the ability of the method to estimate the components of artificial time series constructed from known mathematical and/or economic components. Such tests have been and currently are being made for the present and proposed methods.

SURVEY OF FARM LABOR

The President's Committee devoted much attention to deficiencies in the estimates of agricultural employment, whether obtained from household surveys or from farm establishments. Some work being initiated in connection with the 1964 Census of Agriculture may be helpful in developing techniques for improved farm labor estimates. In the past the census of agriculture, taken once every 5 years, has provided the only detailed data for labor on farms by economic class, type, tenure, and size, and for small areas. However, a census of agriculture can collect only limited information on farm employment since the enumeration comes at the end of the harvest season. Past experience has shown that respondents find it difficult to supply reasonably accurate information pertaining to the total amount of employment and the inputs of hired and unpaid family labor for a period of as long as a year.

In order to provide more useful data on farm labor in conjunction with the 1964 Census of Agriculture, a farm labor survey is planned in 1964. In this survey, information on both hired and unpaid farm labor is to be collected for a sample of farms periodically during 1964. A limited number of questions on farm labor will also be included in the general census enumeration. The primary objective of the survey will be to provide data on monthly inputs of farm labor, both hired and unpaid, as measured by man-hours. Data will be provided for various types and sizes of farms, and with as much regional and State detail as may be feasible with the resources available.

The collection of data on farm labor presents some difficult technical problems. One must take into account the extent to which written records of hired farm labor are available; the ability of farm operators and members of their families to recall their own activities over varying periods of time; the expected response rates to various types of mail questionnaires; the ability of farm operators to give information on farm labor hired through crew leaders and contractors; and a number of other factors.

Because there is not very much information available on some of the technical problems in the collection of current data on farm labor, the Census Bureau, with the cooperation of the Statistical Laboratory of Iowa State University, has been conducting a series of tests of different types of inquiries on farm labor. Additional tests will be conducted prior to, and as a part of, the 1964 survey.

PROGRAM FOR FISCAL YEAR 1964

The activities instituted this year have necessarily been restricted because of the limited funds available.

The President's budget for fiscal 1964 provides for an increase for Census Bureau general research in measurement techniques. A part of this amount would be closely oriented to methods development for household surveys and allocated largely to applied research of the type recommended by the Presi-

dent's Committee. A major part would be devoted to an expansion of the methods test already underway and to an acceleration of the other activities initiated this year. A start would also be made in research to determine the most suitable respondent to reply for a household, improved evaluation of results through record checks and more effective reinterviewing procedures, investigation of alternative methods of sample rotation for purposes of greater efficiency and improved estimation procedures, and exploration of different methods of sample allocation such as randomizing the sample over all weeks of the month.

A major portion of the requested increase would be devoted to the establishment and operation within the Bureau of Center for Research on Census and Survey Measurement Methods. This would be a group, divorced from responsibilities for existing Bureau programs, which would conduct continuing basic research on methods of data collection in censuses and sample surveys. Although attention would not be focused exclusively on labor force measurements, this field would represent one of the major areas of exploration in the light of the recommendations of the President's Committee and the needs in this area. In any case, since many of the major statistical problems cut across subject-matter fields, the results of this research should provide significant benefits in the long run to the manpower field.

In addition to these activities, the Bureau would perform its usual technical functions with regard to the proposed expansions in research and data collection for which increased funds have been requested by the Department of Labor and which are described in the statements of the Bureau of Labor Statistics and the Bureau of Employment Security.

Methods Test Project

Experimentation with interviewing procedures: The initial phase of this project is primarily concerned with exploring the implications of dependent interviewing in successive interviews in the same households as compared with and in combination with more intensive interviewing. It is also concerned with the possible impact of fuller respondent participation obtained through the use of a self-interview form in combination with the present type of interview. Its further development will include exploring the impact of additional alternative approaches to obtaining information such as the impact of choosing a best respondent, and of variation in procedure.

It is expected that certain alternatives will be explored initially to be replaced by others as additional information is acquired and some hypotheses are modified, accepted, or rejected.

The initial experiment is designed to provide comparisons of certain alternatives with the present CPS procedures. The general approach is to compare two alternatives with the present CPS procedure in each of two parallel experiments all on interpenetrating samples of households.

Currently, the experiment is restricted to three counties: (1) Suffolk County, Mass., (2) Mecklenburg County, N.C., and (3) Marion County, Ohio. Six interviewers are being hired for the experiment in each of the three counties. Each interviewer is assigned a workload of approximately 72 housing units to interview during the month—24 units to be interviewed in each of 3 consecutive weeks in that month. The 24 units in an interviewer's assignment for a given week are spread among 4 ED's—approximately 6 units per ED. The assignments for each interviewer and for each week come from the same set of 4 sample ED's; consequently, each ED furnishes about 108 sample units per "sample" (6 per week times 3 weeks times 6 interviewers).

Five procedures are to be compared in the experiment—one of these being the basic CPS procedure (procedure No. 1). Three interviewers in each county will use procedure No. 1 plus two others (procedures Nos. 2 and 4); the remaining three interviewers will use procedure No. 1 plus the remaining two (procedures Nos. 3 and 5).

The particular procedures to be compared initially are:

(1) Present CPS procedure, involving an independent interview each month;

(2) More intensive questionnaire, with independent interview each month;

(3) Present CPS procedure (essentially), but with the use of an advance mail form each month (after the first);

(4) More intensive questionnaire in first month. In the second and later months, after completion of the total household interview, reconciliation with prior month's results will take place;

(5) Present CPS procedure in first month. In the second and later months, after completion of the total household interview, reconciliation with prior month's results will take place.

In any given week, an interviewer will use only one procedure for his 24-unit assignment. However, another interviewer may be using a different procedure in that same week, and the same interviewer will use a different procedure in each of the 3 enumeration weeks within the same month. (We are considering the possibility of interpenetrating procedures Nos. 1 and 5 and/or procedures Nos. 2 and 4 for the same week and interview.)

The attached table shows, for a given county, how the total of 432 sample units assigned for a given month are divided among the 6 interviewers, the 4 sample ED's, the 5 procedures, and the 3 weeks of enumeration. The assignment pattern is basically the same in each of the three counties.

The particular design arises out of a concern that the more intensive interviewing procedure may have a carryover to the least intensive one. Thus, procedure No. 1 itself may be affected by procedures Nos. 2 and 4 when carried out by the same interviewers. The interviewers doing procedures Nos. 1, 3, and 5, on the other hand, are not exposed to this more intensive procedure. Consequently, comparisons are proposed between procedure No. 1 as conducted by three of the interviewers and procedure No. 1 as conducted by the other three.

When the experiment has had a chance to mature, present plans call for each sample housing unit to follow a rotation plan similar to the CPS rotation (4 months in sample—8 months out of sample—4 months back in sample). The current design is based on the assumption that all 108 sample housing units selected from a given sample ED will come into the sample in the same month and be dropped from the sample in the same month. Thus, each of the four ED's becomes, in effect, a separate rotation group. The same ED will ordinarily be the source of another group of 108.

The 108 sample units are selected systematically throughout the entire ED and then randomized into unclustered subsets of 6 housing units each. In actual practice additional housing units are included in the subset assignment, but these units are not interviewed unless one of the first six units is determined to be a type B (vacant, essentially) or type C (house demolished, trailer moved, etc.) noninterview. These additional units may be substituted for a type B or type C noninterview, but will not be substituted for a type A (no one at home, temporarily away, refusal, etc.) noninterview.

