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JOB VACANCY STATISTICS



A REPORT

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OF THE

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LETTERS OF TRANSMITTAL

JUNE 8, 1966.

To the Members of the Joint Economic Committee:

Transmitted herewith for your consideration and use, and for the use of other Members of Congress and other interested parties, is a report entitled "Job Vacancy Statistics" by the Subcommittee on Economic Statistics.

Sincerely,

WRIGHT PATMAN,
Chairman, Joint Economic Committee.

JUNE 6, 1966.

HON. WRIGHT PATMAN,
*Chairman, Joint Economic Committee,
U.S. Congress, Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith is a report by the Subcommittee on Economic Statistics based upon hearings into the feasibility and usefulness of a regular survey of job vacancies. The report, entitled "Job Vacancy Statistics," contains a summary of our findings, together with our recommendations.

The subcommittee believes that the regular collection and processing of job vacancy statistics would raise the efficiency of the Nation's manpower programs and of the labor market in general. It recommends that the development of the job vacancy program proceed as rapidly as possible.

We wish to thank the witnesses for their excellent papers and observations. The participating witnesses were:

Frank H. Cassell, Director, U.S. Employment Service.

Vladimir D. Chavrid, Director, Office of Manpower Analysis and Utilization, U.S. Employment Service.

Daniel Creamer, manager, special projects department, National Industrial Conference Board.

Nathaniel Goldfinger, director, research department, American Federation of Labor and Congress of Industrial Organizations.

John G. Myers, senior economist, National Industrial Conference Board.

Arthur M. Ross, Commissioner, Bureau of Labor Statistics.

Sincerely yours,

WILLIAM PROXMIRE,
Chairman, Subcommittee on Economic Statistics.

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JOB VACANCY STATISTICS

INTRODUCTION

Hearings on job vacancy data, held May 17 and 18, were designed to review developments subsequent to the recommendation of this subcommittee in its report on "Employment and Unemployment" of January 1962. The recommendation called for research into the feasibility and usefulness of a regular survey of job vacancies. Such information was thought to be useful "in analyzing labor markets, in operating employment services, and in developing practical worker training and retraining programs * * *"¹

The subcommittee was not alone in proposing research on job vacancy information. In 1962, the President's Committee To Appraise Employment and Unemployment (also known as the Gordon Committee) wrote:

The Committee has been impressed by the widespread interest in statistical series on unfilled jobs. The present lack of such data constitutes one of the more conspicuous gaps in our labor-force information.²

The subcommittee, as part of its continuing program for improved statistics for economic growth, last year asked individual economists, representatives of interested private organizations, and statistics users for suggestions on the improvement of Government statistical programs in general. A number of respondents mentioned that one of the major opportunities for improving economic knowledge lies in providing statistics which would show, as currently as possible, the number and types of job vacancies. Some correspondents cited the usefulness of job vacancy data in guiding public and private training and retraining programs; others suggested that data on job openings would give a better picture of current opportunities in the labor market. The point was made that even when unemployment is high, certain jobs go begging, but that no reliable information now exists on the number, location, or type of these jobs.³

The comments received from the individuals and statistics users were later submitted to the Office of Statistical Standards for comment. They, in turn, obtained the comments of the Government agencies concerned with the several suggestions. After studying these proposals, the Bureau of Labor Statistics last fall summarized its conclusions about job vacancy data in these words:

The Department has made pilot studies of the feasibility of collecting job vacancy information from employers and of the questionnaires and survey designs most appropriate for doing so. These studies clearly indicated that such a program is feasible. The Department is continuing to work on a number of problem

¹ "Employment and Unemployment," report of the Subcommittee on Economic Statistics, January 1962, p. 6.

² Measuring Employment and Unemployment, President's Committee To Appraise Employment and Unemployment Statistics, 1962, p. 25.