Possible variation in experimental design.—It may be desirable later to identify households that tend to have stable members with regard to labor force participation, and reduce the sample size for these, so that the experimental sample consists more heavily of households with a higher proportion of members with low labor force stability. If this were done, the experiment should deal only with the subsampled population, not be weighted back to represent the total population. This might also reduce the variance that might otherwise be encountered in type and size of household.

It is anticipated that later experiments will use a best respondent for each individual instead of allowing a single acceptable respondent for the household. Other variants in procedures to be considered include—

Comparisons of telephone and nontelephone interviewing;

Two week retrospective interview versus single week initial interview;

Variations in questionnaire design including efforts at identifying degrees of employment or unemployment.

Criteria for evaluating the effectiveness of alternative procedures.—Obviously the most satisfactory procedure would be one that measures "true" values most closely. Unfortunately, we have no true values or unbiased measures of them. The following criteria are proposed for consideration in the evaluation:

(1) The smaller month-to-month gross change the better, so long as net changes are not significantly reduced or dampened as compared with present CPS or with more intensive independent or unreconciled interviews.

(2) Gross difference as measured by reinterview should be small.

(3) A method is better if it has the effect of reducing "first month bias."

(4) A method is better if it isn't unstable in its results in the presence of supplemental questions (such as have introduced "jiggles" in present CPS).

(5) Gross differences as measured by record checks should be small.

(6) Net differences should be the same as measured by independent data—e.g., if we identified unemployment insurance recipients in the interview.

(7) Total variance between interviewers within an area and doing the same sample procedure should be small, provided net differences are not dampened.

Distribution of monthly workload in Suffolk County, Mass., among (1) interviewers, (2) ED's, (3) weeks, and (4) procedures

	Interviewer No. 1	Interviewer No. 2	Interviewer No. 3	Interviewer No. 4	Interviewer No. 5	Interviewer No. 6
Enumeration week No. 1:						
ED No. 1	6 HUs-Proc. No. 1	6 HUs-Proc. No. 2	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3	6 HUs-Proc. No. 5.
ED No. 2	6 HUs-Proc. No. 1	6 HUs-Proc. No. 2	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3	6 HUs-Proc. No. 5.
ED No. 3	6 HUs-Proc. No. 1	6 HUs-Proc. No. 2	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3	6 HUs-Proc. No. 5.
ED No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 2	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3	6 HUs-Proc. No. 5.
Enumeration week No. 2:						
ED No. 1	6 HUs-Proc. No. 2	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3	6 HUs-Proc. No. 5	6 HUs-Proc. No. 1.
ED No. 2	6 HUs-Proc. No. 2	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3	6 HUs-Proc. No. 5	6 HUs-Proc. No. 1.
ED No. 3	6 HUs-Proc. No. 2	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3	6 HUs-Proc. No. 5	6 HUs-Proc. No. 1.
ED No. 4	6 HUs-Proc. No. 2	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3	6 HUs-Proc. No. 5	6 HUs-Proc. No. 1.
Enumeration week No. 3:						
ED No. 1	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 2	6 HUs-Proc. No. 5	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3.
ED No. 2	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 2	6 HUs-Proc. No. 5	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3.
ED No. 3	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 2	6 HUs-Proc. No. 5	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3.
ED No. 4	6 HUs-Proc. No. 4	6 HUs-Proc. No. 1	6 HUs-Proc. No. 2	6 HUs-Proc. No. 5	6 HUs-Proc. No. 1	6 HUs-Proc. No. 3.
Total assignment	72 HUs	72 HUs	72 HUs	72 HUs	72 HUs	72 HUs.

Senator DOUGLAS. Thank you very much.

We are happy to have with us, although I understand he is not presenting a paper, Mr. Morris H. Hansen, who is the Assistant Director for Research and Development, Bureau of the Census.

We are glad to see Mr. Hansen. He is one of the truly distinguished mathematicians and statisticians of our time, one of the greatest authorities in the world on sampling methods, and if you have any comments to make, Mr. Hansen, we would be very glad to have them, but I understand you have been here primarily to give advice, if there are certain issues coming up.

I understand that you published a rather detailed statement of the sampling methods used in the 35,000 household study, is that correct?

Mr. HANSEN. This will be forthcoming within the next week or two, this particular sampling statement.

Senator DOUGLAS. How big a study will this be? How many pages?

Mr. HANSEN. I am not sure if I know the answer to that right off. It will be about 90 to 95 pages.

Senator DOUGLAS. I hope you will file a large number of copies up here on the Hill, and I think at an appropriate time it would be well to have it an appendix to these hearings, if it is feasible.

[Note: The report referred to is "The Current Population Survey, a Report on Methodology," Technical Paper No. 7, Bureau of the Census, U.S. Department of Commerce, 1963. Copies were furnished to the Committee for its files and copies were sent to each member of the Committee. (Copies may be obtained from the Superintendent of Documents, Government Printing Office, for 65 cents).]

Mr. HANSEN. It is the first time we have put out a fairly detailed statement on this particular survey.

Senator DOUGLAS. Do you have any particular comments?

Mr. HANSEN. No. I think Mr. Taeuber has done it well and I appreciate the opportunity.

Senator DOUGLAS. Thank you very much.

Our next witness is Mr. Trelogan, of the Department of Agriculture.

STATEMENT OF HARRY C. TRELOGAN, ADMINISTRATOR, STATISTICAL REPORTING SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. TRELOGAN. Mr. Chairman, and members of the subcommittee, I would like to thank you for the opportunity of appearing before you this morning to tell you about the steps we are taking to improve our statistics in farm employment.

The committee's major recommendations with respect to the USDA estimates were as follows:

With regard to the USDA estimates two alternative methods for improving the statistics should be explored:

(*a*) The first consists of strengthening the present system. Annual benchmarks could be developed from an enlarged annual enumerative survey, and the sample of farms which report currently could be made more representative. Data drawn from records of the Bureau of Employment Security might also be incorporated into the estimates.

(*b*) A second, more ambitious alternative, which the committee is inclined to favor, consists of developing a multipurpose probability sample of farms designed to provide current information on farming activities, including employment. The crop enumeration surveys could provide the basic framework, but a larger sample, enumerated more frequently, would be required.

A very quick perspective on the Department's estimates of employment may be helpful at this point. The Department's first estimates of total farm employment were made in January 1939, and in January 1941 were published on an annual basis back to 1909. Until 1958, estimates were published monthly but related only to geographic regions, and to the United States as a whole. Beginning in 1958 monthly estimates were published for 35 States, and group totals for the remainder. Beginning in 1963 monthly estimates have been published for each of the 48 contiguous States.

The published series of estimates shows the number of persons in each State who did farmwork in a designated survey week each month. Separate estimates are made for hired workers and for farm family workers. The latter group includes farm operators who did any work on their farms and those members of their families who worked 15 hours or more on the home farm without receiving cash wages.

The definitions which characterized the series and those which have been used in recent censuses of agriculture are in agreement. The census data have been used to the fullest extent in adjusting the levels of the estimates by States.

The month-to-month changes in levels in the SRS series are based on returns from mailed questionnaires directed to crop and livestock reporters. This valued source of information is highly reliable for the farms included in the sample, but it is necessary to make adjustments in the per farm averages reported to make them more representative of all the farms in the State. These adjustments are largest for hired workers in States which have large variations in the number of seasonal workers on fruit, vegetable, and other specialty farms which may not be adequately represented in these samples. The trend in many States is toward special inquiries to selected lists with less dependence on general sample lists.