³ Improved Statistics for Economic Growth—A Compendium of Views and Suggestions From Individuals, Organizations, and Statistics Users, materials submitted to the Subcommittee on Economic Statistics, 1965.

areas, including the task of getting accurate occupational data for the vacancies, evaluating the data to determine whether jobs are vacant because of the wage rates or conditions of work offered, and the general problem of developing a survey system to provide the data at minimum cost.⁴

The subcommittee believes that it is particularly appropriate to review the possibilities for better job market information at this time. The present inflationary pressures and relatively high level of employment make it more essential than ever to improve the efficiency of the labor market.

I. USES OF JOB VACANCY STATISTICS

Commissioner of Labor Statistics, Arthur Ross, testified:

The lack of vacancy information constitutes the most significant gap in our knowledge of labor market conditions. Statistics on job vacancies would give us a measure of unsatisfied demand for labor which, together with our data on employment, would provide a more complete measure of the demand for labor—something we have never had before.⁵

Operational uses

Job vacancy statistics would have the following operational uses:

(1) Vacancy data would disclose unmet needs for workers in a wide range of occupations, and would indicate training requirements in such programs as those provided by the Economic Opportunity Act and the Manpower Development and Training Act which states that the Secretary of Labor "shall determine the skill requirements of the economy * * *"⁶

(2) Job vacancy information, collected in the pilot studies, has been used for establishing vocational training courses for both adults and high school students.

(3) Vacancy information has also been used in counseling workers and others about to enter the job market as to their opportunities.

(4) Vacancy data would aid the Employment Service in matching unemployed and underemployed workers with available job openings. This would apply both to placements within areas and among areas. In the later instance, the data would aid in bringing employees in labor surplus areas into contact with employers in labor shortage areas, and vice versa.

(5) Vacancy statistics have been useful in helping Employment Service staff to structure their contacts with employers more effectively.

(6) Job vacancy information can be used by business firms to get a picture of the area in which they are recruiting workers, and thereby develop more effective recruiting policies. This would be especially valuable to firms considering new plant locations.

(7) The survey of job vacancies might stimulate firms to improve their efficiency through more conscious manpower planning.

(8) Such information could be of equal value to labor organizations in evaluating the demand for the services of their members and in developing policies for training, apprenticeship, and collective bargaining.

(9) Information on job openings is essential for the operation of any program designed to assist in the geographic transfer of workers, as is

⁴ Improved Statistics for Economic Growth—Comments by Government Agencies on Views Submitted to the Subcommittee on Economic Statistics, March 1966, p. 44.

⁵ Arthur M. Ross, testimony before the Subcommittee on Economic Statistics, May 17, 1966.

⁶ Manpower Development and Training Act of 1962, as amended (42 U.S.C., 2571-2620), p. 6.

now provided on a pilot basis by the Manpower, Development, and Training Act.

(10) In addition, such information would enable more effective programs to deal with plant closures.

Analytical uses

In addition to their contribution to ongoing programs, job vacancy data, when used in conjunction with information on employment, unemployment, labor turnover, and hours of work per week, would be useful in analyzing current economic situations and in making major policy decisions dealing with manpower development, unemployment, labor shortages, and inflation. Vacancy information would have the following analytical uses:

(1) Vacancy data could be useful in predicting the occupational needs of the Nation.

(2) Vacancy statistics could serve as a leading indicator of the level of general economic activity.

(3) The Commissioner of Labor Statistics has indicated that vacancy data would aid in the preparation of regular reports to the President on current manpower shortages.

(4) Vacancy data would indicate tight labor markets and thus serve as a signal of imminent wage increases.

(5) Information on job vacancies would be an indication of the ability of the economy to undergo the stress of structural change; for example, rapid defense buildups, or layoffs in employment stemming from shifts in demand or technological developments.

(6) Vacancy data and trends in these data by occupation, industry, and area would be helpful in determining the extent to which aggregate demand could be increased without wage and price inflation. However, it seems unlikely that such information could identify the causes which led to a given stock of unemployment.