When the collection of these data began, the techniques for collecting data were less developed than they are at present, and the mail questionnaire provided the means for collecting information at minimum cost. Historically, we have found it possible over the years to collect data of useful accuracy by the mailed questionnaire. These data are checked against the census at the 5-year periods, although in recent years the check date for hired labor has been subject to some inadequacies, since the 1954 and 1959 censuses were taken in November when hired seasonal labor was near the annual low point.

Even so, the increasing accuracy demanded of statistics has led us to be concerned over the years with some of the shortcomings of the mailed questionnaire. This is true not only with respect to the farm labor data, but with respect to the other information which is collected and published regularly concerning crop acreages, yield and production, livestock information, prices received by farmers, prices paid by farmers, and many related items.

This was the occasion for submitting in 1957 a comprehensive report to the House Agricultural Subcommittee on Appropriations outlining the needs of the Service and making recommendations for modernizing the statistical program. Recommendations for improvements in farm employment and wage rate information were included.

Since then the Congress has, from time to time, increased the appropriations available to the SRS (and its predecessor agency, the Agricultural Marketing Service), for undertaking some of the steps recommended in that report, and this has made possible several steps for modernizing our statistical methodology and improving the quality of the data collected.

Turning now to the first of the Committee's recommendations, we are glad to report progress. Annual benchmarks are being developed as part of our annual June enumerative survey; we have made some changes in our monthly inquiries; and we have undertaken the development of cooperation with the Bureau of Employment Security.

One of the most important of these recent developments—and the one most directly concerned with our estimates of farm employment—is our June enumerative survey. In this survey we send interviewers to query a stratified random sample of farmers concerning acreage of land in important crops, livestock numbers, and the number and cost of hired farm labor. This June enumerative survey, in addition to providing important data on certain crops and livestock, provides an annual benchmark for both farm and nonfarm employment, number of farms, farm population, farm wage rates, and hiring arrangements.

In the June survey this year, 24 Central and Southern States are on a full operating basis, and the 11 Western States are on a pilot basis. The remaining 13 States (Florida and the Northeast) are involved on a partial basis this year, since the June survey is being used to collect some additional information on farm labor for the Wage and Hour Division of the Department of Labor. As a result, we will have employment information from all 48 States in this year's June survey, but the sample will be small in all States and exceedingly small in half the States.

The questions on farm employment and farm wage rates that are included in this June survey, therefore, are giving us year by year increasingly improved current benchmarks for improving our data in line with the recommendations of the President's Committee.

In previous years, however, the coverage both among the various States and within States has not been sufficiently intensive to provide a wholly satisfactory basis for estimates. When we reach an operating basis in all States we should be in a position to have rather firm regional and national estimates of farm employment at the time of this survey. This will leave us, nonetheless, largely dependent on the mailed survey of crop reporters for State estimates in June and for all estimates during the remainder of the year.

A related development in connection with the 1964 Census of Agriculture is of great importance in this connection. Inasmuch as the major inquiry of the quinquennial agricultural census comes in the fall of the year when farm labor usage is at a minimum, the Bureau of the Census is considering a monthly or quarterly survey

throughout the year on farm employment as part of the census of agriculture.

This should provide for far firmer estimates of employment and a number of related matters than have been available heretofore. We are endorsing this proposal, except to cooperate in every practicable way, and will use the information in connection with our regular surveys. This census proposal, of course, is limited to the year 1964.

Another step which we have taken during the past year is to initiate cooperation with the Bureau of Employment Security. The State employment security agencies affiliated with the Bureau of Employment Security are now making available to SRS State offices their current appraisals of the number of seasonal hired workers in the important crop areas of the respective States covered in their reports.

These reports are extremely helpful, and our statisticians are moving toward closer working relations with State employment security agencies in developing more dependable farm employment estimates.

Conferences, including our Washington staff and our State office personnel, have been held with State employment security agencies during the past year in about half of the States which have the largest number of seasonal workers. SRS has a long history of supplying crop acreage and condition data to the employment security agencies, and relations are excellent between the State offices.

However, building a system of effective cooperation betweeen SRS and these State agencies requires somewhat more time and attention than has been given by our offices to the employment series in the past.

In New Jersey during the past 2 years we have found that seasonal hired workers in the active crop harvests far outnumber the regular workers, and we are now using the New Jersey Employment Service information on seasonal workers in building up our estimates of total hired workers. We also made two special wage rate surveys in New Jersey last year, which were highly informative to labor users and the general public. These surveys will be repeated again this year.

In Texas, plans are being made which should improve both the estimates of the State employment agency and the SRS. We are making changes in our questionnaires for Texas to test out the possibility of obtaining separate indications for seasonal workers and regular hired workers. This may aid in developing the cooperative approach.

In New Mexico and Arizona, the employment security data on seasonal workers are especially helpful, because of the relatively large importance of seasonal labor in these States, and plans are being made to incorporate this information in our estimates.

One of the most promising projects for developing effective cooperation and improved data is now in the advanced planning stages in Wisconsin. The Wisconsin office of the Statistical Reporting Service and the Wisconsin Industrial Commission are proposing to inaugurate a monthly survey of a probability sample of farms representative as to type of farm and size of farm. The sampling

frame is the Wisconsin State Farm Census which is summarized by the SRS office in Madison.

The inquiry would yield information on both the farmwork and the nonfarm employment of farm operators and members of their families. The farmwork and also the nonfarmwork of regular hired workers and seasonal hired farmworkers would also be obtained.

The basic method of data collection would be the mail survey, with periodic enumerations of nonrespondents. Information on the wage rates paid on these representative farms would be collected on our regular quarterly wage rate surveys. If we are able to complete arrangements for this survey, it should contribute substantially to improving the data, and should provide an example for developing similar cooperative arrangements for other States, to the extent that the necessary resources can be made available.

In California there is a possibility of developing a probability sample from persons reporting the insurance of hired workers, as required by State law. Such a project would require considerable expenditure, even though the work is shared by the California Department of Employment and our own office.

We also have taken some steps to broaden the information from our monthly questionnaire mailed to crop and livestock reporters. In 1963 for the first time we started obtaining the hours of farmwork performed in survey weeks by the farm operator.

Also, for exploratory purposes, we have started obtaining the hours of farmwork performed in May, August, and November survey weeks by unpaid family workers, and by hired workers. We are convinced that the estimates of numbers of workers need to be supplemented by regular information on hours worked.

Our efforts to improve the data we publish on farm employment, as well as farm wage rates, have had to be confined to what we can do with our existing resources. We are pushing this work as rapidly as our facilities will permit. Recognizing, however, the need for more intensive coverage in this field, we have included in a report made to the House and Senate Subcommittee on Agricultural Appropriations at the request of the House subcommittee a list of projects covering statistical information that is sorely needed in agriculture. One of the recommended additional projects relates to strengthening farm employment statistics.

This report was submitted during the last appropriation hearings, and is, of course, subsequent to the report of the President's Committee on Employment Statistics.

With respect to the "second, more ambitious alternative, which the Committee is inclined to favor," contemplating "a larger sample, enumerated more frequently," there is little doubt that considerably more accurate and extensive information could be secured by this approach.

There is no doubt, either, that it would involve considerable additional expense. With the resources presently available, this approach is out of the question, and the matter of how much precision and detail the Congress is willing to pay for is one which can be determined only by the Congress. I can assure you, however, that we will make use of all available resources as efficiently as possible.