It is impossible to foretell all of the analytical uses of the vacancy data since they will be used extensively in research. As in most research, it is to be expected that there will be discussion and argument as to what constitutes "proper" use of the data.

II. PILOT STUDY FINDINGS AND CONCLUSIONS

The subcommittee reviewed the findings of a number of pilot studies to determine the feasibility, progress, and problems in the regular collection of job vacancy data. From 1964 to the present, the Department of Labor has been engaged in pilot studies of 16 major labor areas involving about one-quarter of the national labor force.¹ In addition to specialists from the Labor Department, the subcommittee heard a report on a pilot study of the Rochester, N. Y., area, conducted by the National Industrial Conference Board. The findings of these studies are that a program of job vacancy collection is feasible; the cooperation of employers excellent; and the technical problems of vacancy definition and sampling can be coped with effectively.

¹ The following areas were included in the pilot studies: Baltimore, Birmingham, Charleston, S.C., Charleston, W. Va., Chicago, Kansas City, Los Angeles, Miami, Milwaukee, Minneapolis-St. Paul, New Orleans, New York, Philadelphia, Portland, Oreg., Providence, and Richmond.

After considering various alternatives, the Department of Labor used the following definition of "job vacancy" in the questionnaire sent to employers:

A current job vacancy is an existing employment opportunity in your establishment for some worker from outside your firm (i.e., a "new" worker—not a company employee) for a job that is unoccupied and immediately available for occupancy by a "new" worker for whom your firm is actively searching or recruiting.²

Among the findings and conclusions of the pilot studies are the following:

(1) Approximately four out of every five employers cooperated by providing information on job vacancies.

(2) More than one-half of all reported vacancies had been unfilled for at least 1 month prior to enumeration and were therefore considered "hard to fill."

(3) In the areas where wage information was gathered, the wages for the job openings were equal or above the customary starting wage for the occupation and area. Standard or higher wages were associated with 80 to 85 percent of the reported vacancies.

(4) The demand for workers in certain occupations was general among all geographical areas, while in other occupations it was concentrated in specific areas. Highly trained persons, clerical and sales workers, some types of service workers, and particularly nurses were generally in short supply.

(5) Later checking by personal interview indicated that there was a tendency for employers to understate vacancies by about 12 percent—a magnitude considered not unreasonable. The sampling variability was not large, either. In the April 1965 survey, chances were 95 percent that the estimates attained by sampling would differ by less than 3.4 percent of the results obtained by complete enumeration.

(6) The quality check of the surveys also found that the concepts, definitions, instructions, and schedules were satisfactory, effective, and generally understood by the respondents.

III. PROBLEMS

As is the case with almost all statistics, the publication of job vacancy data could lead to the possible misinterpretation and misuse of the information. This could arise if some users of the data subtracted the number of vacancies from the number of unemployed and attached an overly simplified meaning to the results. Estimates of vacancies can be compared to unemployment figures only with extreme caution. The characteristics of the unemployed workers may differ from employers' needs, and vacancy statistics tell little about job pay, fringe benefits, or working conditions. In addition, the reliability and meaning of the vacancy statistics are much less precise than the unemployment statistics.

Most of the fear concerning the possible misuse of the data is associated with its analytical uses. Although opinions differ as to the theoretical or analytical usefulness of the data, there is general agreement concerning the potential operational uses of the data.

² Arthur M. Ross, testimony before the Subcommittee on Economic Statistics, May 17, 1966.

Opinions also differ as to the type and amount of information that should be collected on the job openings. For example, should information on the minimum amounts of experience and education be required? Should information be collected on vacancies that will become available in the future, though in a separate category from vacancies immediately available?

Identification of occupations is another major problem of the job vacancy program. Employers and employees are often unfamiliar with the official definitions as found in the "Dictionary of Occupational Titles." There is a continuing need to make the system of occupational classifications more in accordance with skill and training requirements, hiring, and promotional procedures.