Senator DOUGLAS. Thank you very much.

There are just two questions that I should like to ask. The first deals with possible economies that can be effected in the statistical services of the Government, and in particular with the use of computers. I would like to ask each of the agencies in turn and then ask Dr. Bowman, whether or not they have computers in the ordinary definition of that term. Not the old machines, but do you have the new computers—what about the Manpower Division?

Mr. McCauley. The Bureau of Employment Security makes arrangements here in Washington to use the BLS computer or other computers that are available on some of its work.

Some of our larger State agencies, I know, for example, the Pennsylvania agency has a very efficient computer system, and I think there are quite a number of possibilities here of taking advantage of computer runs that are needed for administrative purposes to check on the level of payments and other purposes and then get the research results as a byproduct.

Senator Douglas. Dr. Myers, do you have one or more computers?

Mr. Myers. Yes, sir; we couldn't operate effectively without them.

Senator Douglas. How many do you have?

Mr. Myers. I will ask someone else in the room to answer for me because it is a detail I can't give immediately.

Mr. Goldstein. We have now two IBM 1401's, and an IBM 650, and have an IBM 7070 on order.

Senator Douglas. Are these computers purchased or are they leased?

Mr. Myers. These are leased.

Senator Douglas. What is the rental per year?

Mr. Myers. I can't supply that myself.

Mr. Goldstein. Well, we will have to supply it.

Mr. Myers. I will have to supply it for the record. (See p. 118; also see statement of Raymond T. Bowman, pp. 120–123.)

Senator Douglas. I am on the scent of economies so you can do the statistical work you have to do and for which Congress has to appropriate more money.

I would say roughly from the preliminary studies I have made that we are spending well over a million dollars a year for the leasing of computers. So, I am on the trail of economies. How many hours a week, Dr. Myers, do these computers work?

Mr. Myers. Our computers for several years have been running on a two- or three-shift basis. We use them constantly.

Senator Douglas. How many days a week?

Mr. Myers. Six and sometimes seven.

Senator Douglas. That is you don't observe a 5-day week for computers?

Mr. Myers. No, we don't observe a 5-day week for computers; not at all.

Senator Douglas. Do they always work 6 days a week?

Mr. Myers. Not always, but usually.

Senator Douglas. Why can't you put them on a 6-day schedule—I mean, sweat the machines more even though you don't want to sweat the people?

Mr. Myers. We have made, I think, the fullest use of this depending on the stage of the work and the ability of our people to use them. Of course, no computer can be used full time every day

around the clock. This is true because maintenance requirements use what would otherwise be productive time. The amount of such required maintenance varies with the type and age of the computer. For our present equipment we schedule about 10 percent of one shift for inspection and preventive maintenance. Breakdowns occur which require additional time out from possible productive use.

Senator DOUGLAS. In other words, you take care of all of the demands of the Office of Manpower?

Mr. MYERS. We have even had a problem due to staff going to work at 2 or 3 o'clock in the morning to begin an extra shift. This has created some problem in terms of women employees being on the street late at night.

Senator DOUGLAS. I am not proposing that we reestablish the abuses of the early English factory system, but it does seem to me that we could have adults work at night.

Mr. MYERS. We have night shifts going regularly, sir.

Senator DOUGLAS. Why not a three-shift basis?

Mr. MYERS. We have—a very large part of the time we have been operating on a three-shift basis.

Senator DOUGLAS. Have you any estimate of how much we are paying for the rental of a single computer?

Mr. MYERS. I can supply that for the record.

Senator DOUGLAS. Then everyone will have forgotten it by that time. Doesn't anyone know here how much it costs—an approximation?

Dr. Bowman, you worked at this. What is the cost of renting a computer?

Mr. BOWMAN. I don't know what the rental charges are for computers, Senator.

Senator DOUGLAS. You are the chief supervisor of all statistics in the Federal Government, and you don't know what the lease, what the rental charge on a computer is?

Mr. BOWMAN. The rental charges for computers will vary widely depending upon the computer that is being rented.

Furthermore——

Senator DOUGLAS. Will you file for the record the leasing charges on each and every computer used by the Federal Government?

Mr. BOWMAN. I think it has virtually been published by the Budget Bureau in a publication which they issued indicating——

Senator DOUGLAS. That is your own organization. Make it available to us.

Mr. BOWMAN. It has been made available to one of the committees of Congress.

Senator DOUGLAS. Make it available again.

Mr. BOWMAN. OK.

Senator DOUGLAS. Have someone telephone immediately down there and find out from the Budget Bureau how much it costs.

Have someone telephone immediately.

Mr. BOWMAN. We have someone doing that now, Senator.

Senator DOUGLAS. What about Census? How many computers do you have, Dr. Hansen?

Mr. HANSEN. Mr. Chairman, we operate currently six large-scale computers, including one currently being installed.

Senator DOUGLAS. Six?

Mr. HANSEN. We own them. We operate them 24 hours a day, 7 days a week typically.

Senator DOUGLAS. You own them?

Mr. HANSEN. Yes.

Senator DOUGLAS. You don't lease them?

Mr. HANSEN. We lease a little auxiliary small equipment but we own the large computers.

Senator DOUGLAS. How much did you pay?

Mr. HANSEN. Varying amounts depending on the computers. We are installing one right now in which the cost will be about $3 million.

Senator DOUGLAS. $3 million, that is the most advanced one?

Mr. HANSEN. Yes; just being installed, not in use yet. The larger ones that we are using currently have been in use for several years, about two and a quarter million dollars, I believe. That may be subject to a little correction.

Senator DOUGLAS. Where did you buy them, IBM?

Mr. HANSEN. These are Remington Rand computers, these particular ones are.

Senator DOUGLAS. Will IBM sell its computers or will it only——

Mr. HANSEN. They will sell them.

Senator DOUGLAS. They will sell them?

Mr. HANSEN. Yes.

Senator DOUGLAS. When did that happen?

Mr. HANSEN. That happened more than 5 years ago, 5 or something like that years ago.

Mr. BOWMAN. That is right.

Mr. HANSEN. I think a little more.

Senator DOUGLAS. You say these computers work 24 hours a day?

Mr. HANSEN. Typically 24 hours a day.

Senator DOUGLAS. Seven days a week?

Mr. HANSEN. Typically 7 days a week.

Senator DOUGLAS. Do you have any problem of girls and boys going wrong because they work at night?

Mr. HANSEN. We have some difficulties, yes, but I don't think with girls and boys going wrong.

[Laughter.]

Senator DOUGLAS. According to Dr. Myers if you have the computers work at night this would cause people to go out on the streets at improper hours. I want to know whether you have had moral problems?

Mr. HANSEN. I am not aware of moral problems but certain administrative ones.

Senator DOUGLAS. You are not aware of any moral problems and your building is more isolated than the Labor building, isn't it? It is farther off from the center of the city.

Mr. HANSEN. We are in the suburbs. We are out in Maryland.

Senator DOUGLAS. You are out in Maryland? Six computers. Well, Dr. Myers, he set a good standard, 24 hours a day, 7 days a week.

You work sometimes two shifts, sometimes three, sometimes 6 days a week, sometimes 7, once in a while 5. What about Agriculture, how many computers do you have?

Mr. TRELOGAN. We have two computers, an IBM 650 and a 1401.

Senator DOUGLAS. Are those leased or purchased?

Mr. TRELOGAN. They are leased.