Many job markets are highly specific with respect to job requirements, hiring, and promotional procedures. In some industries and occupations, promotions tend to be internal to the firm. Vacancy data, therefore, would not provide a complete picture of the changing content of jobs and of employers' actual hiring practices.

IV. COSTS AND ALTERNATIVES

The precise cost of a reasonably satisfactory job vacancy program was not known by the witnesses. Rough estimates were between \$5 and \$8 million. The Department of Labor has requested \$2.5 million to expand the collection to a quarterly basis for approximately 80 major labor areas.

These cost estimates can perhaps be put into perspective by calling attention to the magnitude of some of the potential benefits of the job vacancy data. If the \$2.5 million program led to slightly more efficient use of the several billions of dollars appropriated to manpower development, the investment for data would pay handsomely. If it enabled unemployed or underemployed workers to find productive jobs, the investment would pay a private dividend to the individuals; it would pay a public dividend in the form of additional tax dollars and lower welfare payments; and it would pay dividends in terms of greater real national output. Job vacancy information, along with manpower retraining, can help to break the bonds of isolation afflicting low income persons in urban ghettos, areas of chronic high unemployment, and subsistence agriculture.

In view of the problems and cost of a regular, large survey of vacancies, the question arises as to the availability of alternative approaches. At the present time, there are partial indicators of job vacancies which include job listings at the Employment Service, the National Industrial Conference Board's "Index of Help Wanted Advertising," "Display Ads for Executive Positions" (published in *Executrend*), and numerous professional media.

The pilot studies indicated that about 30 percent of job vacancies were listed at the Employment Service. The Employment Service task force and the Secretary of Labor have indicated the great need to strengthen the Employment Service and private employment agencies in order to facilitate the matching of opportunities and workers. Particularly, the present system of interarea placement is slow and ineffective.

Clearly, the job vacancy program is no substitute for effective private employment agencies and a strengthened public employment

service; and it is no substitute for more long-range projections of manpower needs. In general, the vacancy program would complement other manpower programs. Perhaps it would displace the present area skill surveys which attempt to guide area planning and manpower retraining programs.

Witnesses indicated that job listings at the Employment Service and the NICB Index were not adequate substitutes for the survey and tabulation of job vacancy statistics. Job listings accounted for about 30 percent of all vacancies; however, the extent of listing varied substantially from area to area. The "Index of Help Wanted Advertising" does not have full coverage of occupations and areas, and there is some overlapping of advertisements for the same position in numerous newspapers. These indicators of job openings do not perform the task envisioned for the vacancy statistics.

V. RECOMMENDATIONS

The subcommittee is gratified by the progress made in developing the concepts and procedures for the regular collection of job vacancy data. It is an example of research responding to a practical need. In addition to the extensive work connected with the pilot studies, specialists from government, the universities, private research institutions, and organized labor have contributed by way of a conference on The Measurement and Interpretation of Job Vacancies¹ held by the National Bureau of Economic Research, with support from the Office of Manpower, Automation, and Training. Additional research on Measuring Job Vacancies has been completed by the National Industrial Conference Board,² on a grant from the Ford Foundation.

After careful review and consideration, the subcommittee recommends that the program of regular collection of vacancy data proceed as rapidly as possible, and particularly that it be expanded to the 80 major labor areas as recommended by the Labor Department. Significant progress has been made on the difficult problems of definition and procedure, although there will undoubtedly be continuing clarification and improvement as experience is gained. It is time to expand the program further.

It is difficult to conceive of a more obvious way to improve the amount of useful information available to workers and employers in the labor market. Such information would promote efficiency and greater equality of economic opportunity. In addition, it would feed the needs of the Nation's new and growing manpower development programs.

¹ The Measurement and Interpretation of Job Vacancies, National Bureau of Economic Research (New York: Columbia University Press), 1966.

² John G. Myers and Daniel Creamer, Measuring Job Vacancies—A Report on a Feasibility Study in the Rochester (N.Y.) Area, National Industrial Conference Board (New York), 1966.