Senator DOUGLAS. Leased.

How much do you pay?

Mr. TRELOGAN. About $50,000 for the 650.

Senator DOUGLAS. A month?

Mr. TRELOGAN. Annually.

Senator DOUGLAS. $50,000 annually?

Mr. TRELOGAN. That is my understanding of it. It is pretty close to that.

Senator DOUGLAS. How many hours a week?

Mr. TRELOGAN. We are running about two and a half shifts a day on the 1401 and about one shift on the 650.

Senator DOUGLAS. Two and one-half shifts. For how many days?

Mr. TRELOGAN. About six.

Senator DOUGLAS. Six days a week.

What about Health, Education, and Welfare, how many computers do they have?

Mr. BOWMAN. They have some computers in—I don't know how many they have. They have some computers in their health and vital statistics area and, of course, they have a lot of computers connected with their old-age and survivors insurance program.

But just sticking to the statistical program, I would like very much to present a statement for this record which would indicate all of the computers that are in statistics work and the schedule of operations.

Senator DOUGLAS. I wish you would, because I am going to ask, in fact, I have already asked, GSA to centralize the purchase and to study the whole question of leasing of computers. I think there are great economies that can be made, particularly if instead of each department or each bureau thinking that they must have their own computer, the use of these can be pooled and a regular schedule worked out.

Mr. BOWMAN. Well, if the computers are working as you are suggesting 24 hours a day, 7 days a week, and they are being kept busy on that basis, then it seems to me if they are at the disposal of the agency that is making such use, this is a feasible and economical way of doing it. I would think that our record in the statistics program, while I can't give you the details right now, is excellent with regard to the use of machines on a continual basis.

Senator DOUGLAS. Let's find out, and let's not observe departmental or bureau lines but have a common pooling of all of these computers.

Mr. MYERS. Mr. Chairman, I can now supply some information on cost which I would like to get into the record.

Senator DOUGLAS. That has been slipped up to you from the rear?

Mr. MYERS. This has been slipped up after coming in by telephone.

Senator DOUGLAS. I see.

Mr. MYERS. The report we have is that the computers that we now rent, including 2 IBM–1401's, 1 650 and 75 smaller conventional machines such as key punches and key punch verifiers, run to a cost of $38 to $40 thousand a month.

Senator DOUGLAS. A month?

Mr. MYERS. A month, including overtime for the extra shift work; we are currently running about three full shifts.

Representative CURTIS. You mean labor costs or what?

Mr. MYERS. This is just rental.

Senator DOUGLAS. $38,000 a month, and you, Mr. Trelogan, are $50,000 a year?

Mr. TRELOGAN. I want to clarify my statement, this was only one machine.

Senator DOUGLAS. $38,000 a month. That is $456,000 a year.

Mr. MYERS. $38,000 to $40,000 a month. This has meant great economies to us.

Senator DOUGLAS. Well, couldn't you make greater economies now?

Mr. MYERS. I think we have made a very effective use of our machine equipment from the first time we got them at the BLS.

Senator DOUGLAS. Have you seen the report of the Comptroller General of the United States entitled "Study of Financial Advantages to Purchasing Over Leasing of Electronic Data Processing Equipment in the Federal Government?"

Mr. MYERS. Yes, we are familiar with that and we have given it attention and continue to, but we haven't yet decided it would be in our case advantageous to buy the machines.

Senator DOUGLAS. You lease, too, instead of purchasing.

Mr. TRELOGAN. Yes, sir. I want to clarify my statement. I was referring to the equipment we are using in the Statistical Reporting Service. The Department of Agriculture has considerably more computing equipment for its various programs. These facilities are pooled. The equipment I referred to we use in our Washington data processing center for the Department of Agriculture and we share the equipment with a number of other agencies.

Senator DOUGLAS. Inside the Department?

Mr. TRELOGAN. Inside the Department, yes sir. The cost I gave you was in response to a question about one computer that is rather old and going out of date.

Senator DOUGLAS. Is that the least expensive computer?

Mr. TRELOGAN. Well, computers are of a very wide range.

Senator DOUGLAS. Is that a fair sample?

Mr. TRELOGAN. They are of a very wide range of configuration, size, and types of ability.

Senator DOUGLAS. How much does the other computer cost?

Mr. TRELOGAN. It will cost more.

Senator DOUGLAS. How much more?

Mr. TRELOGAN. I am sorry I don't have those data with me but I can supply them if you like.

Senator DOUGLAS. I wish you would.

Mr. TRELOGAN. And a computer also requires ancillary equipment or supplemental equipment, that has to be rented along with it.

(The additional statement is as follows:)

We are in the process of shifting over from the old style IBM–650 machine, which is being phased out. The April rental on the 650 was $4,140, which is at an annual rate of $49,680. The April rental on the 1401 for a single shift was $7,480. In April we used a second shift, which cost an additional $2,791, or a total of $10,271. Considerable additional equipment is necessary as part of a computer installation, such as card punchers, sorters, collators, interpreters, printers, etc. For the month of April the cost of this supplementary equipment was $5,873, which was at an annual rate of $70,476.

Senator DOUGLAS. I don't know whether Congressman Curtis would join me in this but I would say why don't we enter into a compact that you can have half the savings that you make on the use of computers for the expansion of your programs, and then the taxpayers will take half. You could expand your programs by half the amount of the savings in computing.

Dr. Bowman, is that a handsome offer that I made? I hope Congressman Curtis will join me.

Representative CURTIS. I am interested in that.

Mr. BOWMAN. I was at the time looking at the figures that have been supplied to me. The information I have here is for the Government as a whole and it comes from the annual inventory report put out by the Office of Management Organization of the Bureau of the Budget which has been made available, I think, to the Congress. For fiscal year 1962, expenditures for computers and all of the peripheral equipment of computers, both for purchase, rent, and operation in all Federal agencies is $472,697,000.

Senator DOUGLAS. Exactly so, $472 million.

Now, you can't tell me that we can't make economies in that $472 million in at least two ways; first, pooling the use of the computers and, second, having some of the computers work more hours.

There is no problem of child labor here.

Representative CURTIS. Mr. Chairman, may I make a suggestion? I think this is a sizable enough item which this subcommittee might well pursue. There is a lot of information that I need to know and I want to ask this question.

As I understand computers today, one can be centrally located with many feeder stations that are physically miles away. But I don't know enough about it to talk about it——

Mr. BOWMAN. May I comment further on this, Senator?

Senator DOUGLAS. Yes.

Mr. BOWMAN. Of course, this is for the entire Federal Government. The statistical program will have a minute fraction of this computer work.

Senator DOUGLAS. I know that.

Mr. BOWMAN. Much of the computer cost is in the Defense Department. For rent alone the Government spent approximately $132 million in fiscal year 1962.

Senator DOUGLAS. What is that?

Mr. BOWMAN. For rent alone it was approximately $132 million. We have a special office in the Bureau of the Budget that is making specific studies of the computer setup.

Senator DOUGLAS. I know we can't assign all of these studies to a group of mandarins downtown.

Mr. BOWMAN. There is a committee of Congress working in this area.

Senator DOUGLAS. Which committee?

Representative CURTIS. Is it one of the appropriations committees?

Senator DOUGLAS. Mr. Thomas F. Corcoran is with us and I believe he wants to make a statement. Will you please identify yourself.

Mr. CORCORAN. I represent the Subcommittee on Census and Government Statistics which held hearings on these matters last year.

Senator DOUGLAS. Which side, Senate or House side?

Mr. CORCORAN. House side.

Representative CURTIS. Which one is that?

Mr. CORCORAN. Post Office and Civil Service, Subcommittee on Census and Government Statistics.

Representative CURTIS. It is not Government Operations?

Mr. CORCORAN. No, sir.

Representative CURTIS. Who is chairman of that subcommittee?

Mr. CORCORAN. Chairman Olsen of Montana.

Representative CURTIS. Oh, yes.

Mr. CORCORAN. I think, Senator, that every question you asked about rentals and so forth is covered in our Subcommittee hearings that came out last year, published in October of last year on the use of computers in the civilian agencies.

Senator DOUGLAS. Thank you for this information, Mr. Corcoran. Like Mark Twain's comment, everybody talks about the weather but nobody does anything about it.

Mr. Bowman, you may continue.

Mr. BOWMAN. Senator, if you would like me to, I would still like to try to get all the information together that is particularly applicable to the statistical program. This is my field of interest, and I have enough trouble maintaining contacts in it rather than in the overall Government.

But I would like to prepare for the record a statement on the use of computer equipment in the statistical program.

Now, in some cases this will be extremely difficult for the equipment is used for a variety of purposes. But we will do the best we can to allocate it to the statistical field.

(The following was later received for the record:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 14, 1963.

HON. PAUL H. DOUGLAS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR DOUGLAS: A copy of a report, "Brief Survey of Electronic Computers in the Federal Government's Statistical Operations" is enclosed for your use. This report was prepared following the discussion on the use of electronic computers in compiling statistical data which we had at the hear-

ings on the report of the Gordon Committee held by the Subcommittee on Economic Statistics, June 7, 1963. At that time, I stated that such a summary would be prepared for the record of the hearing.

Sincerely yours,

RAYMOND T. BOWMAN,
Assistant Director for Statistical Standards.

BRIEF SURVEY OF ELECTRONIC COMPUTERS IN THE FEDERAL GOVERNMENT'S STATISTICAL OPERATIONS

NOTE.—This report is assembled from unpublished reports submitted by the Federal agencies to the Bureau of the Budget in accordance with Budget Bureau Circular A–55. The reports were prepared during March 1963 and therefore the data, which refer to fiscal year 1963, are partly estimated. These reports will be included in a publication to be issued by the Bureau of the Budget, "Inventory of Automatic Data Processing (ADP) Equipment in the Federal Government." The preceding report in the series was issued August 1962, and is now out of print.

Nineteen bureaus and agencies are listed in the Special Analysis I, principal Federal statistical programs, in the 1964 budget. This list has been used to identify the bureaus to be included in this summary of the use of electronic computers in the Federal Government's statistical operations.

Of the 19 organizations, 12 either have no electronic data processing equipment or do not use what they have for the aspects of their work included in principal Federal statistical programs. Some of them contract with other agencies or private firms to have statistical compilations prepared on electronic equipment. These 12 are:

Economic Research Service, Department of Agriculture, which uses the departmental computer center operated by the Statistical Reporting Service.

Office of Business Economics, Department of Commerce.

Board of Engineers for Rivers and Harbors, Department of Defense, which does not use electronic computers in compiling its commercial statistics.

Office of Education, HEW, for which tabulation work is handled by the central data processing facility of HEW.

Bureau of Mines, Department of Interior, which uses service bureau arrangements for processing a number of its canvasses on electronic computers including mining engineering information.

Bureau of Employment Security, Department of Labor, which contracts with BLS to perform some work on the BLS computers. In addition, State employment security agencies utilize ADP equipment to compile statistical data for the Federal BES or internal State use.

Internal Revenue Service, Department of the Treasury, which has computers used in processing tax returns but currently contracts for the compilation of "Statistics of Income" with the Census Bureau and others.

Federal Home Loan Bank Board.

Federal Trade Commission.

Housing and Home Finance Agency.

National Science Foundation.

Securities and Exchange Commission.

The other seven agencies do have electronic equipment which is used at least in part for statistical operations. Detail on six of these ADP units follows. At the end of the list there is also added the Board of Governors of the Federal Reserve System, since it is responsible for compiling important Federal statistical series, even though it is not included in the budget. In some agencies, the statistical operations are a small part of the functions of the electronic computer operations. This is particularly true of the Social Security Administration for which information on statistical functions has to be given as an estimated percentage of the overall operations. In other cases, in which the ADP unit is primarily engaged in servicing a statistical operation, the entire unit is included even though a fraction of the time of the computers may be used for various internal administrative and personnel reports.

Disregarding SSA, there were 18 electronic computers engaged in statistical work. Of these, 5 were purchased, 11 leased, and 2 leased with an option

to purchase. On the average, these computers were used more than 350 hours per month, or twice as long as a one-shift, 5-day week operation.

The agencies reported their estimated use of computers during 1964, but since these estimates depend in part on 1964 appropriations, they have not been included here. The most important changes anticipated are the installation of another Univac 1107 by the Census Bureau and of an IBM 7070 by the BLS, replacing an IBM 650.

Computers in use in Federal statistical programs, fiscal year 1963

Agency	Model	Lease or purchase	Date installed	Average hours of use per month [3]
Statistical Reporting Service, Agriculture	IBM 650	L	May 1958	[4] 176
Census Bureau, Commerce	IBM 1401	L	August 1962	400
	Univac I	P	July 1959	500
	Univac I	P	August 1955	500
	Univac 1105	P	February 1959	550
	Univac 1105	P	June 1959	550
	Univac 1105	L [1]	October 1962	550
	IBM 1401	L	May 1962	225
	IBM 1401	L	October 1962	225
	Univac 1107	P [2]	June 1963	550
National Center for Health Statistics, PHS, DHEW.	IBM 1401	L	December 1961.	275
BLS, Labor	IBM 1410	L	May 1962	210
	IBM 650	L	January 1961	450
	IBM 1401	L	November 1961.	450
	IBM 1401	L	March 1963	225
Civil Aeronautics Board	IBM 1401	L	July 1962	[5] 229
Interstate Commerce Commission	RCA 301	L	December 1962.	200
Board of Governors of the Federal Reserve System	IBM 1410	L [1]	June 1962	240

[1] Lease with option to purchase.
[2] This estimate was made in March 1963. It is now expected that this computer will not be in operation until after July 1, 1963.
[3] Operating time, including rerun and program testing time, but excluding scheduled or unscheduled maintenance time and idle time. A 1-shift, 5-day week operation equals 176 hours per month whereas a 24-hour day, 7-day a week operation approximates 550 hours monthly, with allowance for normal anticipated down time (maintenance, changing programs, etc.). Figures reflect anticipated use as of June 1963.
[4] Use is low because computer is in process of being retired.
[5] Use now averages 341 hours per month, since A-55 report was submitted in March.

For each bureau or agency, the fiscal year 1963 man-years, computer rental cost, operating costs and capital outlay costs are shown for th ADP units with electronic computers which are primarily devoted to statistical work. Some of these ADP units perform work on contract for other Government agencies which either do not have their own units, do not have sufficient equipment to handle peakloads or do not have the specialized equipment necessary for particular jobs. Information on the dollar amounts of work performed for others is shown as part of the total operating costs.

The Social Security Administration is not included in the tabulation of expenditures. This agency performs large processing operations on electronic computers and also uses its computer equipment for a small fraction of the time to compile byproduct statistical data. SSA estimates that about 8.5 percent of its central accounting ADP unit, which operates its 11 computers an average of 520 hours per month, is devoted to statistical work. This percentage, when applied to the total expenditures data for SSA, provides estimates of expenditures on statistical processing as follows (in thousands of dollars):

	SSA
Computer rental	$301
Agency operating costs	1,172
Capital outlay costs	-----
Total agency costs for statistical processing	1,172

Expenditures for ADP operations in statistical agencies having electronic computers, fiscal year 1963

[In thousands of dollars]

Agency	Number of computers	Man-years	Computer rental	Operating costs				Agency capital outlay costs	Total agency costs
				Total	Work for others	Agency costs			
						Amount	Percent on statistical work		
SRS	2	110	$170	$1,158	[1] $655	$503	100	--------	$503
Census	8	648	308	6,222	[2] 1,652	4,570	100	4,496	9,066
NCHS, PHS	2	63	265	965	210	755	100	1	756
BLS, Labor	3	151	319	1,439	282	1,157	100	53	1,210
CAB	1	16	81	218	--------	218	100	--------	218
ICC	1	37	53	268	--------	268	60	4	272
FRB	1	11	177	282	--------	282	90	--------	282

[1] These services are provided to other agencies in the Department of Agriculture.
[2] Principal customers in fiscal year 1963 are the Defense Department, estimated at $409,000; DHEW, estimated at $154,000; IRS, $477,000; NSF, $36,000; SEC, $22,000.

NOTES

Man-years—Number specifically assigned to the ADP unit, including supervisors, systems analysis and programers, equipment operators, and supporting clerical personnel.
Computer rental—Does not include rental charges for supporting punchcard equipment. Computer rental is included in total operating costs.
Operating costs—Salaries, rents, contractual services and other operating costs. The total includes, but the agency costs exclude, amounts expended in doing work for others.
Percent of agency operating costs on statistical work—Percentage is shown as 100 percent for those bureaus which are entirely included in the statistical program in special analysis I, even though some fraction of the ADP time may be spent on internal administrative reporting.
Capital outlay costs—For purchase of computers, for purchase of other equipment and for site preparation; expenditures this fiscal year.
Total agency costs—Includes agency operating costs and capital outlay costs but excludes cost of work done for others.

Senator DOUGLAS. I think there are great possibilities of economy within the Federal Government. Think this proposal over, that I have tentatively thrown out. If we could get it authenticated, it is a good one.

You can grow out of one-half your savings, and we will have a cost reduction, profit-sharing plan of cooperation between management and labor.

Dr. Hansen.

Mr. HANSEN. I wanted to make one additional remark to clarify what I was saying a few minutes ago. I indicated we operate 7 days a week and we do typically on this equipment. This is very difficult to do and it should not be sponsored as the best way to operate. You need to have a little latitude, a day or two of latitude, to have some freedom to take on peak work and meet emergencies and things.

The other remark I thought you might be interested in is concerning equipment we have developed for our censuses and also use on the labor force and other surveys. With the cooperation of the National Bureau of Standards we developed and built automatic equipment that reads the results recorded on the questionnaires, without any need for manual punching. Microfilm copies of the questionnaires are scanned and read, and the information is recorded on magnetic tape that is fed into the computer system. This development has been a basis for important advances in timing and economy.

Representative CURTIS. On this, I think it is important to know, too, the number of trained personnel you have. As I understand it one of the big problems is preparing the information you are feeding in to the computer. In fact, that takes weeks or some length of time, and does require trained personnel. Am I correct in that?

Mr. TRELOGAN. That is right. I want to make the further point that within the Department of Agriculture the Secretary's Office has established a unit that does concentrate on this coordination of the use of computers.

Representative CURTIS. I happen to be familiar with what is going on at my college and we are trying to teach these techniques in all our disciplines.

This I just heard indirectly, but it is our concept in education today that a man is not well educated if he doesn't know the techniques available in computing. This also makes ignoramuses of people like myself. I don't know how I can talk to the new generation because I haven't the slightest idea of how to prepare material that is fed into these computing machines with which you gentlemen are familiar.

Am I right in my thinking that this is correct?

Mr. TRELOGAN. You are correct; and I want to make the point that the equipment cost is only a fraction of the cost of introducing computers into the processing of the statistics. The training of people is a very heavy cost that has to be covered before you can actually get them into operation efficiently.

Senator DOUGLAS. Now, the second point I would like to make is not a question at all but a comment in an attempt to rehabilitate the reputation of politicians.

Representative CURTIS. We need it.

Senator DOUGLAS. I believe there is a common underground belief among scientists and statisticians that politicians are ignoramuses and have no idea of any importance.

I would like to review very briefly nine recommendations which this subcommittee has made in previous years, which at long last have either been adopted by the agencies concerned or recommended by the Gordon Committee.

First, seasonal adjusted data. This was suggested as early as 1954–55. Finally adopted.

Second, improved data for State and local areas recommended as early as 1948, not yet adopted but recommended.

Third, regular collection and publication of data on part-time work. We have been recommending, I have been recommending that for 10 years. Finally it is put into effect.

Fourth, improved presentation of material. We have been urging that since 1954–55. Some progress at last since January 1962.

Fifth, questions as to the attitude and characteristics of the unemployed. Recommended clearly in 1961, but probably earlier. This, I understand, has been adopted.

Sixth, the data base book so that comparisons, historical comparisons, can be made in the field of employment and unemployment. We

asked for this in 1961. Recommended by the Gordon Committee; not yet adopted.

Seventh, job vacancies proposed by this committee in 1961, recommended by the Gordon Committee, not yet adopted.

Eighth, overall measure of rate of utilization of labor supply allowing for part-time, overtime, and so forth, urged from 1954 to date, finally adopted.

Ninth, collection, publication and analysis of data on gross flows in and out of labor force; urged in 1961.

I dare say we will find other things, but these are just a few jottings of instances where the politicians were ahead of the others.

Representative CURTIS. I don't know whether these are points I want to make now, but I want to know where we are going and look at what is being done. I think we should have had on our panel discussion someone from the Department of HEW. None of these papers are by them, are they? I am anxious to find out how much coordination exists particularly between the Department of Education, and the Bureau of Labor Statistics comparable to what we have learned is the coordination in the Department of Agriculture. I have felt that we almost need to develop a third category. We have unemployed and employed, and a third category is training or in education just because it is in and out, and is getting more and more important in the field of education.

Can anyone comment now in a general way for the record about any coordination in this? What really meshes apprenticeship training in Labor and vocational education in HEW?

Mr. MCCAULEY. There may be other representatives of the panel who would like to comment but I would like to say just a word about cooperative activities of the employment security system and the Office of Education.

First of all, at the local level the officials of our local employment offices are now working more closely with local school officials than ever before. When we are planning to conduct an area skill survey, we talk this over with the educators to see what kind of questions they might like to have included in the survey.

We carefully go over the results with them. In many cases information turned up by the area skill surveys has influenced plans of educators for setting up area vocational schools or has affected their curriculum.

Now, in addition to this kind of a normal exchange of research information, we have some very specific cooperation under the Manpower Development and Training Act and the Area Redevelopment Act. Here we join hands with the educators in the local community and develop training programs that will prepare people in occupations where there is a reasonable expectation of employment.

Representative CURTIS. May I interrupt for just a minute?

Mr. MCCAULEY. Yes.

Representative CURTIS. I am very interested, but I am really concerned more in the statistical area.

Mr. MCCAULEY. Yes.

Representative CURTIS. What is being done to develop our knowledge of this? Let me put it in context a little more.

For example, we say the work force begins at age 14. I think this was fairly accurate 30 years ago. But today, with the average entrant at around 19 years of age, we have seen shifts which we ought to be measuring as it goes along. We have a hybrid category here. The student is what we used to call the apprentice, and can be going along for some time.

The report you just referred to starts out, "Because the unusually sharp increase in the number of teenagers looking for jobs." This is part of the combination of primarily students and the increase of summer employment. But I am thinking in terms of statistics. After all, the kind of statistics that are developed here will be developed to some degree in the Department of Education, but there needs to be the coordination we have seen between Agriculture and the Department of Labor.

Mr. MCCAULEY. I am sure Mr. Myers will want to comment from the overall statistical point of view but I would just like to remark that in developing a training program under Manpower Development and Training Act in a particular local community there are certain practical operating statistics that are important here in developing this training program and it is in this context that we are working particularly closely with local educators.

Representative CURTIS. Yes.

Mr. MYERS. Yes, Mr. Curtis, we have very close contacts with the education office in developing concepts and reviewing the definitions of the employed and unemployed, and also in our work on occupational guidance where we do a great deal of work in terms of determining job opportunities in particular trades, crafts, skills.

Now, in the work of the Gordon Committee one of the questions they took up, you may recall, is consideration of this matter of changing the lower age limit for the definition of the labor force.

Representative CURTIS. I know they did, yes.

Mr. MYERS. They decided, and this is a conclusion we had reached, too, that it really makes, in terms of the 14- and 15-year-olds which is a group they gave particular attention to, it really makes very little difference whether they are in or out as far as the unemployment rate is concerned.

In most months it wouldn't make any difference in the rate at all.

If you get to the older kids, 16, 17, 18, and 19 it makes a somewhat greater difference in the unemployment rate. But from the point of view of our national labor resource, this is certainly one of the groups that we depend on to a good extent.

Representative CURTIS. Exactly. We also need to know, not on a monthly basis perhaps, but at least on a yearly basis, the amount of training that is going on in adult education, which is a tremendous development.

This touches right into the problem of not so much unemployment as employment, which I mentioned in my minority views to the previous report of this subcommittee. I wish we would talk about the

positive, the employment problems, and the statistics we should have there. We are just beginning to get into job vacancies.

But when we get into that, we are touching apprenticeship training, vocational education and adult education, and really this is not the panel to bring this out, because it should be with the people in HEW. I would like to know what they are doing, and question you only so far as your work touches that. That is the reason I raise the point at this time.

Mr. MYERS. Yes, we are among the greatest users of this material, which we get from the Office of Education. We are not joint producers of it.

Representative CURTIS. It is not very good material. That is my primary comment, but I don't like to say it without the people who are responsible for it to have a chance to answer back at the same time. I probably shouldn't have stated my prejudice at this point, but I really don't think they have been digging into it. I can't even find out base figures of how much adult education or on-the-job training is going on, or what companies themselves are spending a year for training and retraining.

I don't know what data already are available on this, but I think we'd find quite a bit if they were only collated and brought together. The mobility of labor is an index that we do get data on, I know, and that is why I was pointing to the mobility in two ways—not only shifting from occupation, but also shifting geographically.

Some of this comes out, but it becomes quite important in a dynamic economy which is, as I have described it, growing so fast that we have some serious growing pains. This isn't a tired economy that is sluggish. It is quite the opposite, and those who are interpreting it as tired and sluggish are prescribing some very deadly medicine. They can stop the growth by just taking this medicine. But I was just seeking what could be done here.

Let me mention two other categories for the record and further answer, if you would care to comment.

In this category of who are the unemployed, or at least who are the employed, we have been developing a little better this concept of heads of family. But I would like to go a little further and specify heads of family responsible for how many people? We get into this in the welfare problems, such as aid to dependent children, and I think it would be interesting to know how our unemployment figure is related to those who are dependent upon the person who is unemployed.

Assuming you have an unemployment figure of 4.1 million, what does that include in our society from the standpoint of those who are dependent upon that unemployed person for a livelihood? A gross figure like that could be computed from time to time, and I think we need to do something along those lines.

Certainly in breaking this down into who are the unemployed, not only is it the head of the family that must be counted, but also those dependent upon him. Furthermore, you have in some families more than one worker such as women and young adults before they

are married. I know you have a lot of this, but is it compiled in the way I am asking with regard to dependents of the unemployed?

Or is this just a matter of my ignorance?

Mr. MYERS. We have quite a bit of this information and we are producing more now than we were a few months ago. For example, we distinguish a single person who is head of the family from those who are the head with dependents, and at least we can identify from time to time families in which there are more than one worker.

I think we will occasionally be able to give an indication of the number of persons dependent, perhaps through special analysis rather than systematic monthly collection.

Representative CURTIS. Well, as I say, it comes to my attention in the aid to dependent children.

The third category is the older person. More than ever before in our history, and probably uniquely so, we have a large category of people who actually are on pensions and work part time. This is—and I point this out—increasingly so, because company labor-management pension programs are coming into fruition. I think some 23 million employees are under pension programs today.

We need to have the data on that. Why can't we get a statistic that will give us that picture too, because that is a different category of unemployed or employed people for that matter. In fact I am more interested in knowing how many are employed. Some of our people are pensioned at age 50—firemen, policemen, some of our civil service, Foreign Service, and military come out at early ages with a substantial pension. And that is becoming sufficiently large enough a group where we need to get more statistics.

Would anyone offer any comment on that?

Mr. MYERS. Well, I don't think that we can now supply current data on the number of employed and unemployed who are receiving pensions. That is a very difficult question to deal with since some will be more or less nominal pensions and some will be substantial.

Representative CURTIS. I understand that.

Mr. MYERS. I think it would be possible to get this through a special inquiry.

Representative CURTIS. To some degree, you can get this from your present social security figures, because of the exclusion that we have if they aren't beyond a certain point. We have some data in that particular area, but I think we should get more information on the major company plans and those who are their pensioners.

I don't even know how large a group our pensioners are. The Federal pensioners we would have some idea perhaps.

Representative CURTIS. Did you have a comment?

Mr. TAEUBER. Yes, I wanted to comment we are currently at the Bureau of the Census doing a survey for HEW trying to get at the living arrangements of older persons, which gets into their sources of income as well as their activity as employed or self-employed or what not.

Representative CURTIS. That would give you a benchmark. I am real pleased that we will know that because there are two things

that we are doing in this whole field. We are getting benchmarks, as well as talking about statistics on a current basis of some sort, whether it is monthly, quarterly, or annually.

What you are talking about is a benchmark, is that right?

Mr. TAEUBER. This is a one-time survey.

Representative CURTIS. Yes, a one-time survey. Is that what you were referring to, Mr. Chairman, when you asked about whether this book was being developed of what I understood to be benchmarks?

Senator DOUGLAS. Yes.

Representative CURTIS. Maybe, my mind works this way. If we consider statistics, as we are trying to here in those two major categories, we consider those that need the current statistical series and those for which we need to establish benchmarks from time to time. I have been suggesting that we need more than benchmarks for some of these. Certainly in education adult training area we need more than benchmarks. Also with pensioners increasing the way they are, we need more than benchmarks.

Senator DOUGLAS. Well, thank you very much gentlemen.

I want to say we appreciate your coming here this morning.

(Whereupon, at 12:35 p.m., the committee recessed subject to call of the Chair.)

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